



Lidl Finland

# Making sustainability part of everyday life

Sustainability report 2019–2020



# Information in the report

Lidl Finland publishes a sustainability report every two financial years. This is the company's second sustainability report, and it covers 2019 and 2020 (1 March 2019–28 February 2021). This report was published on 3 September 2021. Lidl Finland's previous sustainability report was published on 1 September 2019.

This report describes Lidl Finland's operations. The indicators presented in the report only apply to Lidl Finland's operations unless otherwise mentioned. The sustainability report was prepared in accordance with Global Reporting Initiative (GRI) standards for sustainability reporting, and it corresponds to the core level in terms of scope. We have also reported on Lidl Finland's own material topics in accordance with

reporting practice under the GRI standards. The GRI Content Comparison lists the GRI standard reporting content from Lidl Finland and indicates where information on them can be found.

The environmental information and personnel data presented in the report has been verified by an external, independent agency.

**i** More information about Lidl Finland's sustainability work and sustainability reporting is available by sending an e-mail to [media@lidl.fi](mailto:media@lidl.fi) and on the Lidl Finland website at [www.lidl.fi/vastuullisuus](http://www.lidl.fi/vastuullisuus).



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# Our achievements in 2020



## Working towards the 1.5 degree target

We are committed to the Science Based Targets initiative as part of the Schwarz group, which joined the initiative in 2020. Lidl's new international climate targets were drawn up according to the SBTi methodology so that they help to limit climate warming to 1.5 degrees. On an international scale, Lidl's aim is to reduce the emissions resulting from its operations by 80% in comparison to the 2019 level by 2030. Starting in 2022, we will compensate the emissions caused by our operations. This will make us Finland's first carbon-neutral retail chain.\* p. 38

\*We will compensate our greenhouse gas emissions for scope 1 and 2 by participating in Gold Standard-certified climate projects.



## Share of waste reaches record low

We succeeded in reducing food waste so much that food waste only accounted for 1.3% of food kilograms. We have managed to keep the share of waste low from year to year, but we achieved a record low in 2020. In part, this was because of Too Good to Waste sales. All of our stores sell fruit, vegetables and baking point products left over from the previous day at discounted prices. The amount of food sold in Too Good to Waste sales and at a discounted price increased to 5.9 million kilograms in 2020. p. 44



## Biodiversity is ensured in our stores

In autumn 2020, we opened the Vapaala store in Vantaa, where biodiversity is taken into consideration in various ways in the yard. Good experiences from the pilot store include a decaying wood fence and an insect hotel. Biodiversity in vegetation is now part of yard design for every new store. In the future, an ecological assessment will be performed for each new store plot, providing the basis for planning solutions that support biodiversity in yard areas. p. 43



## The first wooden Lidl store

We started building Finland's first wooden Lidl store in Riihimäki. In a wooden store, all the support structures, including exterior walls, intermediate roof and roof structures are made of wood. The store facade is also made from wide wood panels. Replacing steel with wood reduces the carbon dioxide emissions produced by construction by nearly 25%. The opening ceremony for the Riihimäki wooden store is scheduled for late 2021. p. 43



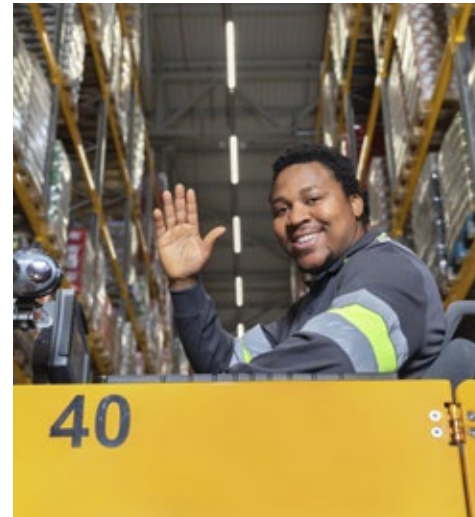
### **We only use sustainably produced cotton**

We want the cotton used in our products to be cultivated in an ecological and socially sustainable manner. We set a target that, starting in 2023, all the cotton used in our private label textiles will be of sustainable origin. Procurement policies for cotton and other raw materials whose production poses a risk ensure that our product range is as sustainable as possible and makes sustainable choices easy. The policies always apply to our private label products, which account for approximately 75% of our range. p. 21



### **Pakkaustarinoita (Packaging stories) 2021 contest**

In order to further our plastics target, we launched the Packaging stories 2021 contest for companies and educational institutions. The aim of this contest was to find packaging solutions that can reduce the use of excess plastic, improve the recyclability of packaging, and create something new. A jury of experts selected five winners from the nearly 80 submissions. Each winner received a prize of 10,000 euros and a sculpture made of recycled plastic. p. 37



### **A significant pay increase**

At the beginning of September, we increased the wages for warehouse employees working in distribution centers. This increase consists of a logistics increment and personal performance bonus in addition to the pay specified in the collective agreement. The amount of the logistics increment is determined according to years of experience and workplace location. Pay increases totaling hundreds of euros applied to approximately 750 employees in different parts of Finland. We have already been paying our store employees a Lidl increment (Lidl-lisä) in addition to wages in accordance with the collective agreement for a long time. The Lidl-lisä is 1.5–10% of basic pay. p. 48



### **A recycling champion**

We sorted and recycled more than 20 different fractions in our stores and distribution centers. These included plastic, cardboard, cans, bottles, and paper. We're constantly looking for new ways to recycle materials – for example, we've started to recycle flower pots and bulk sweet boxes. Our efficient recycling operations means that we recycle 93% of the fractions that we receive. Our goal is to keep our recycling rate above 90% at all times. p. 44

# From the CEO



Over the past 20 years, Lidl Finland has become a permanent part of the everyday life of Finns. We have increased competition in the industry and done our part to ensure that everyone can afford quality food.

The coronavirus pandemic that hit at the beginning of our financial year catapulted Finland and the world into a completely new situation. As a grocery chain, we are responsible for ensuring the availability of food and the health of our customers and our employees. I'm proud of our employees, who have worked hard every day to guarantee that our stores are safe places and food is always available.

The coronavirus situation proved once again that we are an agile operator capable of reacting quickly to constantly changing circumstances. It also showed that refined processes and operating methods are a great advantage in uncertain conditions. Well-functioning basic processes make it possible to develop operations – even during a pandemic. A good example of this is the Lidl Plus

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*We are responsible for ensuring the availability of food and the health of our customers and our employees.*

benefits program launched in summer 2020. Our customers have adopted the Lidl Plus application and user numbers continue to increase.

We're constantly looking for new ways to serve our customers better. The customer perspective is also very visible in our sustainability work. Our goal is to offer our customers Finland's most sustainable food basket and make sustainable choices as easy as possible. This is made possible by our comprehensive policies on choice of products, which ensured that our shelves contained over 1,300 sustainable label products in 2020. These products also ended up in shopping baskets, because sustainable label products accounted for 10.5% of our turnover.

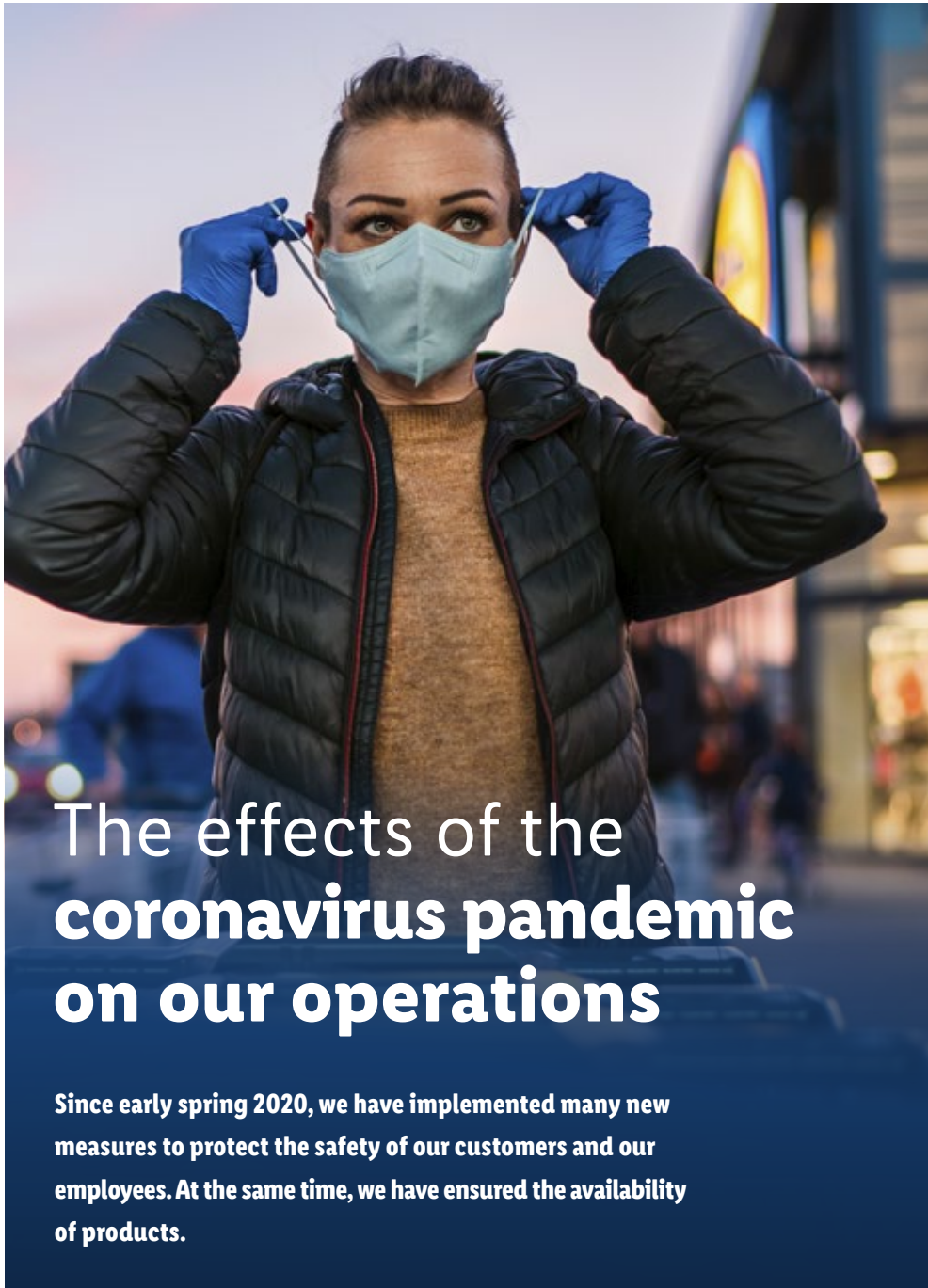
We are also continuing our work on behalf of the climate. Emissions produced by our operations have already decreased by approximately 65% in comparison to 2018, and our next goal is to reduce indirect emissions in our supply chain.

One of the new focuses of our updated sustainability program is respect for biodiversity. We take biodiversity into account at each new store plot, and we also work to reduce nature loss in our supply chains.

When specifying the focuses of our sustainability work, we listened carefully to our stakeholders. Your feedback and recommendations are valuable to us. Our thanks go out to every customer, partner, organization, media representative and decision-maker who told us how we could do even better. I would like to extend a very warm thank you to our employees, who have helped us reach our goal.

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**Nicholas Pennanen**  
CEO  
Lidl Finland



# The effects of the coronavirus pandemic on our operations

Since early spring 2020, we have implemented many new measures to protect the safety of our customers and our employees. At the same time, we have ensured the availability of products.

## The health of our customers and employees is our number one priority

- ✓ We emphasize the importance of good hand, sneezing and coughing hygiene to our employees and customers. All of our stores provide hand disinfectant for customers.
- ✓ We remind our employees and customers that they must not come to work or shop when sick or with even the slightest symptoms of a cold.
- ✓ All our cash tills have plexiglass screens to protect employees and customers from droplet infections.
- ✓ We use floor stickers, signs and posters to remind people about maintaining safety distances. In order to avoid lines, we open new cash tills quickly and at a distance from each other so that people are not standing close together. We attempt to work so that crowds do not form on either side of the till.
- ✓ We instruct our employees to wear protective gloves when performing all work tasks.
- ✓ We recommend that customers and employees wear a face mask in stores throughout Finland.
- ✓ We work closely with the authorities and experts. We comply with the instructions they provide.

## We ensure the availability of products

- ✓ We deliver additional products to our stores every day of the week. If a certain product is sold out today, more products will probably be on the way tomorrow.
- ✓ In cooperation with our transport partners, we ensure that the flow of goods continues as planned – also during an exceptional situation.
- ✓ We work proactively with our domestic and international suppliers to ensure product availability.
- ✓ We ensure the health and safety of our employees so that they remain capable of working. This keeps the flow of goods moving and products on the store shelves during periods of exceptional demand and also ensures pleasant service.



# Lidl Finland's business operations

Lidl opened its first 10 stores in Finland in 2002. Nearly 20 years later, the company has 193 stores in Finland from Hanko to Sodankylä as well as distribution centers in Järvenpää, Janakkala and Laukaa. The head office is in the Niittykumpu district of Espoo. Lidl Finland employs approximately 5,500 people.

Our goal is to be a surprising first choice for customers, employees and partners. Along with reasonable prices, we want to surprise our customers with quality and pleasant service. Our customer pledge is for the Lidl shopping basket to have Finland's best price/quality ratio. Sustainability is part of our operations and product quality, and we want every consumer to have the opportunity to buy sustainably produced products.

We appreciate efficiency at Lidl. That's why our operations are based on a clear concept and refined processes that we develop continuously. The operating concept and bulk buying make Lidl's low prices possible. Smooth processes mean that

we have more time for development, because we don't need to reinvent the wheel every day.

Our comprehensive selection consists of about 2,500 basic everyday products, which are complemented by individual promotional items that change on a weekly basis, as well as near-food and non-food products. In addition to food items, Lidl sells cosmetics, clothing, home textiles, and electronics among other things.

Our private label products account for approximately 75% of our selection, and these brands play a key role in terms of sustainability. Investing in our private label products and the sustainability of their supply chain allows us to multiply the impacts of, for example, our policies on choice of products. Our product range includes many sustainable label products, and sales of these products accounts for more than 10% of turnover.

Approximately half of our product range is of Finnish and half of international origin. Domestic content is high in, for example, the categories of fresh meat and

milk products – over 90% in 2020. During the same year, all of the fresh broilers and chicken eggs we sold were Finnish.

We are building well-being in Finland by investing, employing, buying products and services, and paying taxes in Finland. During the 2020 financial year, we contributed nearly 700,000 euros to support culture, sport, education, the environment, and low-income families.

### Lidl Stiftung & Co. KG

Lidl is part of the Schwarz Group and is currently present as a food retailer in 32 countries around the world. This includes around 11,550 stores and more than 200 logistics centers and warehouses in a total of 30 countries. Lidl employs more than 341,000 employees.

The Lidl Stiftung & Co. KG, which is headquartered in Neckarsulm, Germany, specifies the framework for the operational business in coordination with the national subsidiaries. As a system provider, it is responsible for

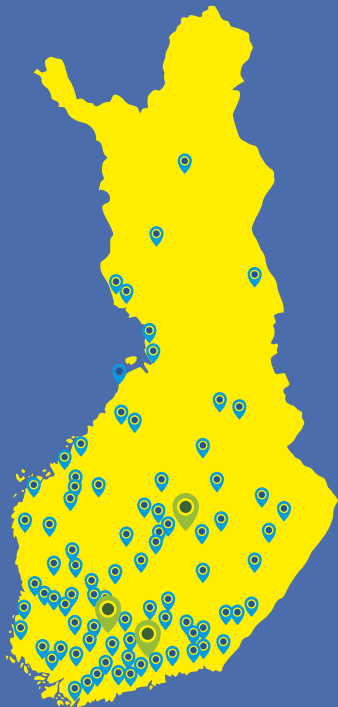
the conception and design of standardized processes.

### Schwarz Gruppe

The Schwarz Gruppe is an international retailing company. At its core, it consists of the two retailing divisions Lidl and Kaufland, which are headquartered in Neckarsulm, as well as the companies Schwarz Production, GreenCycle/PreZero, and the central Dienstleistungen. The Schwarz Group employs around 500,000 employees around the world and operates in more than 12,900 stores and specialist-stores in 33 countries.

Today, the Schwarz Gruppe covers a large portion of the value chain in the food retailing industry, ranging from production and retail to recycling. Schwarz Production produces the store brands in the beverage, bakery, and ice cream segments as well as chocolate and dried fruits. The next step is the construction of a coffee roastery. Additionally, the Schwarz Gruppe has been committed to collecting, sorting, and recycling recyclable materials for many years. The group-wide disposal and recycling service provider for this is PreZero.





### Lidl Finland in numbers (2020)

	<b>appr. 2,500</b> products in the permanent product range, as well as individual promotional items that change on a weekly basis		<b>7</b> new stores
	<b>218</b> products exported to other countries		<b>71</b> suppliers exporting to other countries
	<b>5,487</b> employees		<b>15.8 million €</b> corporate tax paid in Finland
	<b>54 million €</b> in investments in Finland		<b>1,784 million €</b> in turnover
	<b>193</b> stores from Hanko to Sodankylä		<b>3</b> distribution centers
	<b>78.7 million €</b> in operating profit		

### Our shared principles



## Lidl's core values

**As Finland's third largest grocery chain, we are aware of our role and position in society. We respect the diversity of different cultures and recognize their values and traditions. Our company's core values and operating instructions guide our work.**

- ✔ Customer satisfaction is our primary goal.
- ✔ Outstanding value for money defines our market position
- ✔ We grow through expansion and continuous improvement in our stores.
- ✔ As a retail chain, we follow a systematic approach.
- ✔ Efficient decision making and simple working practices ensure our success.
- ✔ We comply with the applicable laws and internal guidelines.
- ✔ In conducting our daily business, we assume economic, social and environmental responsibility.
- ✔ It is our duty to be fair to everyone in our company.
- ✔ We respect and support each other.
- ✔ We honor our agreements and believe in trust.
- ✔ Praise, recognition and constructive criticism determine our working atmosphere.
- ✔ Our flexible organization is made up of strong employees, and our backup staff are always in place.



# Managing sustainability



Sustainability work at Lidl Finland is guided by a vision that sustainability is part of everyday life. We want to make sustainability a part of day-to-day life for our employees and our customers. For our employees, this means that sustainability is visible in daily work tasks, such as waste prevention, efficient recycling, and smart energy use.

For our customers, sustainability is primarily visible via our product range. We want to offer our customers Finland's most sustainable shopping basket. To achieve that goal, we work according to, for example, policies on choice of products that apply to all our private label products. When a store makes sustainable choices on behalf of the customer in its own procurement, more sustainably produced products will end up in the consumer's shopping basket. When everyone in their daily lives can afford,

and has the opportunity, to consume sustainably, it has significant impact.

Sustainability work is coordinated by the CSR manager, who works in Lidl's communications and sustainability department under the CEO. The CEO is the top decision-making authority in this area and therefore is ultimately responsible for determining the direction of Lidl Finland's sustainability work.

The CSR manager is supported by the sustainability team, which comprises experts in product range, environmental and energy, logistics and recycling, operations, HR, occupational safety, and administration.

The CSR manager and sustainability team specify the goals and actions in Lidl's sustainability program. Lidl's management board approves the objectives

of the sustainability program and oversees their implementation. The members of the management board are also responsible for sustainability topics in their respective areas.

### Risk preparedness

Lidl Finland observes the precautionary principle in all aspects of its work and prepares ahead for economic, operational, environmental and security risks that may affect the business. We actively endeavour to identify and prevent risks. For example, risks are prevented through the application of sustainability policies, which guide the purchase of products and product development. We only choose products that satisfy Lidl's requirements regarding quality and sustainability.

We monitor the quality of our products carefully. All production facilities that make Lidl's private

label products must have GFSI (Global Food Safety Initiative) certification. Lidl also audits new suppliers before it starts any collaboration.

Before a product is introduced for sale, the supplier orders a comprehensive quality analysis of all private label products, including a microbiological and organoleptic (sensory) quality check and a check on the accuracy of the nutritional values, and ensures that the labeling on the packaging is compliant with the law. The same analysis is repeated regularly. Lidl also has sensory assessments performed on products regularly and orders tests on products, which are carried out in laboratories.

## Initiatives from external parties approved or promoted by Lidl Finland

Lidl Finland is actively involved as a member of several associations and lobbying organizations. It also promotes or has approved Finnish and international initiatives made by external parties.

### Initiatives from external parties approved or promoted by Lidl Finland:

- Plastic Carrier Bag Agreement
- Material Efficiency Agreement
- Energy Efficiency Agreement
- Nutrition Commitment
- Diversity Charter Finland
- Climate Partner of the City of Helsinki

### Lidl Finland's membership in associations and lobbying organizations:

- Finnish Commerce Federation
- Finnish Grocery Trade Association (PTY)
- FIBS
- Confederation of Finnish Industries
- Service Union United (PAM)
- National Emergency Supply Agency
- RAKLI
- Finnish Packaging Recycling RINKI Ltd
- Suomen Palautuspakkaus Oy (Palpa)

## International associations and organizations Lidl Finland is involved with via Lidl Stiftung:

- Supply Chain Initiative
- amfori Business Social Compliance Initiative (BSCI)
- Partner for Sustainable Textiles
- ACT – Action, Collaboration, Transformation
- Leather Working Group
- ACCORD
- German Initiative on Sustainable Cocoa
- Roundtable on Sustainable Palm Oil (RSPO)
- Round Table on Responsible Soy (RTRS)
- Donau Soja
- World Banana Forum
- Forest Stewardship Council (FSC)
- Fruit Juice Platform
- Sustainable Agricultural Supply Chain Initiative
- (INA)
- Global G.A.P. and GlobalG.A.P. GRASP
- Alliance for Water Stewardship
- International Network Leading Executives Advance
- Diversity (LEAD)

### Lidl Finland's membership in associations via Schwarz Group:

- Ellen MacArthur Foundation
- UN Global Compact
- Science Based Targets initiative



## Compliance

Infringements of applicable laws can entail financial damages and reputational loss for Lidl Finland. In addition, mentioned violations can result in personal claims for compensations and criminal consequences for individual employees or members of the corporate body. The actions conducted by the company and its employees are therefore based on the following principle: “We comply with applicable law and internal guidelines.”

This represents a central corporate principle that is binding for all employees. The company and its management expressly commit to complying and safeguarding this corporate principle. Against this background the company has implemented a Corporate Management System (CMS), that includes binding CMS-standards. These CMS-standards specify certain requirements and elements to ensure

an appropriate level for compliance. An essential element of CMS is, that infringements of applicable law and internal guidelines should be avoided and identified violations consequently prosecuted/punished (“zero tolerance principle”).

Main focus areas of CMS relate to anti-corruption/anti-fraud, antitrust law and data protection. The measures of CMS include in particular the issuing and communication of regulations (e.g. regulations regarding the handling of benefits and data protection rules), the implementation of training measures as well as the tracking of all internal and external evidence of possible rights infringement.

The company's departments responsible for compliance review the effectiveness of the measures described above. In addition, they investigate and clarify all internal and external evidence of rights infringement.

## Examples of dialogue with our stakeholders

### Employees:

- ✓ All employees can propose initiatives via an open initiative channel. Rewards are given for ideas submitted through the initiative channel.
- ✓ Each year, we perform two different personnel surveys for the whole staff. Managers also have annual discussions with their employees. The information collected from these discussions concerning areas such as quality of management work are used to guide development.
- ✓ During the 2019 financial year, we began using the We are Lidl application for staff. This offers all Lidl employees a channel to present questions and contact their colleagues in stores, distribution centers and at the head office.

### Customers:

- ✓ Our customers can contact us and provide feedback by email, phone, via the website, through our social media channels, or on the Lidl Feedback website.
- ✓ We also monitor the opinions that our customers have of us through surveys, such as T-Media's Luottamus ja Maine (T-Media's Trust and Reputation) survey.
- ✓ Since 2020, our customers have also been able to contact us via the Lidl Plus benefit application. The application has a contact form that customers can use to send us development ideas or feedback.

### Suppliers:

- ✓ We are in contact with our suppliers on a daily basis. Communications relate to, for example, ensuring the flow of goods and new product development.
- ✓ We have a reporting channel that our partners can use to anonymously report incidents of suspected abuse in connection with our business.

# Sustainability program

Lidl Finland's sustainability program has been compiled so that it takes our impacts into consideration throughout the value chain – all the way from the field to the table. Our perspective on sustainability is broad, because in addition to the direct impacts of our operations a large part of the overall impacts of the grocery industry occur indirectly and elsewhere in the value chain.

The starting point for our sustainability program is to work proactively to address the challenges that we will be facing in the future. The approach we have selected aims for a future in which we operate in harmony with the environment and give our customers the opportunity to make sustainable choices. We are preparing for the future today with choices and actions that produce well-being for the planet and people, both in the short and the long term.

We published our first sustainability program in spring 2019. The program includes long-term and short-term goals, with the longest extending until the end of 2025. Since we want to continuously develop our sustainability work, we update our sustainability

program on a regular basis. At the end of the 2020 financial year, we updated the objectives and the program structure. In line with our sustainability strategy, the objectives and actions are now divided into six themes that we work towards in order to do good for the planet and for people.

All of the actions and objectives in the program are related to our operations and sustainability topics that are important for our stakeholders. A materiality analysis based on Lidl's international value chain model was performed prior to updating the sustainability program. It describes the impacts of our operations – all the way from procurement of raw materials to preventing climate change – on employee well-being and the customer's shopping basket.

The value chain model and the material topics analysed on the basis of it are presented on the following pages. This report deals with our sustainability work in relation to material topics. All of the program targets are presented on pages 14–15.



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*The sustainability program takes into account our impacts throughout the value chain – all the way from the field to the table.*



## Good for the planet:

- Protecting climate**  
 We reduce our greenhouse gas emissions in order to promote implementation of the Paris Agreement on Climate Change.
- Respecting biodiversity**  
 We support preservation of biodiversity and sustainable use of nature capital.
- Conserving resources**  
 We are committed to the continuous protection and sustainable use of natural resources throughout our value chain, and we have set concrete targets for this purpose.



## Good for people:







- Acting fairly**  
 We improve conditions for the people we encounter in our business at work and during their leisure time.
- Promoting health**  
 We support the health of our customers and employees, and we develop a product range that makes it easy to choose healthy items.
- Engaging in dialog**  
 We engage in continuous open dialogue with our important stakeholders.























## Targets and actions

Meaning of symbols: = target in progress = continuous target = target achieved = new target

Protecting climate		Situation in 2020	Status	Further information
<b>To achieve carbon neutrality in our operations</b>	Our operations will be carbon neutral in 2022 by means of compensating the remainder of our emissions (Scope 1 and 2).	Emissions from our operations (Scope 1 and 2) have decreased by approximately 65% in comparison to 2018. We will compensate the remainder of our emissions in 2022.		p. 38–40
	We will set Science Based Targets for the climate.	We are involved in the Science Based Targets initiative as part of the Schwarz group, which joined the initiative in 2020. In autumn 2021, Lidl published international climate targets that comply with the initiative.		p. 38–40
	We reduce carbon dioxide emissions from our transportation. Our goal is for 20% of the transport fleet to be using either renewable or otherwise lower emission fuel by the end of 2025.	We now operate three trucks that run on biogas or natural gas. Emissions from our transportation decreased by approximately 20% in comparison to 2018.		p. 39
	We will implement energy-saving measures that reduce our annual energy consumption by 20% from the 2016 level by 2025.	We reduced our annual energy consumption by approximately 13% by the end of 2020.		p. 41–42
	We will only use electricity produced with renewable energy.	Since 2019, we have only used electricity produced with renewable energy.		p. 41–42
	We will increase the amount of renewable energy that we produce ourselves. By the end of 2025, 20% of our properties will produce their own renewable energy.	We have installed solar panels in 21 stores and at the distribution centers in Järvenpää and Laukaa.		p. 42
Respecting biodiversity				
<b>To preserve biodiversity throughout the value chain</b>	We will act to slow deforestation.	A new target in this reporting period.		p. 24
	We will improve the environmental friendliness of our locations and take biodiversity into consideration in our new stores.	In the future, the yard of each new store (property) will include solutions to support biodiversity in accordance with an ecological survey.		p. 43
	We will develop a biodiversity add-on to GlobalG.A.P certification.	A new target in this reporting period.		p. 24
Conserving resources				
<b>To minimize waste with appropriate packaging and by recycling</b>	We will keep our recycling rate over 90% at all times.	Our recycling rate was 93% in 2020.		p. 45
	Measured in kilograms, we will keep our food waste under 1.5%.	Our waste rate decreased to 1.3% in 2020.		p. 44
	We will reduce the use of plastic in our private label products and their packaging by 20% by the end of 2025.	Target in progress. For example, we have changed tulip wrappings to paper and replaced plastic herb pots with paper pots.		p. 35–37
	We will aim for maximum recyclability of all plastic packaging for our private label products by the end of 2025.	Target in progress. We will stop using black plastic in packaging for Lidl's private label products by the end of 2021.		p. 35–37
	The wood fibre used in packaging for our private label products will be either recycled or FSC-certified by the end of 2025.	Target in progress.		p. 24
	We will recycle 20% of the packaging materials used in our private label products by the end of 2025.	A new target in this reporting period.		p. 35–37
<b>To invest in the sustainability of raw material production</b>	In line with the policies on choice of products, we will use certified raw materials in our private label products.	The coffee, cocoa and tea in our private label products and the palm oil and soybean feed used in products and during their production will be certified.		p. 25
	Starting in 2023, the cotton used in our private label products will be procured from sustainable sources.	A new target in this reporting period.		p. 21
	Our private label fresh, frozen and processed fish will either be certified (ASC or MSC) or sourced in Finland by the end of 2020.	Target achieved. In the future, we will increase cooperation to raise the rate of certification for domestic fish.		p. 25
	We will stop using microplastics in the composition of our private label cosmetics products by the end of 2021.	A new target in this reporting period.		p. 23
	We will assess the risks to water in our supply chains and compile a water strategy.	In February 2021, we published our water sustainability commitment on our website.		p. 22
	We will create a national action plan to ensure the traceability and sustainable procurement of soy by 2023.	A new target in this reporting period.		p. 24
We will increase sales of sustainable label products (approved sustainability labels include Fairtrade, Rainforest Alliance, MSC, and FSC).	Sustainable label products accounted for over 10% of turnover in 2020.		p. 61	

## Targets and actions

Meaning of symbols:  = target in progress  = continuous target  = target achieved  = new target

		Situation in 2020	Status	Further information
<b>Promoting health</b>				
<b>To make it easy for people to choose healthy products</b>	We will reduce the total quantity of sugar and salt in our private label products by 20% by the end of 2025.	We have eliminated excess salt and sugar from many convenience foods, drinks and yoghurts.		p. 57
	We will increase the number of plant-based items in our product range.	A new target in this reporting period.		p. 60
	We will ensure the quality and safety of products.	In 2020, we performed 1,518 product analyses and 30 audits in Finland.		p. 58
	We will add more nutrition symbols to products.	Nearly 200 products already have the Heart Symbol.		p. 57
<b>Working for Lidl creates well-being at work and during leisure time</b>	We will support the health of Lidl employees comprehensively.	Our rate of absences due to sickness was 5.9% in 2020. Occupational accident frequency dropped to 9.6.		p. 51-53
	We will provide all our managers with training about how to promote well-being at work and work ability.	Every manager knows how to act according to the early support scheme.		p. 51-53
	We will be a good workplace for Lidl employees.	Our Lidl result during the reporting period was 72.90%.		p. 47
<b>Acting fairly</b>				
<b>To respect human rights and observe fair business relations</b>	We will commission three human rights impact assessments in our international raw material supply chains between now and 2025.	We started the international human rights impact assessments with Kenyan tea, South American bananas and Spanish berries.		p. 32
	We will try to improve work conditions in risk countries with international development projects.	In November 2019, we joined the ACT initiative in order to promote living wages in the textile industry.		p. 32
	We will only procure fruit and vegetables from certified farms that have product safety and environmental certificates as well as a comprehensive add-on element for the social evaluation by 2022.	Target in progress.		p. 25
	We will observe fair business relations and we will be a reliable partner.	Nearly 38% of our suppliers have cooperated with us for more than 10 years.		p. 33
<b>To support animal welfare</b>	We will promote animal welfare via our procurement policies and in cooperation with our suppliers.	We will compile a procurement policy for products of animal origin.		p. 26
	We will offer new products that provide customers with an option that supports animal welfare.	A yoghurt was added to our Ilona product line. We have not sold cage eggs since 2016.		p. 27
<b>To support the growth and development of every Lidl employee</b>	Every Lidl employee will receive a thorough orientation to their job.	A comprehensive orientation plan is drawn up for each employee.		p. 54
	We will train new managers to be coaching-oriented managers.	Over 87% of new managers have completed the training, and it is planned for the rest.		p. 54
	We will offer individual career paths in which each person can be the best version of themselves.	During the financial year, nearly 1 in 5 of our employees continued their career in a new position inside the company.		p. 54
<b>To be a workplace for different and equal people</b>	We will ensure equality in recruiting, employment relationships and work communities.	We are participating in the Easy Steps towards Working Life project, which aims to improve the opportunities of people with partial work ability to find work in the open labour market.		p. 49
	We will increase the number of women in management positions.	A new target in this reporting period.		p. 50
	We will compile a diversity plan.	A new target in this reporting period.		p. 49
<b>To pay fair wages</b>	Our wages will be the best in the grocery industry. Our wages will be based on clear pay steps that ensure fair pay for everyone.	We raised wages for warehouse employees in autumn 2020 by implementing a logistics increment and performance bonus.		p. 48
<b>Engaging in dialog</b>				
<b>To cooperate and engage in open dialogue</b>	We will increase cooperation in Finland to keep environmental topics in the spotlight, slow climate change, and protect biodiversity.	In summer 2020, we took part in the Taimiteko (Seedling Action) project, which involves planting seedlings to create new carbon sinks.		p. 43
	Information about the factories where shoes, textiles and near-food and non-food products – such as cosmetics, clothing and electrical devices – are produced will be public.	We have now also published information about our near-food and non-food product factories on our website.		p. 31

# Lidl Responsibility Model

The Lidl Responsibility Model (LRM) describes the direct and indirect impacts of our operations throughout the value chain. The model is divided into 4 different value chain stages, which include 11 different sustainability areas. These areas include 41 potential material sustainability topics.

The first stage of the value chain covers sustainable production of raw materials. The second stage deals with the supply chain and the third stage covers our own operations, such as environmental impacts and staff. The fourth stage includes sustainability topics related to customers and society.

This report examines Lidl's sustainability work in the same order as the value chain model. We will start with sustainable production of raw materials, the supply chain and refining products. Then we will move on to Lidl Finland's operations and processes from the perspective of environmental impacts and staff well-being. Finally, we will cover our impacts on customers.



## Stages in the value chain:

- 1 Resources: Protection of ecosystems - increasing animal welfare**  
 In order to produce its products, Lidl is dependent on the cultivation and harvesting of agricultural inputs, livestock farming and fishing. These activities have an impact on natural ecosystems and raise questions about animal welfare. Lidl Finland assumes its responsibility at the very beginning of its value chain. Which is why we want to make an active contribution to improving the conditions of farm animal welfare. Together with our suppliers and partners, we are committed to preserving natural habitats and biodiversity.
- 2 Supply chain: Protecting the environment - creating fair work conditions**  
 The further processing of agricultural primary products and the resulting production and transport processes have ecological and social impacts. We want to help ensure that environmental and social standards are improved step by step. To this end, we work in partnership with suppliers, reduce the use of raw materials wherever possible and incorporate the concept of recycling in our production processes. Through its commitment, Lidl Finland also works to improve the living and working conditions of people in the production countries, which has been strengthened by Lidl's membership of the UN Global Compact, among other things.
- 3 Operations: Increasing efficiency - promoting employees**  
 Our processes in our logistic centers and stores are our way of making a contribution to climate protection, saving resources and reducing food loss. We are also committed to the well-being and health of our employees at the stores and in the business offices. We create a good working environment and promote family and work balance.
- 4 Customer: Promoting sustainable consumption - creating transparency**  
 We are a large trade company that can influence the consumer behavior of our customers and can help them make sustainable and informed purchasing decisions. We want to make it possible for our customers to have healthy food through our product assortment. We are continually reviewing our products to see if they could be more sustainable, and we inform customers transparently about this. Lidl Finland creates added social value by supporting many organizations that support more sustainability.

”  
*The model describes the direct and indirect impacts of our operations throughout the value chain*





## 1. Resources

### Protection of Ecosystems

- ▶ Biodiversity
- ▶ Raw Materials
- ▶ Pollution
- ▶ Fresh Water

### Animal Welfare Standards

- ♥ Animal Welfare



## 2. Supply Chain

### Environmental Protection along the Supply Chain

- ♥ Climate (SP)
  - Transportation (SP)
  - Conservation of Resources (SP)
- ♥ Circular Economy

### Employer-related Human Rights

- Occupation Health (SP)
- ▶ Fair Remuneration (SP)
- ▶ Child Labour
- Freedom of Association
- Non-Discrimination
- Forced Labour

### Supplier and Market Development

- Supplier Assessment
- Supplier Awareness and Training
- ▶ Fair Business Relations



## 3. Operations

### Corporate Environmental Management

- ♥ Climate (OP)
  - Transportation (OP)
- ♥ Conservation of Resources (OP)
  - Food Waste
  - Planning & Construction

### Employee Responsibility

- Remuneration
- ♥ Occupational Safety and Health Promotion (OP)
- ♥ Labour rights
  - Diversity and Inclusion
- ♥ Life Balance
  - Internal Enabling



## 4. Customer

### Responsible Products

- ▶ Sustainable Products
  - Local Sourcing
- ▶ High-quality Products and Product Safety

### Transparency at Point of Sale

- Traceability
- Product Labelling
- Ingredients and Nutrition Information

### Social Value Creation

- Compliance
- Local Development
- Corporate Citizenship
- Cooperation

### Responsible Communication

- Stakeholder Dialogue
- Customer Awareness

♥ = Important topics in terms of Lidl Finland's operations    ▶ = Material topics



# Materiality analysis

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For consumers, the topics of preventing child labour, quality products, and product safety were particularly important.

In autumn 2020, we performed a materiality analysis to determine Lidl Finland’s material sustainability topics. The materiality analysis has two parts: we commissioned a stakeholder survey and we assessed the negative and positive impacts of our operations on people, the environment, and society. The materiality analysis will be updated at least every two years as part of sustainability reporting.

The stakeholder survey was implemented as an online questionnaire. A total of 523 people responded to the questionnaire between 27 August and 26 October 2020. The respondents included employees, suppliers, and representatives of the media and NGOs. The customer survey was implemented by an external research institute. The results of the customer survey and other stakeholder surveys were then combined.

The purpose of the surveys was to determine what kind of opinions and expectations different stakeholders have regarding Lidl Finland’s sustainability work. The surveys were based on

the 41 potential sustainability topics in Lidl’s value chain model. The respondents assessed how important each topic is for Lidl Finland. The research was implemented as a MaxDiff analysis.

Based on the results, stakeholders considered the following topics to be most important for Lidl: preventing child labour, quality products, product safety and protecting natural resources. Consumers highlighted preventing child labour, quality products and product safety as the most important topics. For employees, the most important topics were preventing child labour and protecting natural resources. The most important topics for suppliers were fair business relations and sustainable products. The most important topics for media representatives were sustainable products and preventing child labour. NGOs also identified sustainable products as the most important topic, with fair business relations ranking second.

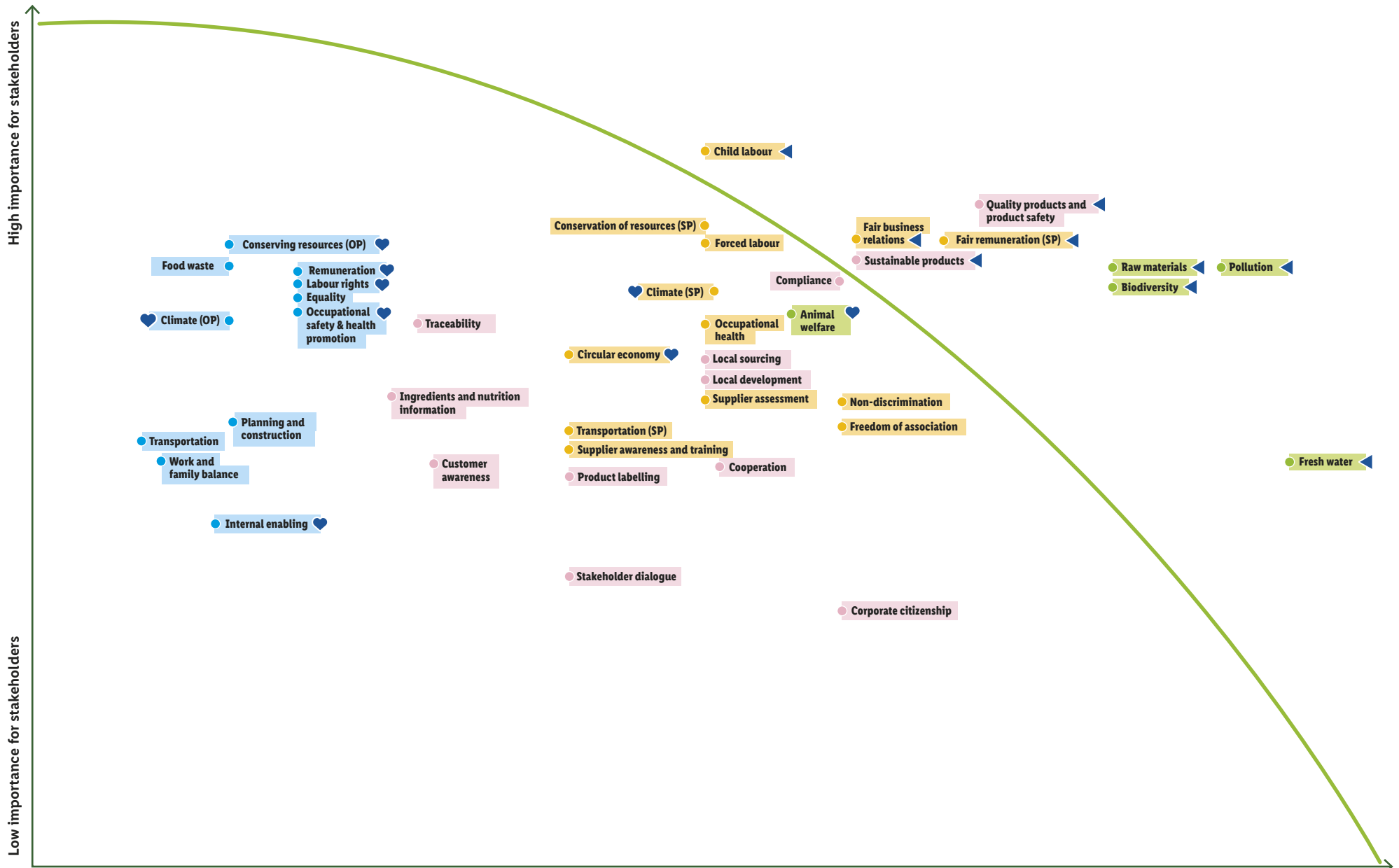
In addition to the stakeholder survey, we performed an internal assessment of the effect that Lidl Finland has

on the 41 sustainability topics in the sustainability model. This assessment was performed by the CSR manager and the sustainability team. Based on the assessment and surveys, all the sustainability topics were marked in the sustainability matrix. The vertical axis of the matrix describes how important the stakeholders perceived different topics to be. The horizontal axis of the matrix shows the positive and negative impacts of the different topics assessed in the impact analysis.

Our material topics are above the materiality curve in the matrix: biodiversity, raw materials, water, pollution, child labour, remuneration for work, fair business relations, sustainable products, quality products, and product safety. These topics are important to our stakeholders, and Lidl Finland has a significant impact on them. We also selected nine topics from below the materiality curve that are strategically important for our operations and which we want to report on due to openness. These are climate, protecting natural resources, circular economy, animal welfare, and HR topics.

Completely new material topics in comparison to the last report are sustainable products, water, pollution, and biodiversity. In addition, the earlier material topic of human rights has been redefined as child labour and remuneration for work. Some of the old topics, such as local sourcing, traceability, labeling on packaging, local development, customer communication and availability of inexpensive products were no longer included in the material topics.

The management board analysed and then confirmed the results of the stakeholder survey and the assessment of impacts performed internally. The material topics that are important in terms of our operations form the core content of this report. For the purpose of clarity, we will refer to all the selected topics as material topics in the future.



Small impact

Large impact

Natural resources

Supply chain

Operations

Customer

♥ = Important topics in terms of Lidl Finland's operations

◀ = Material topics

# Sustainably produced raw materials

**We invest in raw materials that are produced sustainably in terms of the environment via our wide-ranging policies on choice of products. As a result, for example, all of the cocoa, coffee and tea used in our private label products is certified.**

The majority of the environmental impacts of a grocery store occur in primary production, which means in fields and barns. Food production accounts for much of the Finnish consumer's environmental footprint, and it has a major impact on biodiversity.

Although Lidl does not produce food directly, our business activities have indirect effects on the environmental impacts of raw materials production. It is important for Lidl to invest in the sustainable production of raw materials and promote sustainable methods throughout the food production chain.



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*Our due diligence policy outlines our obligations and the ways that we can reduce indirect environmental risks caused by our operations.*

Photo: Martin J. Kielmann (Cotton Made in Africa)



This ensures the continuity of our operations and contributes to the development of sustainable food production. This is also an important topic for our stakeholders, who expect the products that Lidl sells to have been produced responsibly with regard to the environment and people. You can read more about our work on behalf of human rights starting on p. 28.

In terms of the environment, our business operations affect climate change, water, raw materials and biodiversity in particular. We have identified current and future challenges related to these topics, which we want to influence via our purchasing activities. In spring 2020, we published our updated due diligence policy, which outlines our obligations and the ways that we can reduce indirect environmental risks caused by our operations. This sustainability report focuses on presenting our actions relating to our material topics. These are raw materials, water, biodiversity, and pollution. The focus when addressing the topic of pollution is water pollution.

One of our most important methods of promoting sustainable agriculture is our procurement policies for raw materials whose production poses a risk. The policies always apply to our private labels, which account for approximately 75% of our product selection. By focusing on the sustainability of our private label products, we can already achieve impact via purchasing and product volumes. Our policies on choice of products are presented on p. 25.

The policies are a binding requirement that is integrated into purchasing practices. Our buyers are systematically trained regarding the targets for raw materials so that they can reliably take them into account in purchasing decisions. Lidl Finland's commercial department leads and monitors the sustainability of raw materials and their production.



### All cotton will be of sustainable origin in 2022

We have set a target that all of the cotton used in our private label textiles will be of sustainable origin by the end of 2022. We buy our cotton products from sustainable sources whose standards are Cotton made in Africa (CmiA), Global Organic Textile Standard (GOTS), Organic Cotton Standard (OCS), Fairtrade, and BCI (Better Cotton Initiative).

Cotton production requires a lot of water, which causes significant environmental risks.

Procuring cotton only from sustainable sources allows us to contribute to ensuring that water is used sustainably. For example, the cultivation of organic cotton uses less water and fertilizer than that required for growing conventional cotton.

Only rainwater is used to grow cotton under the Cotton made in Africa initiative. In comparison to the world average, this saves more than 2,000 litres of water for each kilogram of cotton fibre. CmiA is an internationally recognized initiative for sustainable cotton from Africa. Lidl has been a partner in the initiative since February 2020. The initiative organizes agricultural and business training for smallholder farmers, where they learn to grow cotton more efficiently and, at the same time, in a more environmentally friendly and profitable manner.



# Sustainable water use

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We performed a water risk analysis to identify the water-related risks in our agricultural supply chains.

Although more than two-thirds of the planet’s surface is covered by water, only a small part of the world’s waters are fresh water suitable for drinking. The world’s water resources are also unequally distributed. Water consumption has increased dramatically during recent decades, with increased production of food, textiles and other near-food or non-food products having a strong impact on this development. In the future, climate change will further decrease the availability of water and increase the likelihood of water-related conflicts.

As a grocery chain, we have a special responsibility to reduce water-related risks, such as water shortages and water pollution. Around 70% of the world’s water resources are used in primary agricultural production and about 20% in industry. Excess water consumption

in agriculture is a risk that can cause, among other things, a regional water shortage. Agriculture also involves the use of pesticides and fertilizers that can cause water pollution.

Agriculture consumes a lot of water, which is why solutions related to sustainable water use should also be implemented in that area. Reducing our own water consumption and promoting sensible water use in our value chains allows us to reduce our water footprint. At the end of the 2020 financial year, we published our water sustainability commitment, which presents our operating plan for dealing with the global challenges caused by growing water consumption and water pollution.

In 2019, we performed a water risk analysis to identify the water-related risks in our agricultural supply chains. We examined our product range from the perspective of water consumption and water pollution. The analysis showed that the product groups with the largest water-related risks are unprocessed fruit and vegetables and certain processed foods. The risks occur especially in primary agricultural production areas where there are water shortages and sprinkling is used for cultivation. Risks are also caused by fertilizers and pesticides that end up in the water systems.

For more detailed analysis of water-related risks, we use the country-specific water stress index developed by Water Resources Institute (WRI) for the agriculture industry. We also use product-specific

water indicators that are based on Water Footprint Networks (WFN) information.

In order to reduce water-related risks in our supply chains, we can also expand the share of products certified for water use in our product range. We support initiatives related to recognized symbols and simultaneously ensure the minimum requirements for sustainable production methods.

We are a member of the Alliance for Water Stewardship (AWS) organization, which aims for water use that is socially fair, ecologically sustainable and economically beneficial. AWS is the first international standard to take the social, environmental and economic status of a region into consideration in an independent and verifiable manner when measuring water use.



## Actions to promote sustainable water use in our supply chains



All of our actions are presented in our water policy, which is available at [www.lidl.fi/vastuullisuus](http://www.lidl.fi/vastuullisuus)

### Fruit and vegetables

- ✔ We only sell products from farmers who have basic certification from GlobalG.A.P. or IP Sigill Kasvikset (for vegetables).
- ✔ In summer 2020, we started a pilot program in which we evaluate the functionality of the GlobalG.A.P. Spring certificate and AWS International Water Stewardship Standard system.
- ✔ In our pesticide reduction program, we have developed a list of pesticides that should be eliminated in the cultivation of fresh fruit and vegetables. We are working with farmers to end the use of these substances during 2022.



*Our Greenpeace Detox commitment means that we are ceasing to use 11 chemical groups that are harmful to the environment in the production of our private label textiles and shoes.*

### Flowers and plants

- ✔ Since the beginning of 2020, we have only approved production companies who use the GlobalG.A.P or IP Sigill Koriste- ja taimitarhakasvit (for ornamental and nursery plants) certificate as a guideline for production. This action means that less pesticides enter the environment.

### Textiles

- ✔ Our certified products comply with the requirements of various certification organizations. These include Cotton Made in Africa (CMiA), Organic Content Standard, Global Organic Textile Standard (GOTS), Better Cotton Initiative and Fairtrade.
- ✔ Our PURE project involves cooperating with development organization GIZ to provide over 400 factory workers in 80 textile factories with training on the sustainable processing of chemicals and waste water.
- ✔ We joined the Greenpeace Detox commitment in 2014. By 2020, the 11 chemical groups classified by Greenpeace as harmful to the environment were no longer being used in our textile and shoe production. In accordance with the Detox commitment, the waste water and sludge at our factories is tested at least once a year for chemical residues.



**TARGET**

### We will remove microplastics from the composition of our cosmetic products

We have set a target of eliminating microplastics from the composition of our cosmetics products by the end of 2021. This target applies to cosmetics and skincare products in our private label products. We will remove plastic particles that have an exfoliating effect (microplastic spheres) and are less than five millimetres in size. The microplastics will be eliminated if their removal does not significantly interfere with product performance and/or safety. The entire guideline is available on our website.



# Respecting biodiversity

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All of the soybean feed used in the supply chain for our private label products is certified.

Biodiversity refers to diversity in ecosystems, plants and animals, and species genomes. Biodiversity has decreased during the past decades, and this is manifest as endangered species and a decline in insect populations.

Continued biodiversity loss will have significant impacts on ecosystems, food production and the availability of clean water. Since agricultural practices are an important factor in loss of biodiversity, we as a grocery chain have to take responsibility for protecting biodiversity. Protecting biodiversity is also important in terms of our operational continuity, because the effects of nature

loss threaten food production as well as its quality and local availability.

Our policies on choice of products can influence the protection of biodiversity in raw materials production. For example, all of the palm oil used in our private label products is RSPO-certified (Roundtable on Sustainable Palm Oil) and palm oil derivatives are RSPO Mass Balance-certified. With regard to soy, all of the soybean feed used in our production chains has either RTRS (Round Table on Responsible Soy), ProTerra, or organic certification. We are working towards the goal that both these raw materials would also be traceable in the future.

During the financial year 2020, we also began to prepare policies on choice of products that aims at reducing the risk of deforestation in raw materials production. Sustainable forest use is already taken into account in our policy on wood fibre. Our aim is that all the wood fibre used in our private label packaging and products will be either recycled or FSC-certified by the end of 2025.

We also take biodiversity into consideration in our own operations. We commission an ecological assessment at the plot of every new store that we build. This provides the foundation for choosing details that enhance biodiversity in the store yard. You can read more about this topic on p. 43.















## We are developing Europe's first biodiversity certification system for fruit and vegetable production

We want to be involved in developing operating methods that make it easier to take biodiversity into consideration in agriculture. This is why we have started developing a new international biodiversity add-on for GLOBALG.A.P certification. The add-on is intended for certification of fruit and vegetable producers. There has been no corresponding certification available in Europe so far.

During the project, we work with our partners to specify a set of criteria for taking biodiversity into consideration in agriculture. We are cooperating with GLOBALG.A.P. and the Research Institute of Organic Agriculture FiBL in the project. An Advisory Board consisting of industry experts and farmers is also assisting with the project.

Our goal is to complete and implement the add-on by the end of 2021. All our fruit and vegetable producers already have GLOBALG.A.P. certification, so the new biodiversity add-on will be a natural part of our current practices. In the future, the add-on will allow our buyers to assess how well biodiversity is taken into consideration in the cultivation of different products and thus make our product range even more environmentally friendly.



	Policy	Situation in 2020
 <b>Coffee</b>	All our private label coffees have Fairtrade, UTZ, Rainforest Alliance, or organic certification.	100% (since 2019)
 <b>Cocoa</b>	The cocoa used in all our private label products has Fairtrade, UTZ, Rainforest Alliance, or organic certification.	100% (since 2017)
 <b>Tea</b>	The black, green and rooibos tea used in all our private label products has Fairtrade, UTZ, Rainforest Alliance, or organic certification.	100% (since 2019)
 <b>Palm oil in food products</b>	All the palm oil used in our private label food products is RSPO-certified and traceable (segregated) and palm oil derivatives have RSPO Mass Balance certification.	100% (since 2018)
 <b>Palm oil used in production of near-food and non-food items</b>	The palm oil used in production of near-food and non-food items has at least RSPO Mass Balance certification.	100% (since 2018)
 <b>Soy</b>	The soybean feed used in the production chains for our private label meat, processed meat, and egg or dairy products has been sustainably produced, and has either RTRS (Round Table on Responsible Soy), ProTerra, or organic certification.	100% (since 2017)
 <b>Fish</b>	All the private label fresh, processed and frozen fish in our permanent product range will be either from Finnish sources or have MSC or ASC certification by the end of 2020. For our canned tuna, we insist on at least FAD-free (FAD: Fish Aggregating Device) fishing methods or pole and line fishing, and an indication of this on the packaging. It is our aim to increase certification for other canned fish as well.	100%
 <b>Wood fibre</b>	Our aim is that, by the end of 2025, all the wood fibre in all our private label products and their packaging will either be recycled or FSC-certified. The same also applies to near-food and non-food products by the end of 2020.	In progress.
 <b>Flowers and plants</b>	Our flowers and plants will be certified according to environmental and social standards by the end of 2019. Accepted certificates include: GLOBALG.A.P and GLOBALG.A.P GRASP, Fairtrade, and IP Sigill Koriste- ja taimitarhakasvit (for ornamental and nursery plants) + IP Terms and Conditions of Employment.	100% (since 2020)
 <b>Fruits and vegetables</b>	By the end of 2022, all our producers of fresh fruit and vegetables will also be covered by an auditing system that monitors social responsibility criteria.	In progress.
 <b>Eggs</b>	We do not sell any eggs produced in cage conditions or use them in our private label products.	100% (since 2016)
 <b>Cotton</b>	Starting in 2023, all the cotton used in our private label textiles will be procured from sustainable sources that comply with Cotton made in Africa, Global Organic Textile Standard (GOTS), Organic Cotton Standard (OCS), Fairtrade, and BCI (Better Cotton Initiative) standards.	This target was set in 2020.

UTZ and Rainforest Alliance merged in 2020, and the new organization and certification continue to operate under the Rainforest Alliance name.



# Animal welfare

The procurement policy for products of animal origin summarizes Lidl Finland's requirements and recommendations concerning the treatment of farm animals.

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We develop farm animal welfare in cooperation with suppliers.

Although meat consumption in Finland has decreased slightly, Finns still eat an average of 80 kilograms of meat per year when game and edible organ meats are included. According to statistics from the Natural Resources Institute Finland (2020), consumption of poultry has particularly increased in recent years.

As Finland's third largest grocery chain, we have direct and indirect impacts on the type of production conditions that the meat and other products of animal origin come from.

We have compiled a procurement policy for products of animal origin, which summarizes our requirements and recommendations concerning the treatment of farm animals.

In addition to food, the policy covers near-food and non-food products and textiles that may contain constituents of animal origin, such as wool, leather or feathers. Our aim is for our policy to have a positive influence on farm animal welfare in our supply chains. We actively update our policy and monitor its implementation, for example, by means of surveys sent to suppliers.

We engage in ongoing discussions about animal welfare with the suppliers who provide us with meat and other products of animal origin. We work together to develop farm animal welfare, which includes feeding, the conditions in which animals are kept, and access to outdoor areas.

Our basic requirement is that all our suppliers comply with at least the valid national legislation on animal welfare. However, we encourage our suppliers to exceed the legal requirements with actions to improve animal welfare. For example, we have instructed our suppliers that procedures causing pain to animals must be avoided. If the procedure is unavoidable, we ask suppliers to perform it in the most painless manner possible. This means performing the procedure under anaesthesia, or at least after the administration of sedation and/or analgesia. We require the use of analgesia during procedures such as castration of male pigs.

We do not sell products made from endangered animals, or products derived from animals for which minimum animal welfare requirements have not been developed. We do not accept force feeding or the plucking or fleecing of live animals, and we do not buy products from production plants that do these things.

If we hear of shortcomings or breaches, we intervene immediately and require the supplier to explain the situation and take corrective action. If the explanations and corrective action do not reflect what is required under our sustainability policies, we can stop selling that product.

## Highlights from our procurement policy for products of animal origin

- ✓ Our fresh eggs come from production facilities where the birds' beaks are not trimmed.
- ✓ We require that our fresh meat producers ensure that disbudding, which means the burning the horn buds of beef calves, is performed in the most painless manner possible. Disbudding should preferably be done under anaesthesia or so that at least sedation and analgesia has been administered to the animal.
- ✓ We encourage our suppliers to switch from stanchion barns to free-range cattle sheds. In the future, our aim is to have no milk from stanchion barns in our product range.
- ✓ We require our fresh meat producers to use analgesia when castrating male pigs.
- ✓ Lidl is a member of the international Fur Free Retailer program, and the near-food and non-food products we sell contain no fur, fur embellishments, angora wool or mohair.
- ✓ We do not sell any products that contain feathers or down plucked from live birds. We always require our suppliers to present a Downpass certificate, which guarantees that the feathers and down used in products have been produced ethically and their supply chain is traceable.
- ✓ The merino wool products in our product range are produced without using the mulesing method.
- ✓ The leather in our leather products is produced as a by-product of the food industry and its tanning location can be traced.



## Information about animal welfare on packaging

We have been involved since the beginning in a project organized by the Natural Resources Institute Finland and Pellervo Economic Research aimed at promoting implementation of the first national labeling practice in Finland that describes aspects of animal welfare. The goal of labeling is to promote the welfare of farm animals and to improve opportunities for consumers to choose products in which animal welfare has been taken into greater consideration during production.

In 2020, we participated in a research project pilot, which involved selling products with the Parempi eläimille (Better for Animals) symbol in our stores. We took part in the pilot with two minced meat products that were sold in three Helsinki stores.

### This is what the Parempi eläimille symbol means:

- ✓ Comprehensive, proactive health care. A veterinarian makes at least one health care visit to the farm each year.
- ✓ Free movement. Animals are not tied up, and they have space to move around in a free-range shed or in stalls. Movement promotes better foot condition and social relations among the animals.
- ✓ All cattle have a soft sleeping surface.
- ✓ The animals have constant access to high-quality, clean water.
- ✓ Calves can nurse or receive milk via a nipple or from their mother.
- ✓ Regular opportunities for cows to spend time outdoors. The milk cows at the pilot farm have the opportunity to move around outdoors and they are also put out to pasture.



The products labeled with the Parempi eläimille symbol come from farms that voluntarily invest more than normal in the welfare, conditions and care of their animals and clearly exceed the legal requirements for keeping animals and caring for them.

Our experiences of the pilot were positive. It showed that there is a specific, more aware customer base for products that exceed the legal requirements.



## Only cage-free eggs

In 2016, we became the first grocery chain in Finland to stop selling cage eggs or using them in our private label products. The fresh eggs in our product range are cage-free, organic eggs from Finland.



## An addition to the Ilona product family

The Ilona product family is made from milk produced by cows whose welfare has been verified. In 2020, the product family expanded to include an unflavoured yoghurt. The milk used in the products comes from healthy cows that spend time outdoors all year round and live in sheds freely. The milk comes from Finnish farms with Welfare Quality® certification. Welfare Quality® audits assess the animal's welfare at that moment: behaviour characteristic of the species, its health, nutrition and the conditions in which it is kept.

# Respect for human rights

**In spring 2020, we published our updated due diligence policy, which describes our human rights obligations and the ways that we can reduce human rights risks.**

Supply chains in the grocery trade are often long and include actors and companies from different countries. The more complicated the supply chains become, the greater the risk of human rights problems inside those supply chains.

The reasons for human rights risks are often very complicated and they affect the entire economy. In many cases, the social risks associated with occupational safety, freedom of association, non-discrimination, and remuneration for work can only be addressed with comprehensive solutions. The same applies to violations related to child and forced labour.

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*We respect human rights  
in everything we do and we  
promote their implementation.*



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*We published our human rights obligations and the ways that we can reduce human rights risks in our due diligence policy.*



Photo: Martin J. Kielmann (Cotton Made in Africa)

As part of our sustainable operations, we invest particularly in topics revealed by the materiality analysis, which are preventing child labour and remuneration for work. Child labour, for example, is a significant risk in cocoa production. Furthermore, two out of three persons living in extreme poverty depend on income obtained from agriculture. In many places, the work to ensure living wages is still in progress.

We respect human rights in everything we do and we promote their implementation. We cooperate with governments, other companies, suppliers, and NGOs in order to actively participate in building a future that is worth living.

In spring 2020, we published our updated due diligence policy, which describes our human rights obligations and the ways that we can reduce human rights risks. In this section of the report, we describe the human rights guidelines in our due diligence policy in more detail, and on pages 20–24 we describe the environmental risks addressed in our due diligence policy. The full Human rights and

environmental due diligence policy is available at [lidl.fi/vastuullisuus](https://lidl.fi/vastuullisuus).

**We assess supply chain risks**

We are continuously assessing the risks that manufacturing of our products causes or could cause in our supply chains. Based on observations, we take practical actions to intervene in the negative impacts of our business operations and effectively prevent and reduce them.

In particular, we have identified human rights risks in the supply chains extending to Africa, South America and different parts of Asia.

We use various indexes to evaluate the risks in the value chains. In addition to the International Trade Union Confederation's (ITUC) Global Rights index and the Global Slavery index, we utilize information provided by the Food and Agriculture Organization of the United Nations (FAO) and Environmental Performance indexes.

We also maintain contact with external stakeholders and obtain information and advice from, for example,

NGOs, trade unions and other experts.

**Code of Conduct and reporting channels**

We influence human rights risks in our supply chains via, for example, our policies on choice of products (read more about the policies on page 25). Human rights risks are also taken into consideration in the Code of Conduct used throughout Schwarz Group, which are part of the contracts we make with our partners. The guidelines are based on amfori BSCI (Business Social Compliance Initiative) principles, the International Labour Organization's (ILO) agreements related to working life, the UN Guiding Principles on Business and Human Rights, and OECD's guidelines for businesses.

We require all our partners to comply with these guidelines and also follow them when dealing with their own suppliers. We have a policy of zero tolerance in cases of failure to intervene in forced and child labour. We systematically investigate any breaches of this policy in accordance with the due diligence policy.

In our efforts to safeguard human rights, we also make use of notifications submitted to our global reporting

channel and feedback from NGOs, representatives of supply chains and other stakeholders. We take all possible notifications seriously.

We have arranged the possibility to submit notifications about human rights, social and environmental breaches via a web-based reporting system. All of the notifications are processed by an independent person who is responsible for supervision.

We are establishing special grievance mechanisms that are intended for supply chains that involve particularly high risks. For example, we are an active member of the Bangladesh Accord working group, which is dedicated to developing a grievance mechanism suitable for textile workers in Bangladesh.

We intend to offer potential victims of particularly high-risk supply chains easy access to transparent grievance mechanisms and corrective measures by the end of 2021.



# Risk analysis provides information on the country-specific risks for 12 raw materials

We work systematically to identify potential risks over a wider area in our supply chain. As a result, we perform comprehensive risk analysis across product group boundaries.

During the reporting period, Lidl conducted an international comprehensive risk analysis of our private label products that crossed product group boundaries.. The risk analysis examined the direct negative impacts that our business operations have on human rights. At the same time, we also took into account environmental risks, such as water pollution and greenhouse gas emissions, which can have an adverse effect on implementation of human rights. The largest social and ecological risks in the products' countries of origin were

modelled on the basis of international risk indexes.

The analysis includes the supply chain stages of 12 raw materials, all the way from procurement to product manufacturing. The selected 12 raw materials, such as cocoa, coffee and cotton, are among Lidl's most strategically important raw materials in terms of procurement volumes.

In the future, we will commit to implementing regular risk analyses for the products in our supply chain. We will assess and publish the results of these analyses regularly and discuss them with our stakeholders each year. The results of the risk analysis were published in our updated due diligence policy in spring 2020.



## Cocoa

### Social risks

**Child labour:** Ivory Coast, Ghana, Nigeria  
**Forced labour:** Ivory Coast, Ghana, Indonesia  
**Worker's rights:** Brazil, Ivory Coast, Indonesia  
**Discrimination:** Ivory Coast, Ghana, Indonesia

### Environmental risks:

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



## Coffee

### Social risks

**Child labour:** Ethiopia, Colombia  
**Forced labour:** Ethiopia, Indonesia, Colombia  
**Worker's rights:** Brazil, Guatemala, Indonesia  
**Discrimination:** Ethiopia, Honduras, India

### Environmental risks:

**Biodiversity:** Indonesia, Honduras, Vietnam  
**Climate vulnerability:** Brazil, India, Vietnam  
**Land use and deforestation:** Brazil, Indonesia, Colombia  
**Water-related risks:** Brazil, Indonesia, Vietnam



## Cotton

### Social risks

**Child labour:** India, Turkmenistan, Uzbekistan  
**Forced labour:** India, Pakistan, Uzbekistan  
**Worker's rights:** India, Pakistan, Uzbekistan  
**Discrimination:** India, Pakistan

### Environmental risks:

**Biodiversity:** India, Turkey, United States  
**Climate vulnerability:** India, Pakistan, United States  
**Land use and deforestation:** Brazil, China, India  
**Water-related risks:** China, India, United States



**We have classified the following social risks as being material in our supply chain:**

**Child labour:** children of school age working in conditions that endanger their health

**Forced labour:** human trafficking, coercion, threats, withholding of wages, growing debt due to high payments for procuring work, fees paid to obtain work

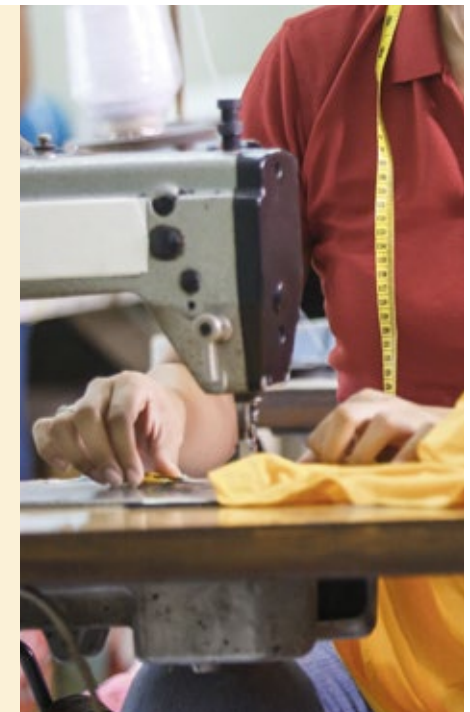
**Inadequate worker's rights:** pay is below the minimum living wage, health problems due to insufficient occupational healthcare, restrictions on freedom of association, inhumane working hours, discrimination, harassment or exploitation at the workplace

**Discrimination:** for example, all classification done on the basis of gender, religion, skin colour or origin, exclusion or favouritism that leads to unequal treatment or restrictions

**We published information about the factories that produce clothing, shoes and near-food and non-food products**

In addition to our comprehensive permanent product range, we sell consignments of clothing, shoes and near-food and non-food products that vary on a weekly basis. Since 2018, we have collected data for internal use concerning all the actors in the supply chains for textiles and footwear – from button manufacturers to seamstresses. Having more information about the supply chain and the people in it allows us to better identify the risks and prevent negative human rights impacts.

The list of all clothing, textile and near-food and non-food products factories used worldwide by Lidl is regularly updated. It can be viewed at: [www.lidl.fi/vastuullisuus](http://www.lidl.fi/vastuullisuus).



*In 2020, a total of 1,907 amfori BSCI audits were carried out at production plants supplying goods to Lidl in the global context.*

**Audits are an important tool in terms of revealing risks**

Independent, amfori BSCI audits are conducted annually at all the production plants that make private label near-food and non-food products for Lidl. In the past 10 years, there have been more than 20,000 third party amfori BSCI audits carried out at production plants that produce near-food and non-food products for Lidl in the global context. We require at least a C-level audit result for production plants that produce Lidl's private label near-food and non-food products.

We have been a member of amfori BSCI since 2006. amfori BSCI is an association of European importers that aims to ensure that products on sale to consumers are made in conditions that are socially and ethically acceptable.

In addition to near-food and non-food products, we pay special attention to other supply chains that involve

identified human rights risks. We have set objectives for the certification of the raw materials in our private label products with respect to soy, fruit, vegetables, linen, pulp, flowers, and plants. Certification is a guarantee that an independent body has overseen the production of the raw material in audits.

In order to monitor and continuously improve work conditions in the food supply chain, risk-based, social SEDEX audits are performed in selected supply chains for fish and tinned tomatoes. During the audits, independent inspectors visit the site to assess whether the valid regulations are being observed with regard to occupational health care, legal working hours, worker's rights and other requirements.

All the fruit and vegetables that we buy outside Finland come from Global.G.A.P. GRASP-certified farms that are

audited in terms of environmental and social aspects. We are aware that audits can only have a limited impact on improving work conditions or breaches, such as eliminating and monitoring forced labour. However, they are an important tool in terms of revealing risks and adjusting the situation in the supply chain.

If the audit reveals that there are areas for improvement, the suppliers must draw up plans for corrective measures. Follow-up audits are a way to ensure that the agreed measures have been implemented. If a supplier, despite requests, fails to address identified shortcomings, we will terminate the collaboration accordingly.

### Global Compact

We have been committed to promoting the well-being of people and the environment for a long time. Our commitment increased in 2020 when we joined the UN Global Compact corporate sustainability initiative as part of the Schwarz Group.

Global Compact consists of 10 principles for sustainable business, the themes of which are human rights, labour, environment, and anti-corruption. The companies involved in the initiative commit to observing the principles and promoting them in their business operations. A progress report is submitted to the UN each year.



### Way To Go chocolate is twice as fair

In autumn 2020, we began selling Fairtrade's Way to Go chocolate. The cocoa in the chocolate comes from Kuapa Kokoo smallholder farmers in Ghana, and it is cultivated according to Fairtrade principles.

The farmers receive a guaranteed price for the cocoa and a Fairtrade bonus. In addition, Lidl pays the farmers a training bonus for every chocolate bar that is sold. Rather than being paid in cash, the bonus is used to finance training projects aimed at achieving a better income level in the long term.

This subsidy makes it possible to provide farmers with training related to the use of sustainable cultivation and harvesting methods. The new methods produce larger crops, which increases income for the farmers. The projects also benefit the environment around the fields.

The subsidy assists farmers in terms of expanding their operations to, for example, rice cultivation, honey production and soap making, which helps safeguard income in changing market situations and reduces dependence on cocoa. With regard to the environment, more diverse agriculture protects the soil in cultivated areas and increases biodiversity.

### Actions to promote living wages

In order to promote living wages in the textile industry, we joined the international ACT initiative in November 2019. The goal of ACT is to achieve living wages and wage agreements in countries that produce textiles and shoes. The first countries in the initiative are Cambodia, Myanmar, Bangladesh and Turkey, and there are plans to expand the initiative to other manufacturing countries in the future.

As a member of the initiative, we are committed to long-term collaboration with local suppliers in order to prevent manufacturers from moving their operations to countries with lower labour costs when wages go up..

In order to support implementation of living wages in our global supply chains and decrease pay gaps, we have taken action in the following supply chains:

- Orange supply chain in Brazil (via the CSR Juice Platform)
- Cocoa supply chain in Ghana (via the Way To Go project)
- Banana supply chain in Ecuador (via the Fairtrade partnership)



### We are commissioning human rights impact assessments

In order to increase transparency in our supply chains and information about human rights impacts, we have decided to commission three human rights impact assessments each year in our global supply chains that are susceptible to risk. This practice will continue until 2025.

The assessments will focus on human rights risks that our business operations influence and which apply to women, smallholder farmers and workers in particular. The assessments began in 2020 with Kenyan tea, South American bananas and Spanish berries.

In conjunction with the impact assessments, we also cooperate with stakeholders that include NGOs, employee representatives and associations. We will publish the results of the assessments in addition to providing more information about human rights impacts in our supply chains and our actions to minimize negative impacts.





### Zero tolerance for child labour

Many of our supply chains stretch to countries where there is a high risk of child labour. We observe a policy of zero tolerance in cases of failure to intervene in child labour, and we consistently investigate all breaches.

All of our partners must comply with our Code of Conduct, which state the following about child labour:

- ✔ The partner does not use child labour and complies with the regulations concerning protection of minors.
- ✔ The minimum age for full-time work must be above the age when legal compulsory schooling ends. With the exception of short trainee periods that are part of compulsory schooling, employees may not, in any case, be under the age of 15 (or 14 if national legislation allows this in accordance with ILO Convention No. 138).
- ✔ The national regulations concerning the protection of minors and international standards must be observed. Furthermore, night work may not be assigned to young people.



“  
*Nearly 38% of our suppliers  
 have cooperated with us for  
 more than 10 years.*”

## Fair Trade practices

**We are an important retail operator in Finland and internationally. It is our responsibility to ensure that we comply with fair business relations and treat our partners properly.**

Lidl is an important retail operator in Finland and internationally. Our supply chains reach all around the world, and we collaborate with companies of all sizes in Finland. The size or location of our partner does not affect how we do business with them. Our starting point is to always ensure that our operations comply with the laws and good business practices. This means, for example, that we agree on matters clearly and we also keep to what has been agreed. We want to be a reliable partner, which is why we also oppose corruption in all our activities.

We place a high value on long-term partnerships. Nearly 38% of our suppliers in 2020 have cooperated with us for more than 10 years. However, we also like to try new things and our product range is developing all the time, which means that we enter into new partnership agreements every year. We also arrange competitive bidding for existing projects.

Fair business relations are linked to laws and regulations, which means observing the principles of compliance. We want to ensure that our partners also operate according to the principles of compliance. In order to promote this assessment, we implemented a systematic background check process for business partners. This involved checking our partners' information from several publicly available sources.

Our staff needs to know the basic principles of compliance so that they can assess our own operations and those of our partners. In order to ensure that this is the case, we have arranged compliance training for the entire personnel since 2020. This is completed either online or as contact teaching.

## Cooperation with Lidl means:



### Unimpeachable business practices

We do not accept personal gifts from our partners. Nor do we give them.



### Reliability

We agree on matters clearly and keep to what has been agreed. We take responsibility for the consumption of the products we sell.



### Clear criteria

We aim for clarity in the criteria we set for our suppliers. For example, we require all production plants that make our private label products and producers of fruit and vegetables to have quality assurance and food safety certification that goes beyond what the law demands.



### A channel for reporting abuse

Our staff and partners can report any cases of suspected abuse in connection with our business operation anonymously via our reporting channel.



### Not canceling agreed orders

Fruit and vegetables for all Lidl stores are ordered in a centralized manner from our head office in Espoo. This means that individual Lidl stores do not order vegetables directly from farmers, wholesalers or other operators.

We want cooperation with our strategic supplier to be long-term and interactive. We have written framework agreements with fruit and vegetable suppliers and individual orders are also made in writing.

We keep to what has been agreed, and we also require the same from our partners. In practice, this means that orders are never completely cancelled although it may be necessary to change the delivery dates. Supply and demand for vegetables varies on a daily basis, so day-to-day changes in order and delivery amounts are typical for both sides. If this is necessary, we agree on the details in close cooperation with our suppliers.



”  
Our aim is to reduce the use of packaging plastic in our private label products by 20%.

## Sensible use of plastic

**Sensible use of plastic promotes the circular economy. Our aim is to use 20% less plastic and make the packaging for our private label products as recyclable as possible by 2025.**

The circular economy is particularly visible in our supply chains in product packaging. We have around 2,500 products in our range, many of which require their own packaging to ensure product safety and prevent waste. Appropriate packaging protects the product and minimizes waste and the risks to product safety - using the smallest possible amount of packaging material that is as easy as possible to recycle.

We have an impact on developments in packaging and the use of packaging materials. We design the packaging of our private label products in collaboration with suppliers, who in turn acquire the packaging materials from their own subcontractors.

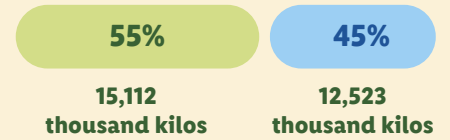
Decisions made in cooperation with our suppliers have broad-ranging impacts in terms of promoting the circular economy. We try to reduce the environmental impact that our private label product packaging has with the policies we have in place and the targets we have set for ourselves. We monitor the achievement of these targets and report on developments in our sustainability reports. Responsibility for package development lies with the experts in our packaging department and the Lidl buyers in Finland and around the world who negotiate with suppliers.

The circular economy is also an central part of our own activities, such as recycling and material efficiency. You can read more about this topic on p. 44.

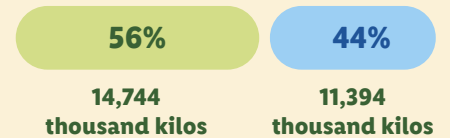


**The plastic and cardboard packaging imported by Lidl Finland by financial year:**

**2020**



**2019**



- Recyclable packaging materials
- Non-recyclable packaging materials

We are developing a data collection model related to the packaging of products bought from Finnish suppliers. We will strive to report on packaging material volumes and developments in this area in our next report.



## The five guiding principles of the action areas of REset Plastic – the plastic strategy of Schwarz Group:

### **Reduce:**

We reduce – wherever sustainably possible – plastic. Not only in packaging!

### **REdesign:**

We design recyclable packaging and close loops.

### **REcycle:**

We collect, sort and recycle plastics to close the loop.

### **REmove:**

We support the removal of plastic waste from the environment.

### **REsearch:**

We invest in research and the development of innovative solutions and educate on recycling.

## **REset Plastic**

Lidl is part of Schwarz Group. For the core business of Lidl – the trading of food products – resources are indispensable as transport and packaging material. Anyone who brings plastic into the cycle also bears responsibility for its further use. Accordingly, Schwarz Group has for many years been particularly committed to collecting, sorting and recycling of these resources.

The vision of "less plastic – closed loops" is also consistently pursued against an economic

background. In order to live up to its self-conception as a future-oriented innovation driver, Schwarz Group has committed itself to reducing plastic consumption by 20 percent by 2025 and to making 100 percent of the packaging of its own brands as recyclable as possible. In addition, Schwarz Group signed the Global Commitment of the New Plastics Economy of the Ellen Mac Arthur Foundation in 2018.

To implement the goals set, Schwarz Group launched the plastics strategy REset Plastic in 2018.



**As part of the Schwarz Group, Lidl Finland has implemented several measures in accordance with the plastic strategy. Our achievements during the reporting period include the following actions:**

**“ We replaced plastic wrappings on tulip bouquets with paper wrappings. ”**

**✓ Herb pots:**  
We have replaced plastic herb pots with paper pots. With the exception of rucola, all the potted herbs that we sell are grown and sold in pots made of paper. This change reduced our annual use of plastic pots by millions of units.

**✓ Juice bottles:**  
In order to increase the amount of packaging plastic that is recycled, we added deposits to our private label juice bottles. The deposit had been already been added to five products by the end of 2020.

**✓ Plastic cutlery:**  
We have stopped selling disposable plastic cutlery, glasses and drinking straws as well as cotton buds with plastic handles. We stopped selling these products at the beginning of 2020. The transition period to stop using disposable plastic specified in the EU directive lasted until summer 2021.

**✓ Tulips:**  
We switched from plastic to paper wrappings for bouquets containing 9 and 15 tulips. Replacing plastic wrappings with paper saves about four tons of plastic per year.

**✓ Crivit Ocean Bound Plastic running shoes:**  
The surface material on the shoes is made from recycled PET plastic bottles. At least 25% of the plastic used in the surface material of the shoes comes from plastic bottles collected from coastal areas and islands in Asia. This plastic would have otherwise ended up in the ocean.

**✓ Black plastic:**  
During spring 2020, we replaced black plastic containers for 90 fresh meat products with clear containers. The containers were changed for our Grillimaisteri, Kanamestari and Fairtrade meat packaged in black containers. We will stop using black plastic completely by the end of 2021 in our private label product packaging.



### The search for better packaging

In spring 2021, we organized the Packaging stories 2021 contest. The aim of this contest was to find packaging solutions that can reduce the use of excess plastic, improve the recyclability of packaging, and create something new. The contest was open to companies, universities and other educational institutions, with prize money of 50,000 euros available for the winners as well as the chance to see their own packaging on Lidl shelves.

The winners were selected by a jury of experts and Lidl representatives. The contest entries were evaluated by representatives from Sitra, VTT, Finnish Plastics Industries Federation, and the Finnish Packaging Association. The jury made its selection after examining the relevance, implementation method, possibilities for use, and inventiveness of the entries. The jury selected 5 winners from the 80 entries. Each winning entry received 10,000 euros and a recycled plastic sculpture made from plastic packages. The winning ideas included a digital deposit system for food packages, completely recyclable fish packaging, and a plastic packaging made from wood.

# Actions for the good of the climate

**We work towards limiting climate warming to 1.5 degrees through our new climate targets. Starting in 2022, we will be Finland's first carbon neutral retail chain.**

Slowing climate change is one of the most important themes of our sustainability work. As a large company, our greenhouse gas emissions have an impact on climate warming, and climate warming also has impacts on our business operations. For example, climate warming will increase rain and drought, which will inevitably affect agriculture and food production. Climate change also causes biodiversity loss, which further weakens the conditions for food production.

In order to contribute to slowing climate change, we have set concrete targets by which we strive to decrease our direct and indirect emissions. The targets of our climate strategy has been set according to the Science Based Targets initiative so that they help limit climate warming to 1.5 degrees. Lidl Finland is involved in the



“  
*Our operations will be carbon neutral in 2022.*”

SBTi initiative as part of the Schwarz Group, which joined the initiative in summer 2020.

Lidl Finland works to further Lidl's international climate targets, according to which Lidl will try to cut the greenhouse gas emissions caused by its operations by 80% in comparison to the 2019 level. The aim is to achieve this by 2030. In addition, Lidl will switch to electricity produced with renewable energy in all its countries of operation by 2022. In Finland, we have been using electricity produced with renewable energy since the beginning of 2019. Starting in 2022, Lidl will compensate for the remainder of emissions caused by its operations via Gold Standard certified climate projects. Thus, Lidl Finland will also be carbon neutral from 2022 onwards.

Since products clearly account for the largest share of all our greenhouse gas emissions, Lidl has also set a target for these emissions. The suppliers who cause 75% of Lidl's scope 3 emissions internationally must set their own Science Based Targets goals by 2026.

Lidl Finland participates in climate targets by continuous its promising climate work in Finland. Our first priority in climate work is to avoid and reduce our emissions. We only compensate our emissions when we cannot avoid or reduce them, and when it is sensible to compensate the emissions.

For example, we use energy sensibly, we implement energy-saving measures, we produce our own renewable energy for use in our facilities, and we are switching to increasingly low-emission refrigerants.

We use different indicators to continuously monitor the energy consumption resulting from our operations. We react quickly to possible deviations, and we develop our operations based on the data provided by our monitoring activities and with help from our partners. Energy management is the responsibility of our Energy Manager, who reports to the Real Estate and Development Director.

In order to reduce our indirect scope 3 emissions, we have already set targets for transportation emissions. We also recycle efficiently and prevent food waste. We carefully monitor our transportation efficiency and kilometers and food waste using different indicators. Transport planning and optimization is handled by the Logistics Department. The Operations Department is responsible for improving ways to prevent waste, but the stores, distribution centers, Commercial Department and the Communications and Marketing Team are also involved in this work. You can read about the ways we reduce our emissions on the following pages.

### Development of Lidl's Finland's emissions

Until the end of 2020, we reduced our carbon footprint according to our old carbon neutrality target. Our old target only included consumables, transport in Finland, and operational waste in the scope 3 category. In order to monitor the progress of our new climate targets, we will report our carbon footprint more extensively in the future.



### Lidl's international climate targets

- ✓ An 80% reduction in greenhouse gas emissions from our own operations (scopes 1 and 2) in comparison to the 2019 level by 2030.
- ✓ Lidl will switch to electricity produced with renewable energy in all its countries of operation by 2022. Lidl Finland has been using electricity produced with renewable energy since the beginning of 2019.
- ✓ Starting in 2022, Lidl will compensate for the remainder of emissions caused by its operations (scopes 1 and 2) via Gold Standard certified climate projects. Lidl Finland's operations will be carbon neutral from 2022 onwards.
- ✓ The suppliers who cause 75% of Lidl's scope 3 emissions globally must set their own Science Based Targets goals by 2026.



### Less driving kilometers, more gas-powered trucks

Dozens of trucks full of products travel between our three distribution centers and our stores every day.

We have set a target of reducing carbon dioxide emissions caused by transport and increasing the number of trucks that run on renewable or low-emission energy. Our goal is for a fifth of the transport fleet to be using either renewable or lower emission fuel by the end of 2025.

We began using the first biogas truck in 2018. The truck, which serves the most southernmost Finnish stores, runs on biogas manufactured from biowaste produced at our stores. At the end of 2020, we also had two vehicles in service that run on natural gas. For the time being, use of gas-powered trucks is limited by the lack of

refueling points for the fleet. However, we believe that we are on schedule concerning our goal, and we will try to double the number of gas vehicles to six in 2021.

As proven by the opening of the Järvenpää distribution center, reducing the number of driving kilometers is an effective way of reducing emissions from transport. Optimization of driving routes and driving kilometers is part of our daily work. Vehicles always leave the distribution center fully loaded, and the optimization of loads takes into account the sizes and shapes of the batch packaging, the heights of the pallets in different vehicle models, and how to maximize utilization of the return journey. We also use extra-long High Capacity Transport trucks, which can carry nearly 30% more pallets than a normal truck.

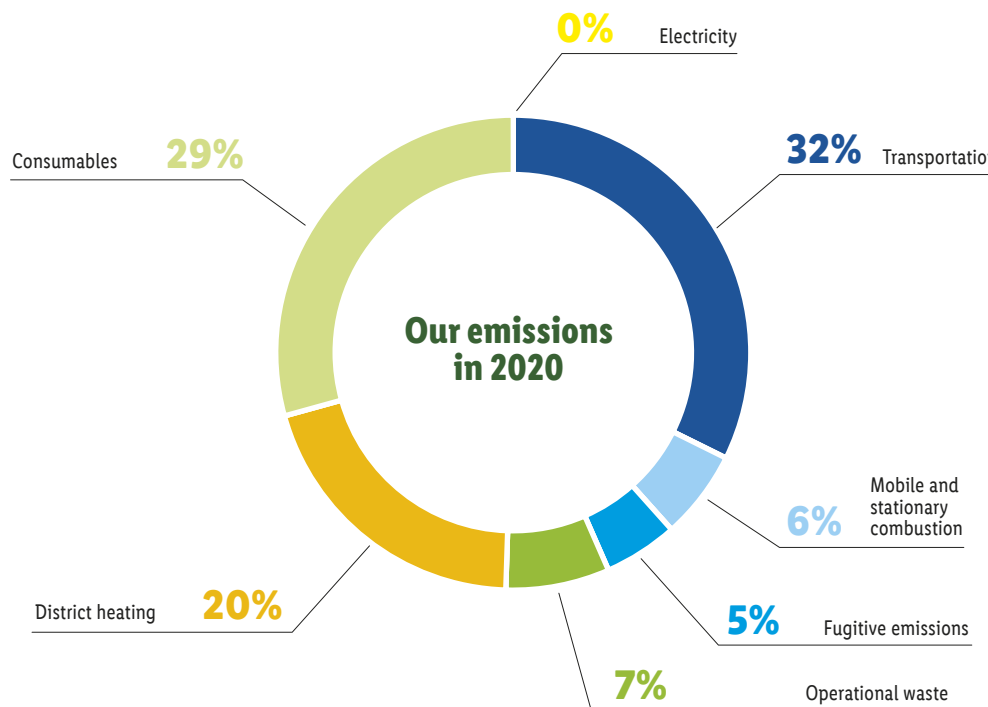
Greenhouse gas emissions (Scope 1, 2 and 3), tCO <sub>2</sub> e	2018	2019	2020
<b>Scope 1</b>	<b>5,690</b>	<b>3,761</b>	<b>4,082</b>
Fugitive emissions	3,274	1,413	1,806
Mobile and stationary combustion	2,416	2,348	2,276
<b>Scope 2, market-based</b>	<b>26,796</b>	<b>6,468</b>	<b>7,313</b>
District heating	6,681	6,468	7,313
Electricity	20,115	0	0
<b>Scope 2, location-based</b>	<b>17,310</b>	<b>16,742</b>	<b>19,199</b>
District heating	6,681	6,468	7,313
Electricity	10,629	10,274	11,886
<b>Scope 3</b>	<b>28,717</b>	<b>25,868</b>	<b>24,767</b>
Consumables	11,284	11,893	10,543
Transportation in Finland	14,868	11,502	11,647
Operational waste	2,565	2,473	2,576
<b>Total, market-based</b>	<b>61,203</b>	<b>36,097</b>	<b>36,163</b>
<b>Total, location-based</b>	<b>51,717</b>	<b>46,371</b>	<b>48,049</b>
<b>Scope 1:</b> Direct greenhouse gas emissions		<b>Scope 2:</b> Indirect greenhouse gas emissions	<b>Scope 3:</b> Other indirect greenhouse gas emissions

Our carbon footprint in 2018 was 61,203 tons. The majority of emissions came from electricity, heating and refrigerant use, logistics between our places of business, paper used in office work and advertising materials, and the fractions and waste produced in our operations.

By the end of 2020, we had reduced our emissions by approximately 40% in comparison to the 2018 level. The most important emissions reduction method was a transition to electricity produced entirely with renewable energy, which cut emissions by around one third. Since the beginning of 2019, Lidl Finland has only

used electricity produced with renewable energy in its operations. In 2018, this type of electricity accounted for just under one fifth of consumption. The electricity purchased by Lidl is produced with wind power.

The opening of the Järvenpää distribution center in early 2019 was another event that decreased emissions. Opening a new distribution centre closer to stores in the capital region reduced driving kilometers between the distribution centers and stores, which in turn reduced emissions from transport by around 20%. Fugitive emissions have also decreased significantly after we began using more low-emission refrigerants.



### This is how our carbon footprint was calculated

- ✓ Lidl Finland's greenhouse gas emissions are reported in tons as CO<sub>2</sub> equivalents. The emissions apply to Lidl Finland's stores, distribution centers and the head office.
- ✓ The basis for the calculation is the requirements of the Greenhouse Gas (GHG) protocol.
- ✓ We collect the required consumption data about emissions resulting from our operations ourselves (for example, the amount of diesel oil consumed by our corporate vehicles, driving kilometers of trucks) or we obtain them from external partners.
- ✓ We receive the emission factors from an external service provider, who also calculates the carbon footprint on our behalf.
- ✓ We report our carbon footprint in a location-based and market-based manner. The market-based carbon footprint is based on the residual distribution for electricity calculated by the Energy Authority. Location-based carbon footprint is calculated using average greenhouse gas emissions in a certain geographic region, which in our case is Finland.
- ✓ The emissions calculation method and consumer data we collect was altered after 2018, which is why emissions amounts differ slightly in comparison to the last sustainability report.





# Energy saved is equivalent to consumption of more than 8,000 households

Lidl Finland is part of an energy efficiency agreement in which the goal of the committed parties is to reduce energy consumption by at least 7.5% annually between 2016 and 2025. We have set our own goal higher than this. Our first goal was to achieve total savings of 10% by the end of 2020, but we already reached this target in 2019.

Now we have set a new goal, which involves a 20% reduction in our energy consumption by 2025. The energy saved is equivalent to the annual energy consumption of 8,000 three-person households living in an apartment building. At the end of the reporting period, we had reduced our energy consumption by approximately 13%, which is equivalent to 64% of our goal.

We have saved energy by means of many energy efficiency measures. For example, we have switched to energy-efficient LED lighting in our stores and also installed LED lights in our advertising signs. We

have installed a heat recovery system in some of our stores. This helps turn waste heat from refrigeration devices into energy.

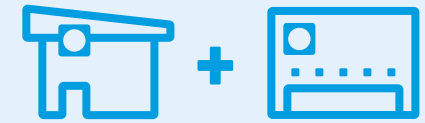
An advanced monitoring system is another way of saving energy. We continuously monitor the energy consumption in all our locations, and we use the ISO 50001 energy management system. The energy use of every property and its devices is monitored by dozens of electricity sub-meters to an accuracy of 15 minutes. Our stores also have smart building automation, which, for example, turns off the lights when the store closes and keeps ventilation equipment running only when necessary.

Property inspections are performed on our store buildings four times each year. Among other things, these inspections focus on energy efficiency. Our internal audit department also performs energy inspections in the stores as special projects. Lidl International and an external actor audit the

ISO 50001 energy management system every year.

Continuous monitoring means that we can deal with problems and deviations quickly and avoid wasting energy due to human error or equipment failures. Any deviations or problems are recorded locally in the energy management system and corrective actions are monitored. The Lidl Finland Energy Team monitors energy consumption, fluctuations and the achievement of energy targets.

All stores and distribution centers owned by Lidl Finland have received the international EDGE green building certification. The system checks energy and water consumption and the use of materials in existing stores. The certification system provides a comprehensive picture of consumption at all locations. Our goal was to certify all the locations we own during 2020, but certification of some locations was delayed until 2021 by, for example, the coronavirus situation.



## Lidl's stores and distribution center form a virtual power plant

Finland's electricity grid works best when electricity is at just the right level in relation to demand. When insufficient electricity is available, it becomes necessary to rely on reserve power produced with fossil energy. The opposite situation is also a problem, because the grid can become overloaded due to excess electricity.

A virtual power plant system has been developed in response to this problem. The companies and other actors in the system can help balance the electricity grid. The virtual power plant developed by Siemens makes it possible to utilize renewable energy and avoid using fossil-based reserve power in Finland.

Lidl's stores and the Järvenpää distribution center began virtual power plant activities in 2020. They use less electricity when demand for electricity is high in the grid and more electricity when the grid contains excess electricity that may cause overloading.

In practice, overloading of the electricity grid is avoided in the Järvenpää distribution center by means of a huge electric battery and a smart energy control system. Electricity consumption in the stores can be influenced by adjusting use of the ventilation and water cooling equipment. However, this does not affect conditions in the store.

At the end of the reporting period, the Järvenpää distribution center and 136 Lidl stores were connected to the virtual power plant.



### Our stores received Energiännerokas (Energy Genius) prizes

In November 2020, we received the Energy Genius of the Year prize, which recognizes the year's most effective, productive and inventive energy efficiency solutions. The prize was awarded for energy-wise stores where energy use has been improved in highly diverse ways.

We entered the competition with solutions implemented in the Sutela store in Kotka and the Vapaala store in Vantaa. The jury justified the award by stating that trials involving energy solutions as well as a comprehensive virtual power plant demonstrated a single retail chain's determination to achieve its energy efficiency and emissions targets. Actions to support biodiversity at the Vapaala store also set an example for other operators in the industry.

The Energy Genius of the Year awards are granted by the Ministry of Economic Affairs and Employment, the Energy Authority and Motiva, a state-owned sustainable development company.



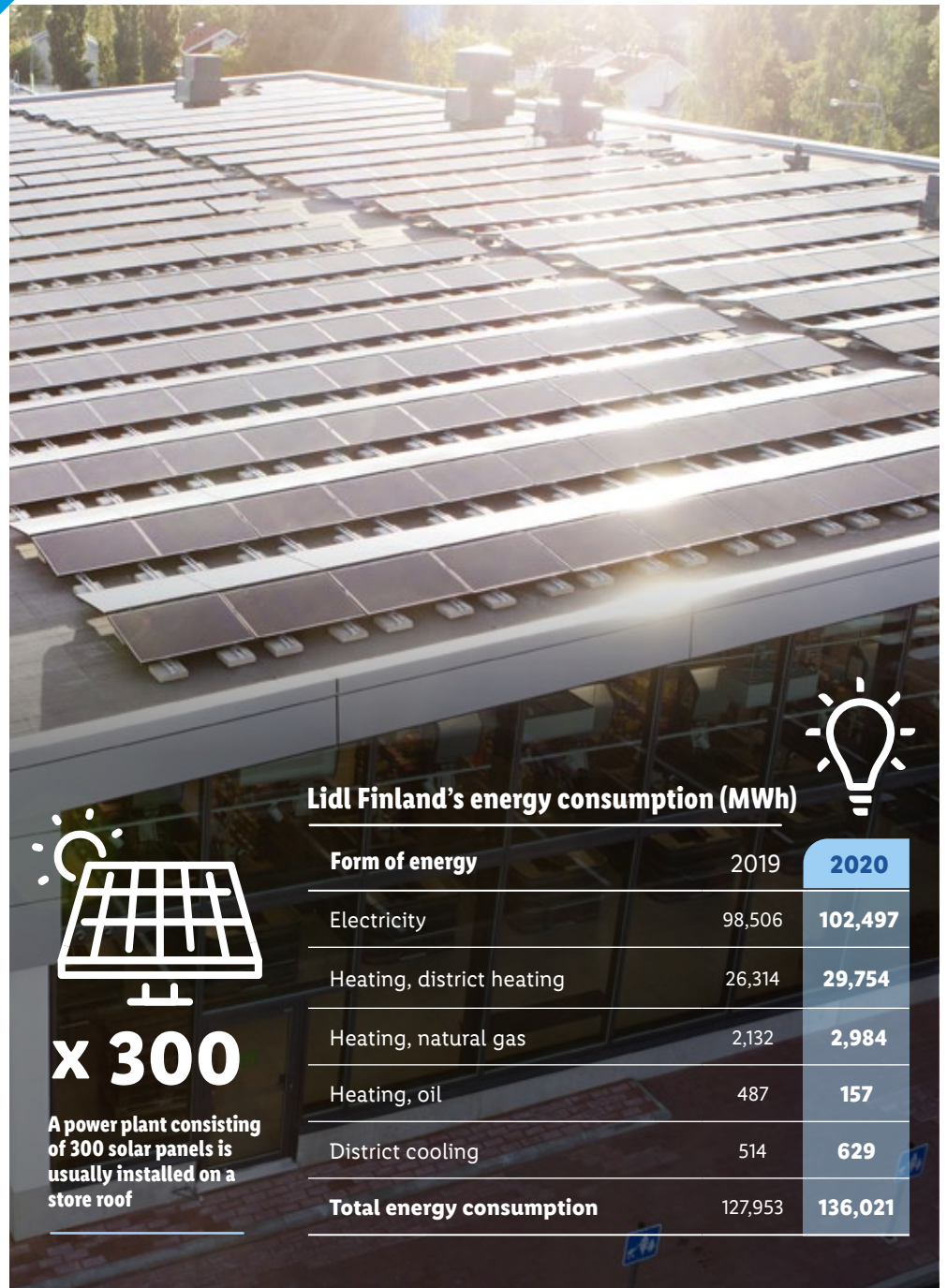
### Every fifth Lidl property will produce renewable energy in 2025

We intend to make all our locations more environmentally friendly. Among other things, this means improving energy efficiency, energy self-sufficiency, and construction solutions that take the environment and climate into consideration.

Our goal was to double the amount of renewable energy that we produce ourselves by the end of 2020 in comparison to the 2018 level. We achieved this goal, and now we intend to further increase production of renewable energy.

Our goal is for a fifth of our locations to be producing renewable energy in 2025. By the end of the reporting period, 14.2% of our properties will be producing renewable energy. In order to achieve our goal, we will install solar panels in new and, where possible, in existing stores. By the end of 2020, solar panels had been installed in 21 stores and in the Järvenpää and Laukaa distribution centers.

We also utilize energy from the earth. Self-generated geothermal heat is used to heat our store in the Sutela district of Kotka. The Sutela store can also store extra heat from the summer in the ground and use it for heating during the winter. Three other stores also switched from fossil energy to geothermal heating during 2020.



**x 300**

A power plant consisting of 300 solar panels is usually installed on a store roof

### Lidl Finland's energy consumption (MWh)

Form of energy	2019	2020
Electricity	98,506	102,497
Heating, district heating	26,314	29,754
Heating, natural gas	2,132	2,984
Heating, oil	487	157
District cooling	514	629
<b>Total energy consumption</b>	<b>127,953</b>	<b>136,021</b>

”

*Since the beginning of 2021, an ecological assessment has been performed on the plot of every new Lidl store before the start of construction.*

## Respecting biodiversity



In order to keep nature close to us in the built environment, we have decided to take biodiversity into consideration as part of our store construction. We already protect biodiversity in different ways in our supply chains (read more on page 24), but we also want to invest in it in our own operations. We build several new stores each year, so we leave our mark on nature in many places around Finland.

Since the beginning of 2021, an ecological assessment has been performed on the plot of every new Lidl store property before the start of construction. The ecologist who performs the

assessment gives us recommendations about actions that can support local biodiversity in the store yard. For example, the nature in cities and urban areas can be supported with city meadows, decaying wood fences and bird houses. We hope that our work will not only protect biodiversity in these areas but also set an example for others.

We piloted support for biodiversity in store construction at the Vapaala store in Vantaa, which is Lidl Finland's first BREAAAM-certified store. The store opened in autumn 2020, and its backyard has a 75-metre fence made of decaying wood that was

collected on the plot before construction began. The yard also has bird houses and bat houses, insect hotels and a forest meadow. Trees and berry shrubs have been planted to provide insects and animals in the area with nutrition and shelter.

The decaying wood fence and other yard solutions were chosen to safeguard biodiversity in the area. The first step in the project was a plot assessment performed by an ecologist before the excavation work started. The assessment analysed the nature values in the area, after which the ecologist recommended a variety of actions.



### Finland's first wooden Lidl store

In 2020, we started building Finland's first wooden Lidl store in Riihimäki. It looks just like other Lidl stores in terms of colour, but the store is covered with wood panels and its steel structures have been replaced with wood from the concrete floor upwards. All the support structures, including exterior walls, intermediate roof and roof structures are made of wood.

Building a wooden store was a pilot project that allowed us to examine the possibility of reducing emissions caused by construction. Replacing steel with wood decreases the carbon dioxide emissions from construction by nearly 25%.



### We planted carbon sinks in Finland

In June 2020, we planted seedlings in a former bog area in Mikkeli. According to calculations made by Natural Resources Institute Finland, the five-hectare Lidl forest will bind approximately 2,300 tons of carbon dioxide over a period of 43 years. That number is equivalent to the emissions caused by the construction and use of one Lidl store. Local young people were hired to plant the forest. The planting project was part of 4H Finland's Taimiteko (Seedling Action) operating model, which involves planting 10,000 hectares of new forest in Finland by 2030.

# A recycling champion

**In order to reduce the impacts of our operations on the environment, we have maximized the efficiency of our recycling activities. We keep our recycling rate high and our food waste rate low.**



A grocery store produces various recycling fractions, such as plastic, biowaste, cardboard and glass, on a daily basis. Since natural resources have been used in every material, it is important to also respect these materials. In order to reduce the impacts of our operations on the environment and ensure that natural resources are used sparingly, we have maximized the efficiency of our recycling activities.

We consider recycling fractions to be valuable materials that we always try to reuse. In addition to its environmental benefits, material efficiency is economically viable.

For us, material efficiency means minimizing all types of waste. We want to recycle as much as

possible while ensuring that the volume of fractions that requires recycling remains as low as possible.

Ease is the first step towards efficient recycling. We have made recycling in our stores as simple as possible for our customers and our staff. More than 20 different fractions were sorted and recycled at Lidl stores and distribution centers in 2020. New fractions that we currently recycle include flower pots and bulk sweet boxes.

The fractions are first sorted in the stores, and then transported to the distribution centers by truck. The trucks do not travel empty: first they bring products to the stores and then they return to the distribution centers with a load of recycling fractions.

This two-way logistics system makes recycling easier, because the fractions are transported to our distribution centers in large flows in a centralized manner.

The distribution centers have large and appropriate spaces and effective devices for recycling, such as balers and compactors. Each distribution center has a dozen or so employees who are engaged in recycling. They work in three shifts, and ensure that the materials are recycled effectively and properly.

## Our recycling rate is over 90%

We use various indicators to continuously monitor the success and development of our operations. Volumes of recycle fractions, recycling efficiency and

## Our food waste rate dropped to 1.3%

Every piece of bread or tomato that ends up in the trash bin is a waste of natural resources. Food is meant to be eaten, and that's why we are serious about preventing food waste. Our aim is to keep the amount of food wasted, measured in kilograms, under 1.5% of total food volume. In 2020, our waste rate decreased to 1.3% from 1.57% in 2019. The new Too Good to Waste concept had a big impact on this success.

Preventing food waste in grocery stores starts with the basics. We order the right amounts and ensure rapid product turnover. We deliver new products to our stores on a daily basis so that fresh goods are always available. Avoiding waste is a matter of balancing between food availability and the amount of food that remains unsold. Products must be available to our customers, but we still want to avoid waste. Avoiding waste is a challenge, as the demand for products can be hard to predict.

During 2019–2020, we gradually implemented a new ordering system that, among other things, utilizes earlier sales data. The system has helped us achieve better than average availability in stores and reduce waste.

We can also influence the amount of waste in a store by means of discounts. We don't wait until the last minute when lowering prices, so customers have plenty of time left to use the discounted products. This prevents waste from occurring at home. Since it is difficult to completely eliminate food waste, we cooperate with food assistance projects and other organizations that accept unsold products to ensure that the food is utilized.



### Nearly six million kilograms of waste food was sold

In order to prevent waste, we sold around 5.9 million kilograms of food at discounted prices in 2020. This amount includes red-label products as well as fruit, vegetables and baking point bread sold via the Too Good to Waste campaign.

We began using the Too Good to Waste campaign in 2019. Too Good to Waste has proven to be an effective way to avoid wasting products that have a very short sales period. The Too Good to Waste campaign involves selling fruit, vegetables and baking point bread products that were not sold the previous day. Baking point bread is available in the mornings near the baking point and the fruit and vegetables boxes are found after the cash tills if anything was left to sell. Too Good to Waste products are edible but they do not meet all our strict quality requirements for sale at full price.



“  
93% of waste is recycled  
as materials

sorting quality are closely monitored at the monthly level so that we can develop our recycling activities.

The tools we use include various analyses and indicators, such as recycling rate, the collection instruments' loading rate, emptying frequencies and the weight of loads. Optimizing these areas, also when transporting recycle fractions, avoids unnecessary driving kilometers and emissions.

One of our most important indicators is our recycling rate, which was 93% in 2020. Our goal is to keep the recycling rate over 90%, and we have been very successful in this area. The recycling rate also remained at around 93% in 2018 and 2019.

In addition to continuous monitoring, this success can be attributed to developing a recycling policy and the other development work that we have implemented. We actively look for new recycling opportunities and ways of decreasing the volume of energy and mixed waste.

In terms of developing its recycling processes, Lidl Finland is also supported by the recycling organization PreZero, which is part of the Schwarz Group. This organization provides us with information about new operating methods, good recycling equipment and techniques, and recycling partners.

### Zero Waste certificates for our distribution centers

The recycling rates at all three of our distribution centers were validated in summer 2020. Our distribution centers achieved 100% recycling rate in validations performed by the international safety organization Underwriters Laboratories (UL). This means that nearly all the fractions produced at the distribution centers are recycled or reused.

An Environmental Claim Validation was performed to ensure that the recycling rates at the distribution centers complied with the UL standard. The validation examines the volume of reuse, the share of recyclable material in relation to the entire fraction amount, and the share of energy fraction. The Zero Waste to Landfill Platinum level achieved by the distribution centers is the highest possible level in the assessment.



### Total volume of waste by waste types (tons)

	2019	2020
Recyclable	36,082	<b>41,899</b>
Compostable	8,118	<b>7,159</b>
Reusable	33	<b>72</b>
Energy recovery	3,520	<b>3,406</b>
Final disposal	29	<b>3.5</b>
<b>Total waste</b>	<b>47,782</b>	<b>52,540</b>

# Responsible recruitment

**Lidl Finland is a workplace employing around 5,500 people. We focus on taking care of our employee' well-being, safety and competence development so that we can be their first choice now and in the future.**

We have made an employer pledge to our current and future employees, which states that people, courage and responsibility are most important for us. This means that we take care of each other and the world around us and we act bravely and responsibly. The employer pledge guides our HR management, which is also based on our core values and shared principles. These principles are open communications, leading by example, developing and improving together, strength and dynamism, and impartiality and trust.

Employees are also a central element in the entire Lidl Finland strategy. The aim of our strategy is to be the number one choice for employees. We want Lidl employees to choose us as their workplace every day. We also want to be the first choice for future Lidl employees and find the best experts for our company.



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*People, courage and  
responsibility are most  
important for us.*

The key areas of HR management relate to well-being and work ability, coaching-oriented management work, skills management, employer image and recruiting, fair working conditions, and a safe working environment. These themes are also evident in Lidl's Hyvinvointisi tukena (Supporting your well-being) program, the Equality and Equity Plan, safety training seminars, and annual development discussions.

For us, it is important to invest in the well-being of our employees as well as their competence and its development. Since management has great importance in terms of individual well-being and company success, we invest in coaching-oriented management. A coaching-oriented manager knows themselves as a manager and supports the growth of their employees as experts. They set the direction for working together and help people find meaning in their work.

We are developing our management in a systematic manner. During the reporting period, our management board, the managers at our head office, our regional director and the sales and regional managers in the field have taken part in programs that help them develop as training-oriented managers. We have also continued development for our store managers, assistance store managers and distribution center group managers. In addition, we invest in training new managers by means of a wide-ranging coaching program.

We ensure that the principles of HR management are implemented by keeping training, pay and employment relationship practices, occupational health cooperation

and other internal practices up to date. A development action plan is being compiled in cooperation with the occupational safety department, and it will be updated as needed every one to two years. Lidl also holds regular talks with union representatives and engages in active dialogue with HR representatives.

We monitor implementation of the principles by means of internal reporting and regular staff surveys. Surveys are performed approximately every 18 months. Lidl has also been recognized for its HR management in external evaluations. In January 2021, we received a Top Employer Finland certificate for the third consecutive year. In addition, the Olympic Committee awarded Lidl its Active Workplace Certificate for investing in the staff's physical activity and involvement.

### Working for Lidl

Lidl needs diverse work input on the part of both full-time and part-time personnel. In the retail sector, the share of part-time employees is usually quite high. Many people seek jobs in the retail sector if they are in a situation where part-time shift work suits them best, for example, while studying.

Each of our store or warehouse employees is contracted to work at least five hours a week. We do not enter into zero-hour contracts unless the employee makes a point of asking for one,

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*We want to be the first choice for our employees.*



### Our Lidl personnel survey

We monitor the well-being and job satisfaction of our employees by means of the Our Lidl survey. The results of the Our Lidl survey provide a picture of how Lidl employees perceive the implementation of management principles. We also assess the views that staff have concerning management work and Lidl as an employer.

According to the results of the winter 2020 personnel survey, our strengths are balance between work and leisure, job satisfaction and management work. The employees also felt that they could be themselves at work. Development areas included information flow and the opportunity to influence decision-making. The employees also expressed their desire for staff benefits and pay development. Based on the average score for responses, the overall level of employee job satisfaction was 72.9%. We achieved our goal of increasing the result to 72 during 2020.



Average score for Lidl employees' responses in the 2020 personnel survey



### A Top Employer for the third consecutive year

In January 2021, we received Top Employer Finland certification for the third consecutive year. This means that our HR management practices and processes are at an excellent level. The certificate is granted by the independent Dutch organization Top Employers Institute. The institute study assessed, for example, how we recruit and provide orientation for new employees, how we ensure our employees' development and well-being, what our management culture is like, and our staff benefits.

### Lidl personnel by contract type

Employment relationship structure, as a percentage of all personnel	2019	2020
Permanent	97.7	97.2
Temporary	2.3	2.8
Full-time	36	34.0
Part-time	64	66.0
Share of contracts of 30 hours or more weekly among part-time staff	37.0	34.4



**30 years**  
Average age of Lidl employees (2020)

**94%**

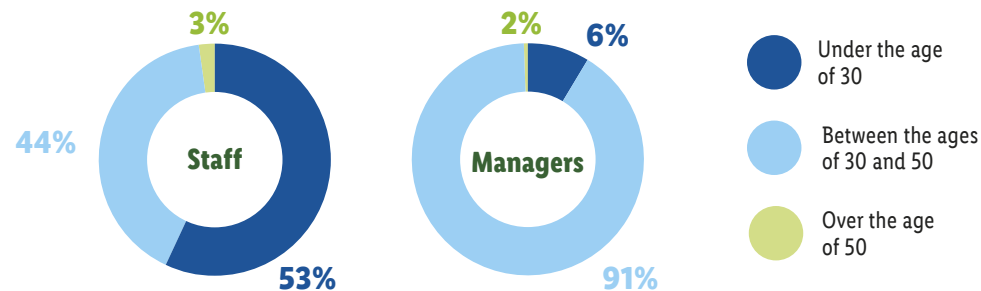
of personnel were within the scope of collective agreements (2020)



Men **32%**

Women **68%**

### Age structure



### Gender distribution by employee group in 2020

#### Store employees



#### Store managers



#### Warehouse employees



#### Managers



#### Management board



● Women ● Men



**TARGET**

### Our wages will be the best in the grocery industry

For us, fair pay means reasonable wages for the work performed. We pay better wages in our stores and distribution centers than what is specified in the collective agreement for the retail sector. Our aim in the future is to keep our wages near the top in terms of the grocery industry.

Salaries are determined according to the collective agreements, but we also pay our salespeople a Lidl increment (Lidl-lisä) of 1.5–10% in addition to what is specified in the collective agreement. Wages for warehouse workers are 11–18% higher than that specified in the collective agreement. The Lidl increment increases based on years of experience and workplace location. The Lidl increment for store employees increases to 3% after two years of service. In the capital district, the Lidl increment for store employees increases to 5% after two years of service and to 10% after five years of service.

In autumn 2020, we began paying a logistics increment and performance bonus to warehouse workers in our distribution centers. Years of service, workplace location and regional differences in cost of living affect the increment. Order pickers working in the stores can also earn a performance bonus. The bonus increases according to how fast the orders are picked. Employees can earn a performance bonus of 0.50–2 euros on top of their hourly wages. In 2020, the largest performance bonuses paid were over 250 euros per month in gross earnings. The average performance bonus is approximately 60 euros.





**TARGET**

**To pay fair wages**

Our wages are based on clear pay steps that ensure fair pay for everyone. In this way, we strive to ensure equal and motivating remuneration for all Lidl employees according to clearly defined job descriptions and wage policies.

For example, gender does not affect salaries or starting pay, and wage increases are always determined in an equal manner using pay scales that are based on skills and experience. Since an employee's skills, experience and years of service affect pay, wages may vary inside control groups – for women and men.

We want to encourage women to apply for a greater variety of management positions, and we have set a goal of increasing the share of women in management positions. We promote balance between work and family and we actively work to ensure that all employees are aware of the practices concerning pregnancy and family leave. We also offer all our employees equal opportunities for training and development.



**Women's pay in different employee groups at Lidl**

Average pay for women in relation to that for men (%)	2019	2020
Store employees	100	99.6
Store managers	97.7	97.8
Warehouse employees	99.1	99.1
Logistics managers	100	100
Administrative staff	95.2	97.5
Senior administrative staff	89.6	91.7

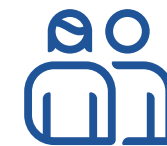


**”** Starting pay and pay increases are always determined using pay scales that are based on skills and experience.

**We are a workplace for different and equal people**

As an international company, we respect diversity and inclusion. Our aim is to be a workplace for different and equal people, and we promote equality and diversity in different ways:

- ✓ In spring 2020, we signed the Women's Empowerment Principles compiled by the UN Women gender equality organization and UN Global Compact. The goal of the initiative is to strengthen and promote the role of women in companies.
- ✓ During the 2020 financial year, we began to prepare a diversity plan with the aim of ensuring that diversity and inclusion is realized in the best possible way in the future.
- ✓ We want to make sure that equality is implemented in recruiting, employment relationships and work communities. We observe the Equality and Equity Plan in all our activities. The plan was last updated in autumn 2020.
- ✓ We participate in the Easy Steps towards Working Life employment project run by the Finnish Institute for Health and the Welfare and the Rehabilitation Foundation. The project aims to improve the opportunities of people with partial work ability to find work in the open labor market.



Lidl employees in Finland represent **45** different nationalities.

# We participate in promoting women's opportunities to exert influence

Promoting gender equality is deeply rooted in our corporate culture. We want to promote gender equality in our own operations and in our supply chains, and thus reinforce the UN Women's Empowerment Principles (WEP) that we signed in 2020.

WEP is the first global initiative that focuses on strengthening and promoting the role of women. The principles offer companies guidelines for empowering women at the workplace and promoting gender equality in supply chains.

We promote gender equality and the principles of equal opportunity in our supply chains. We require that the operations of our partners also support the WEP principles, and we offer them information in our due diligence policy.



## Our actions to promote equality:

- ✓ Increasing the share of women in management positions:** Our goal is to increase the share of women in middle and upper management positions. We also promote balance between work and family, and we actively work to ensure that all employees are aware of the practices concerning pregnancy and family leave.
- ✓ Equal career opportunities for all employees:** We use a pay system that is based on neutral criteria, such as professional experience, qualification and skills. We also offer all our employees equal opportunities for training and development.
- ✓ Employee representatives:** Independent and impartial union representatives provide security for employees. Employees can approach them about general personnel matters and with concerns related to diversity and gender equality.
- ✓ Equal opportunities in our supply chain:** We also promote gender equality and the principles of equal opportunity in our supply chains. We require that the operations of our partners also support these principles, and we offer them information in our due diligence policy.

# The well-being and safety of Lidl staff

We want work at Lidl to create well-being at work and during leisure time. For us, this means ensuring our employees' well-being, health and safety. Being satisfied at work also has a positive impact outside the workplace. We nurture our employees' well-being in a proactive manner. During the reporting period, we focused particularly on early support and lightened work models, developing work ergonomics in the distribution centers, and support for mental well-being.

Our Hyvinvointisi tukena (Supporting your well-being) operating model covers the entire staff. The scheme consists of three areas of focus: the promotion of health, support for work ability, and safe working conditions. These are promoted via the permanent company policies and, where necessary, by means of projects. Feedback and indicators are used to assess the effectiveness of these policies. The indicators that are monitored include absence due to sickness, staff turnover, active participation in sports and wellness campaigns, and the results of employee surveys and any other well-being surveys.

Our aim is to support the health of Lidl employees in a comprehensive manner. All Lidl staff are part of an extended occupational health care scheme that covers the statutory services, medical care and, where necessary, the services of an occupational health psychologist, a social welfare expert and an occupational health physiotherapist. We have identified mental health problems as a special social challenge that is also evident in our operations and which we need to address. Among other things, we offer our employees the opportunity for short-term psychotherapy and digital Mielen chat and Mielen Sparri mental well-being services, through which employees can arrange a remote meeting with a psychologist or psychotherapist.

We support our store employees' work ability with the lightened work model. In the future, this will also be available to warehouse employees.





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*We invested in early support and lightened work models, developing work ergonomics in the distribution centers, and support for mental well-being.*

This model makes work possible when an employee’s health status prevents them from doing all the tasks that are part of their work. In the lightened work model, work tasks are considered according to the employee’s work ability, which supports a return to full health and continuation along their career path.

Managers have an important part to play in promoting work ability and identifying challenges together with employees. Managers receive training and support for this task from the occupational health team and HR experts. Our early support scheme is an important tool in terms of supporting work ability.

The goal of the model is to maintain the employee’s work ability by altering the work conditions or work methods in ways that allow that employee to continue working. The scheme is a key part of the way Lidl manages work ability, and we monitor it systematically.

We have implemented Feel the Beat well-being coaching sessions, which provide information and coaching about ensuring personal well-being and recovery. Around 100 Lidl employees took part in the coaching program in early 2019. In 2020, we organized the same coaching for distribution center employees. We also talk about the importance of recovery at manager training sessions on managing work ability, and the managers ensure that employees take their statutory breaks by checking working hours records.

We want to support employee well-being during leisure time. We offer Lidl employees ePassi as an employment benefit. The value loaded onto the application can be used for physical activity, well-being, culture or commuting journeys. Depending on the location, we also offer opportunities to exercise

during the work day. People working in administration positions can use flexible working hours and remote work to help make day-to-day life easier.

**Occupational safety is everyone’s business**

Store and warehouse work involves a lot of occupational safety risks that can cause accidents and injuries. Our goal is to minimize accidents, which is why we perform continuous risk assessment and act to reduce those risks. We manage identified risks, such as electricity hazards, poor ergonomics and psychological risks, according to the STOP principle. This means that we primarily try to replace the work task that causes the risk and only intervene in that risk with, for example, protective equipment as a last resort.

We monitor the impact of risk management measures in our electronic risk management system, where the

measures to be performed, responsible persons and deadlines are specified. We implement the principle of continuous development by linking the safety observation and accident investigation processes with the risk assessment process. This ensures that corrective measures are taken into consideration as part of risk assessment and any risks that are identified can be controlled.

Occupational safety matters are part of every Lidl employee’s orientation, and employees update their skills in annual refresher training. Training is also offered at all stores and distribution centers via the safety session model. Specially trained managers regularly organize safety sessions, or breaks, to address situations in which occupational accidents may occur and explain how those accidents can be prevented. External employees, such as refrigeration

## Number of accidents at Lidl

	2019	2020
Accident frequency LTA4*	17.0	9.6
Proportion of serious accidents**	2.8	1.2

\* Accident frequency is calculated on the basis of accidents leading to an absence of four days in relation to one million working hours.

\*\* Accidents resulting in an absence of over 30 days. Proportion of all accidents

## Absences due to sickness at Lidl\*



\* In 2020, absences due to sickness also include absences resulting from quarantine.

device technicians, have separate safety instructions that they must acknowledge before starting work in our premises.

The implementation rate for training and effectiveness of safety breaks is monitored in conjunction with internal reporting. Compliance with guidelines is checked every year with the occupational health and safety reviews carried out in our places of business. Development measures are decided in cooperation with the responsible manager on site and recorded in the electronic risk management system.

We encourage our employees to make safety observations, which everyone can submit via Lidl's electronic risk management system. It is the task of the responsible managers at our places of business to process these observations and respond to the observer

as quickly as possible. Since the beginning of 2021, occupational accidents leading to absences from work have been investigated by the occupational health and safety organization based at the head office and experts.

Lidl's occupational health and safety matters are dealt with regularly at the meetings of two occupational health and safety committees. In addition to the occupational health and safety committee based at the head office, Lidl has an operative occupational health and safety committee that deals with the distribution centers and stores. These committees consist of employer and employee representatives, and the occupational safety service provider and deputy occupational health and safety representatives also take part in their activities. The committee meet five times per year.



### Lidl employees ensure the availability of food during the pandemic

When the coronavirus pandemic reached Finland, Lidl employees ensured that Finns had access to food and supplies. As a company, we want to take responsibility for the well-being and safety of our employees and customers. We quickly began using hand disinfectant, face masks, safety distances, and protective screens at the tills. We also ensured that our

employees had flexible access to coronavirus tests and received assistance related to mental well-being. We gave our employees Lidl gift cards to thank them for their work efforts during the coronavirus pandemic. Each employee received gift cards worth more than 100 euros in 2020.

# We support the growth and development of every Lidl employee

Employees are the most important resource that we have, and we want to invest in developing their skills. Skills development begins as soon as a new employee starts working at Lidl. A comprehensive orientation plan is drawn up for all new employees at Lidl and anyone who changes jobs. The plan is tailored for the position concerned.

We ensure that our managers receive regular training. Manager training helps them to succeed in their role, and it is the responsibility of the HR Department to offer additional support and further development management practices.

During the reporting period, we started a new Lidlship coaching program for managers. The theme of this program is coaching-oriented management. This comprehensive program provides information and tools in the areas of self-management, implementation ability and situational management as well as managing work ability, occupational safety and well-being at work. By the end of the reporting period, 87% of our managers had completed the

Lidlship training, and training has been planned for the remainder.

Progress of the training is monitored actively at the distribution centers and at the head office. The average amount of training for our employees was 25.5 hours per employee during the 2020 financial year. This number also includes training periods and statutory training for store and warehouse employees and managers. Slightly less training than normal was arranged due to the coronavirus situation.

The apprenticeships that Lidl has offered since 2006 have proven very popular. Between 2006 and 2020, 614 people at Lidl took an apprenticeship, and 72% of those still work for the company.

In addition to various training opportunities, Lidl has a systematic Talent Management personnel development process for staff at the head office, administrative personnel at the distribution centers and for managers, including those at the stores. The process covers an assessment, an annual meeting,



a personal development plan, and the annual Talent Review career development conferences. During the conference, the managers work together to examine the performance and development of their teams. This ensures an equal and objective performance assessment for everyone. In 2020, 37% of the staff were involved in the Talent Review process.

The Talent Review process is a method for identifying the potential of our experts: they can take on work that reflects their skills and develop professionally and personally at work. At the same time, we find the right people for the right jobs inside the company. A lot of internal job rotation and recruiting takes place at Lidl. During 2020, nearly 1 in 5 of our employees continued their career in a new position inside our company.



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*A total of 614 people completed apprenticeships at Lidl, and 72% of these people are still working for Lidl.*



### Lidl Way of Workfulness

In 2020, we started the Lidl WoW training program for employees working in expert and assistant positions at the head office. The aim of the program was to strengthen working life skills, increase self-direction and eliminate silos between departments. The program involved learning coaching skills, providing and receiving 270-degree feedback, and developing methods and models to improve internal communications.

## The different training routes at Lidl



### Become a Store Manager training program

We recruit new shift managers for a program in which participants receive a permanent employment contract with Lidl and a comprehensive 18-month coaching package with pay. During the orientation stage of the training, participants work as store employees and complete general retail sector studies. Then the participants move on to shift manager tasks and complete a further vocational qualification in first-line management.



### Training for store employees

Orientation training for store employees reviews the daily tasks performed at stores, such as customer service, cashier work, filling shelves and ensuring freshness. The training also deals with, for example, ergonomics, energy efficiency at work, waste prevention, and recycling. The range of duties for store employees can be extended through separate training to include working at the baking point or checking for freshness. The trainers are store employees who are trained to provide orientation, also known as service trainers.



### Training for logistics employees

Depending on the future position, the main focus of training consists of picking area principles, checking quality and quantity, or working with a forklift. The training also has a particular focus on ergonomics and safe use of machinery and equipment. The trainers are peer workers trained to perform orientation.



### Welcome to Lidl

The employment relationship starts with a Welcome to Lidl event, where the new employee receives all the background information they need about Lidl as a company and employer. During the orientation, administrative employees have an opportunity to find out about activities in the stores, distribution centers and the various head office departments. If necessary, and depending on the job, information about operations abroad can be arranged.



### Completing an apprenticeship qualification while working

We offer employees the opportunity to take part in apprenticeship qualifications. The employees receive pay for the contact teaching days. Qualifications are offered at every employee level from store and warehouse employee to management-level positions.



### International Trainee program

The trainees selected for this program have the opportunity to learn about different Lidl positions in Finland and Germany. The program lasts for 18 months, 6 of which are spent abroad.



### Job Rotation program

Job Rotation for senior administrative staff involves working in another Lidl country for one to two years.



### Other international opportunities

Experts and senior administrative staff can apply for specialist postings, which means sharing their competence with colleagues in another Lidl country. Managers can apply for development programs (3–24 months), in which participants develop their work ability in leading roles in other Lidl countries. A third option is international transfers, where employees have the opportunity to transfer to and work in another Lidl country. This takes place via a system of internal transfers and applications.

# Good quality and safe products

**Taste, nutrition and safety are all elements of product quality. A quality product is also good for your health.**

We want to offer our customers a shopping basket with an outstanding price/quality ratio. A quality product is tasty, nutritious, safe and healthy. The quality of a product also depends on its origins and how it was produced.

We are constantly developing our private label products on the basis of trends, research results and technology innovations. Healthy products are an important element in product development. Among other things, Finns' consumption of salt and sugar exceed the limit values set in nutritional recommendations.

As Finland's third largest grocery chain, we have an important role to play in nutrition in Finland. By offering healthy options and developing the nutritional content of products without compromising flavour, we can help our customers eat in a more healthy manner.



## Products assessed by Quality Assurance Department and recommendations



No. of products for which health and safety impacts have been assessed by Lidl Finland

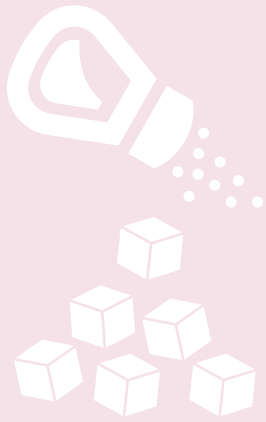
40	67
2019	2020



No. of products for which recommendations were made to improve quality on the basis of the assessment

39	60
2019	2020





## Less salt and sugar

We have pledged to cut total quantities of salt and sugar, weighted according to sales, by a fifth in our private label products during the period 2015–2025.

We will achieve these goals by modifying recipes and offering healthier package sizes and product options. Our aim is to remove any salt or sugar that is unnecessary in terms of shelf life or taste.

Changing the nutritional content of a product is a separate product development project in each case, because the same methods do not necessarily work for all items. In addition to lowering sugar and salt content, we always have to take a product's taste, safety and overall nutritional value into consideration.

Recipes are being developed in Finland and internationally. Data concerning how much salt and sugar content has decreased in our products is not yet available for the entire Lidl Finland product range. Our aim is to report this information in our next sustainability report.

## During the reporting period, we have reduced the amount of sugar in these products...

- ✓ Södergården blueberry soup
- ✓ Solevita pear drink, mixed fruit drink and multivitamin drink
- ✓ Milbona strawberry yoghurt (1 kg)
- ✓ Milbona fruit quark

## ...and the amount of salt in these

- ✓ Koskikylä liver casserole
- ✓ Koskikylä single-serving meal honey broiler and rice
- ✓ Baking point ciabatta
- ✓ Trattoria Alfredo stone-baked pizza special
- ✓ Snack Day Tortilla Wraps



Like many other Finnish companies, we have signed up for nutrition campaigns. For example, we have set goals that involve reducing the amount of salt and sugar in our private label products by the end of 2025.

The goal is part of the nutrition policy that we published in 2017, which describe how we will invest in nutritional quality in our private label products. The policy provides detailed information about, for example, selecting raw materials, reducing salt, sugar and solid fat content, and the use of additives. The policy will be updated as necessary, and the full policy is available on our website at [lidl.fi/vastuullisuus](http://lidl.fi/vastuullisuus).

The nutritional quality of our products is monitored by the Quality Assurance Department, which makes

recommendations to buyers in order to improve quality. The Commercial Department, in close cooperation with suppliers, is responsible for product development.

Every year, the Quality Assurance Department examines dozens of products and, where necessary, makes recommendations to improve nutritional values and the quality of selected raw materials in accordance with Lidl's nutrition policy.

Based on the recommendations made, we investigate whether the product recipe can be changed accordingly without compromising product safety or detracting from the sensory quality of the product. If it is possible to change the recipe, the new version goes into production.



## Heart Symbol makes healthy choices easier

The Heart Symbol on a package tells the customer that the product contains good-quality fat and a reduced amount of salt.

We started using the Heart Symbol in our private label products in May 2019. By the end of the reporting period, around 200 of our products had the Heart Symbol. This group includes several milk and meat products, breads, processed grain and meat products, fats, and convenience foods.





# Product safety

We ensure product safety in every stage of the supply chain. Our product safety requirements apply to all products regardless of their country of production and origin.

The production plants that make our private label products must have a food safety certificate (IFS, BRC, FSSC 22000), which guides plant operations in a broad-ranging manner and thus ensures that products are manufactured safely. The auditing required for the certificate is performed by an independent third-party agency.

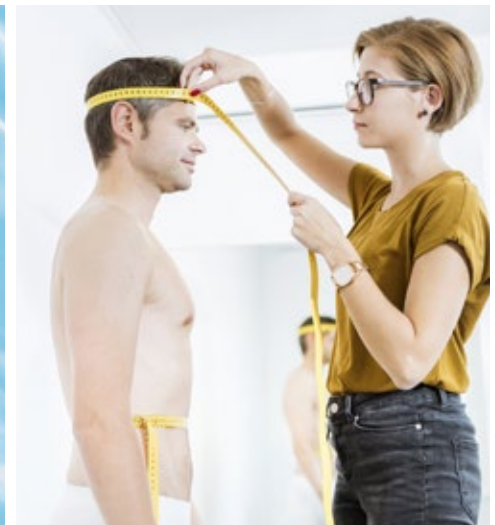
We ask our suppliers to have a full survey of marketable quality carried out on all our private label products before they are offered for sale. The surveys are performed regularly even when the products are already in the stores. The marketable quality survey means a sensory examination of a product, testing of microbiological and chemical quality, and compliance with the law in package labeling. The survey also ensures that the nutritional values of a product correspond to those marked on the packaging.

In addition to the tests conducted by the supplier, we commission a similar risk-based analysis for products at an accredited laboratory. These are performed at regular intervals. Products with a higher risk in terms of safety are analysed more frequently than those with a lower risk.

If the results reveal deviations, Lidl and the supplier investigate the cause of this exceptional result. Any consignments found to be unfit for sale are recalled, and we ensure that consumers are told about the issue and how to obtain any compensation they may be entitled to. Lidl recalled eight food products during the reporting period.

The sensory quality of all our private label products is checked when it is new to the range of goods on sale or when a consignment product goes on sale. In addition to the sensory assessments carried out in Lidl's own special test kitchens, we also have our main products tested by consumer panels on a regular basis.

Number of audits and analyses performed in Finland	2019	2020
Supplier audits	45	<b>30</b>
Product analyses commissioned for our private label food products	1,350	<b>1,518</b>
Recalls of private label products	7	<b>8</b>
Product analyses of fruit and vegetables	1,727	<b>1,849</b>



### Safety requirements for near-food and non-food products

Our non-food products are inspected at reliable German testing facilities before they go on sale. These tests focus on product safety and marketability as well as checking limit values for harmful substances. In addition to the tests performed at the testing facilities, products are checked by Lidl's international quality assurance team, which examines products from the customer perspective.

The quality assurance team examines, for example, the product's functionality, its ergonomic qualities, and the instructions for use and maintenance. The product's journey from one test to another ends with an acceptance inspection at our distribution center.

All our products must meet all of the safety requirements required by law. In Finland, near-food and non-food products are tested and their safety and quality overseen by organizations such as Finnish Customs and the Finnish Safety and Chemicals Agency (Tukes).

None of our near-food or non-food products were recalled during the reporting period.

### Textiles

We choose skin-friendly materials for clothes and textiles, and we test them for any harmful substances.

We use the Oeko-tex Standard 100 safe textile label. The certificate is granted by independent research institutes, and it confirms that the product contains no harmful pesticide, heavy metal or formaldehyde residues.



### Furniture and household goods

Materials, safety and functionality are tested in laboratory and practical tests at accredited research institutes.

The safety and durability of toys are tested carefully in independent quality tests performed at accredited research institutes. Experts check that no harmful substances or fragments will come off the products and that they can withstand even rougher handling.

Electrical equipment is carefully tested by a research institute before being put on sale. The comprehensive tests performed on home appliances and tools include safety tests and durability tests..

### Clothing sizing that customers can trust

Lidl has worked with the respected Hohenstein Institute in Germany for more than 10 years. Hohenstein tests the quality of our products in different ways, and the products that pass these tests receive a Hohenstein quality certificate.

One of the certificates tells our customers that the fit and comfort of a piece of clothing has been verified in Hohenstein tests. The tests verify the measurements of clothing so that they correspond to each other in different products. This means, for example, that all size 38 shirts that have received a certificate are the same size.





”  
We will offer more plant-based products.

## A sustainable product range

**We are building a sustainable product range by investing in certified products and raw materials and a large selection of plant-based items.**

In terms of product range development, we are investing in quality raw materials that are sustainably produced. We favour sustainability certificates monitored by reliable third parties in our sustainability work. At this time, sustainability certificates are the best way to ensure that environmental impacts are taken into account and human rights are safeguarded in product supply chains.

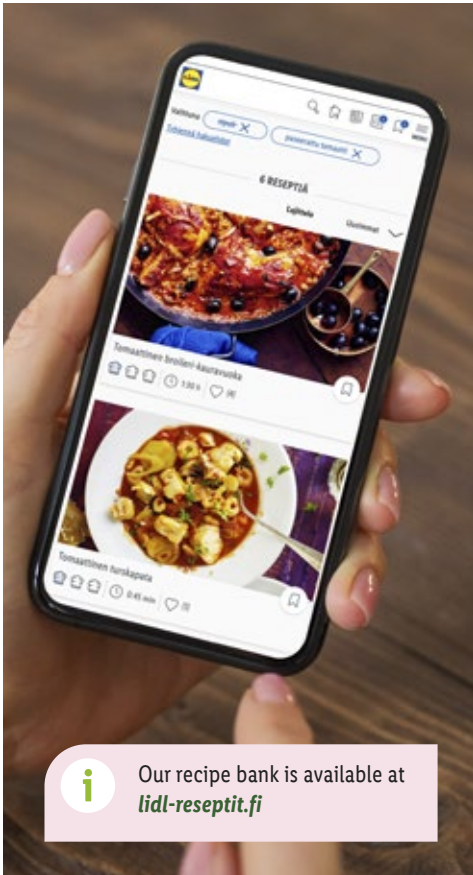
A sustainable product range makes it easy for the customer to make good choices. Lidl has a wide range of sustainable label products, because our procurement policies always apply to our private label products, which account for around 75% of our entire product range. You can read more about our procurement policies on p. 25.

Our product range decisions help our customers make choices that promote the climate and their health.

We invest in a large and seasonal selection of fruit and vegetables, and we offer a variety of plant-based products that are suitable for vegans and people on a mixed diet.

We have steadily increased the number of plant protein and plant-based items in our product range each year. Our aim in the future is to further increase the number of plant-based products that we sell.

In particular, we will continue to increase the range offered in our own plant-based and carbon neutral Vemondo product family. Since April 2021, we have compensated the emissions caused during production of our Vemondo products by participating in Gold Standard certified climate protection projects: a renewable energy project in India, a clean drinking water project in Eritrea, and a reforestation project in treeless areas of Uganda.



**i** Our recipe bank is available at [lidl-reseptit.fi](https://www.lidl.fi/reseptit)

### Recipe bank has ideas for vegetarian food

Trying new recipes is an easy way to turn vegetables from a side dish into a main dish. In order to help customers find new favourite recipes, we have published more than 1,000 different recipes on our website. Users can search for recipes by raw material. For example, if you have tomatoes in the refrigerator but you don't like onions you can search for foods according to those criteria.

### Number of private label products with sustainable labels in the permanent product range and consignment products in 2020:

	2020
 Fairtrade and the Fairtrade Cocoa Program	267
 Organic	223
 FSC	44
 Rainforest Alliance	30
 UTZ	509
 MSC	80
 ASC	62
 GOTS	86

**10.5%**  
Sales of products with sustainability labeling as a percentage of Lidl Finland's turnover in 2020



Our product range included **over 1,300** products with sustainable labeling in 2020.



### Our aim is to increase demand for products with sustainable labels

Our aim is to continuously increase the share of the sales of sustainability labeled products. Sustainable label products accounted for 10.5% of sales in 2020 in comparison to 9.39% in 2018. In our previous sustainability report, we set a goal of increasing the share to 12% over a 2-year period, so we didn't quite achieve our goal.

We will continue working towards that 12% milestone and increase the number of sustainable label products in our product range. We have already certified entire product groups in our private labels. All our private label products containing cocoa, such as chocolate, cookies and puddings, come with a sustainability certificate. The same applies to coffee, black, green and rooibos tea, and frozen fish. Furthermore, the fresh fish in our private label products is either Finnish or certified. In the future, we will promote an increase in the certification rate of Finnish fish.

The range of organic products has also increased quickly in recent years, and we will continue to offer a wide selection of organic products to consumers who are looking for them.

## Plant-based items in the product range:

✓ **Vegan Next Level products** are made from mushrooms and pea, soy and wheat protein. The products resemble meat in terms of appearance and structure.



✓ **The Oattis product family** includes an oat drink, an oat product used like cooking cream, and a richer oat drink that is an alternative to coffee cream.



✓ **My Best Veggie** organic tofu and falafel



✓ **Chef Select hummus**

✓ **Gelatelli** vegan ice creams



✓ **Freshona and Golden Sun** legumes





”  
More than half of the products that we sell are bought from Finnish suppliers all year round.

### More than half is domestic

More than half of the products that we sell are bought from Finnish suppliers all year round. **Domestic origin is important to our customers, especially with fresh items like meat and dairy products and vegetables.** More than 90% of our fresh meat and dairy products were of Finnish origin in 2020. During the same year, all of the fresh broilers and chicken eggs we sold were Finnish.

### We mark Finnish origin on our private label product packages in two ways:

1



The **Made in Finland** symbol tells customers that the product was manufactured in Finland.

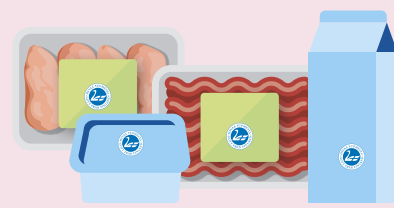
2



The **100% Finnish** symbol tells customers that the product's raw material comes from Finland.



We use the **Hyvää Suomesta** (designation of origin for Finnish packaged foods) symbol alongside our own domestic origin symbols.



The Hyvää Suomesta symbol of origin was printed on

**over 200**

of Lidl's private label products in 2020.



✓ **Kanamestari products** are produced in Finland from Finnish meat.

✓ **Reilu fresh meats** are always made from domestic raw materials and produced in Finland.



✓ **Pohjolan Meijeri dairy products** are produced from Finnish milk.

✓ **Pohjolan Juustola cheeses** are produced from Finnish milk.



✓ **Leipäaita bread products** are produced in Finland, and all items in the product family are made using domestic grain whenever possible.

In 2020, our product range included 14 farm label fresh broiler products. These product packages indicate the farm where the animal was raised. For example, Kanamestari, Grillimaisteri, Reilu, Deluxe, and Italiamo products have a farm label.

# Reporting practice

## GRI content index

GRI Standard	Reporting content	Location	Additional information	
<b>Reporting practice</b>				
GRI 101: Foundation 2016				
<b>General Standard Disclosures</b>				
GRI 102: General Standard Disclosures 2016	<b>Organizational profile</b>			
	102-1	Name of the organization	p. 2	
	102-2	Activities, brands, products and services	p. 8	
	102-3	Location of headquarters	p. 8	
	102-4	Location of operations	p. 8–9	
	102-5	Ownership and legal form		The Lidl Finland limited partnership is Lidl's subsidiary in Finland. Lidl Finland is part of the German Lidl Stiftung & Co. KG Group, which in turn is part of the German Schwarz Group.
	102-6	Markets served		Lidl Finland operates in Finland. More information on the markets served is available on pages 8–9.
	102-7	Scale of the organization	p. 8–9	
	102-8	Information on employees and other workers	s. 8–9, 48	External labour is not used for a significant portion of the work.
	102-9	Supply chain	p. 16–17	
	102-10	Significant changes to the organization and its supply chain		There have been no essential changes to the limited partnership Lidl Finland's organization or supply chain in the reporting period.
	102-11	Precautionary principle or approach	p. 10–11	
	102-12	External initiatives	p. 11	
	102-13	Membership of associations	p. 11	
	<b>Strategy</b>			
	102-14	Statement from senior decision-maker	p. 6	
	<b>Key impacts, risks and opportunities</b>			
	102-16	Values, principles, standards and norms of behaviour	p. 9	
	<b>Governance</b>			
102-18	Governance structure	p. 10		
102-19	Delegating authority	s.10		



For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report. The service was performed on the Finnish version of the report.



## GRI content index

GRI Standard	Reporting content	Location	Additional information	
<b>General Standard Disclosures</b>				
GRI 102: General Standard Disclosures 2016	<b>Stakeholder engagement</b>			
	102-40	List of stakeholder groups	p. 18	
	102-41	Collective bargaining agreements	p. 48	
	102-42	Identifying and selecting stakeholders	p. 18	
	102-43	Approach to stakeholder engagement	p. 11	
	102-44	Key topics and concerns raised by stakeholders	p. 18	
	<b>Reporting practice</b>			
	102-45	Entities included in the consolidated financial statements	p. 2	
	102-46	Defining report content and topic boundaries	p. 18	
	102-47	List of material topics	p. 17–18	
	102-48	Restatements of information		Changes in calculation model or data collection are reported in connection with topic-specific data.
	102-49	Changes in reporting		New material topics are reported in connection with the materiality analysis.
	102-50	Reporting period	p. 2	
	102-51	Date of most recent report	p. 2	
	102-52	Reporting cycle	p. 2	
	102-53	Contact point for questions regarding the report	p. 2	
	102-54	Claims of reporting in accordance with the GRI Standards	p. 2	
102-55	GRI content comparison	GRI content index		
102-56	External assurance	p. 68	The environmental information and personnel data presented in the report has been verified by an external, independent agency.	
<b>Material topics</b>				
GRI 103: Management approach 2016	103-1	Explanation of the material topics and their boundaries	p. 18–19	The material boundary is Lidl Finland, unless otherwise stated. The management approach covers all the material topics.
	103-2	The management approach and its components	p. 10, 21, 29, 35, 39, 47, 57	The management approach covers all the material topics. Additional information on the material topics can be found in the content sections.
	103-3	Evaluation of the management approach	p. 10, 21, 29, 35, 39, 47, 57	The management approach covers all the material topics. Additional information on the material topics can be found in the content sections.
<b>Environmental responsibility standards</b>				
GRI 301: Materials 2016	301-1	Materials used by weight or volume	p. 35	Packaging materials reported.
GRI 302: Energy 2016	302-1	Energy consumption within the organization	p. 42	
	302-4	Reduction of energy consumption	p. 41	
GRI 304: Biodiversity 2016	304-2	Significant impacts of activities, products and services on biodiversity in nature reserves or in areas rich in biodiversity	p. 24–25, 43	

**GRI content index**

GRI Standard	Reporting content	Location	Additional information
<b>Environmental responsibility standards</b>			
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	p. 40
	305-2	Energy indirect (Scope 2) GHG emissions	p. 40
	305-5	Reduction of GHG emissions	p. 40
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	p. 44–45
	306-2	Management of significant waste-related impacts	p. 44–45
	306-3	Total amount of waste generated broken down by waste type and processing method	p. 45
GRI 308: Supplier environmental assessment 2016	308-2	Negative environmental impacts in the supply chain and actions taken	p. 20–25 Reported in part, qualitative information reported.
<b>Social standards</b>			
GRI 403: Occupational health and safety 2018	403-1	Occupational health and safety management system	p. 51–53
	403-2	Hazard identification, risk assessment, and incident investigation	p. 51–53
	403-3	Occupational health services	p. 51–52
	403-4	Worker participation, consultation, and communication on occupational health and safety	p. 51–53
	403-5	Worker training on occupational health and safety	p. 51–53
	403-6	Promotion of worker health	p. 51–53
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	p. 51–53
GRI 404: Training and education 2016	403-9	Work-related injuries	p. 53 The frequency or occupational accidents and share of serious occupational accidents reported. Not reported for external employees or contractors, data not available.
	404-1	Average hours of training per year per employee	p. 54
GRI 405: Diversity and equality 2016	404-3	Percentage of employees receiving regular performance and career development reviews	p. 54
	405-1	Diversity of governance bodies and employees	p. 48–49
GRI 414: Supplier social assessment 2016	405-2	Ratio of basic salary and remuneration of women and men	p. 49
	414-2	Negative social impacts in the supply chain and actions taken	p. 28–33 Reported in part, qualitative information reported.
GRI 416: Customer health and safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	p. 56
	416-2	Incidents of non-compliance concerning the health and safety impacts of products	p. 58–59
<b>Food Processing Sector Disclosures</b>			
FP2	FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognized responsible production standards, broken down by standard	p. 25, 61
	FP10	Policies and practices, by species and breed type, related to physical alterations and the use of anaesthetic.	p. 26–27 Reported in part, qualitative information reported.
	FP12	Policies and practices on antibiotic, anti-inflammatory, hormone, and/or growth promotion treatments, by species and breed type.	p. 26–27 Reported in part, qualitative information reported.

## Material topics and GRI standards

Material topic for Lidl Finland	GRI Standard
<b>Natural resources</b>	
Biodiversity	Supplier environmental assessment (308), Biodiversity (304)
Pollution	Supplier environmental assessment (308)
Raw materials	Supplier environmental assessment (308)
Water	Supplier environmental assessment (308)
Animal welfare	Food Processing Sector Disclosures
<b>Supply chain</b>	
Circular economy	Materials (301)
Climate	Emissions (305)
Child labour	Supplier social assessment (414)
Fair Remuneration	Supplier social assessment (414)
Fair business relations	Ensuring fair business relations (Lidl Finland's own topic)
<b>Operations</b>	
Climate	Emissions (305), Energy (302)
Conservation of Resources	Waste (306)
Health and occupational safety	Occupational health and safety (403)
Equality	Diversity and equality (405)
Internal enabling	Training and education (404)
<b>Customer</b>	
Sustainable products	Food Processing Sector Disclosures
Quality products and product safety	Customer health and safety (416)

# Independent Assurance Statement

## To the Management and Stakeholders of Lidl Finland

### Scope and objectives

The Management of Lidl Finland commissioned us to perform a limited third-party assurance engagement regarding performance data on own environmental impacts and personnel wellbeing (“Responsibility information”) disclosed in pages 38-55 in the Lidl Finland’s Responsibility Report (“Report”) for the reporting periods 2019 and 2020 (from 1st March 2019 to 28th February 2021). The assurance engagement was conducted in accordance with the International Standard on Assurance Engagements (ISAE) 3000 revised – ‘Assurance Engagements other than Audits and Reviews of Historical Financial Information’.

### Responsibilities

Lidl Finland is responsible for the collection, calculation, and presentation of the Responsibility information according to the reporting criteria. The Management of Lidl Finland has approved the Responsibility information disclosed in the Report. Our responsibility as assurance providers is to express an independent conclusion on the Responsibility information subject to the limited assurance engagement. To assess the Responsibility Information, which includes an assessment of the

risk of material misstatement in the Report, we have used Global Reporting Initiative’s GRI-standards and Lidl Finland’s reporting instructions, (the “Reporting criteria”, see pages 2 and 64-67).

### Assurance Provider’s Independence and Competence

We have conducted our assessment as independent and impartial from the reporting organisation. We were not committed to any assignments for Lidl Finland that would conflict with our independence, nor were we involved in the preparation of the Report. Our team consists of competent and experienced sustainability reporting experts, who have the necessary skills to perform an assurance process.

### Basis of Our Opinion

Assurance providers are obliged to plan and perform the assurance process so as to ensure that they collect adequate evidence for the necessary conclusions to be drawn. The procedures selected depend on the assurance provider’s judgement, including their assessment of the risk of material misstatement adhering to the Reporting criteria.

### Our opinion is based on the following procedures performed:

- ✔ Interviews with Lidl Finland’s specialists responsible for data collection and reporting of the Responsibility information.
- ✔ Review of systems and procedures to generate, collect and report the Responsibility information for the Report.
- ✔ Assessment of calculations and data consolidation procedures and internal controls to ensure the accuracy of the Responsibility information.
- ✔ Testing the accuracy and completeness of the Responsibility information from original documents and systems on a sample basis.

### Inherent limitations

Our assurance relies on the premise that the data and information provided by Lidl Finland to us as part of our review procedures have been provided in good faith. Because of the selective nature (sampling) and other inherent limitations of both procedures

and systems of internal control, there remains the unavoidable risk that errors or irregularities may not have been detected. For instance, greenhouse gas (GHG) emissions calculations are subject to inherent limitations, given the nature and the methods used for determining such data. Finally, the selection of different but acceptable measurement techniques may result in materially different measurements.

### Conclusion

Based on the work described in this report, nothing has come to our attention that causes us to believe that the Responsibility information disclosed in the Lidl Finland Responsibility Report has not been prepared, in all material respects, in accordance with the reporting criteria.

Helsinki, Finland, 31st August 2021

Mitopro Oy

**Mikael Niskala**  
Independent Sustainability  
Practitioner

**Tomi Pajunen**  
Independent Sustainability  
Practitioner





# Lidl Finland

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