

Good for the planet.  
Good for people.  
**Good for you.**

Lidl Finland  
**Sustainability Report**  
**2021-2022**



  
**A BETTER  
TOMORROW**

# Information in the Report

**THIS REPORT** describes Lidl Finland's operations. The indicators presented in the report apply only to Lidl Finland's operations unless otherwise mentioned. Our report was prepared in accordance with Global Reporting Initiative (GRI) standards and covers the financial years 2021 (03/01/2021–02/28/2022) and 2022 (03/01/2022–02/28/2023). The report in Finnish was published on 09/01/2023. Lidl Finland publishes a sustainability report every two financial years. The figures given in the report show the situation for the financial year, unless it is stated that they were calculated in respect of a calendar year. The previous sustainability report was published on 09/01/2021.

The GRI Content Index lists the GRI standard reporting content from Lidl Finland and indicates where information on this content can be found. All material topics in the report have been verified by an external, independent agency.

Read more about the topic on our website

[lidl.fi/vastuullisuus](https://lidl.fi/vastuullisuus)

More information: [media@lidl.fi](mailto:media@lidl.fi)



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# Our Achievements in the Financial Year 2022



## The First Carbon-Neutral Retail Chain in Finland

**WE ACHIEVED** our goal to be carbon neutral in our own operations in March 2022. Carbon neutrality was achieved by reducing our carbon emissions and compensating for the remainder in Gold Standard-certified climate projects. In order to reduce emissions in our supply chain, we require our biggest suppliers to set climate targets by 2026.



## Free Climate Training Program for Suppliers

**DURING WINTER OF 2022**, we ran a climate training seminar for our suppliers. A total of 34 companies took part. At this seminar, the companies learned how to cut their emissions and committed themselves to setting science-based climate targets. Supply chains account for the majority of emissions in the retail sector, and therefore we want to cooperate with our suppliers to reduce emissions.



## Better for Animals than the Law Requires

**WE ARE THE FIRST RETAIL CHAIN** to use the ELVI animal welfare label in 2023. The requirements for receiving the ELVI label are free movement, being outdoors, and a Welfare Quality audit passed with the highest or second-highest score. We have been supporting the development of a Finnish package labeling for animal welfare. We want to provide customers with products based on an approach to animal welfare that is better than the law requires.



## Inflation Relief Bonus for Lidl Staff

**IN JANUARY 2023**, we paid Lidl staff a one-off inflation relief bonus in addition to their normal pay. The majority of staff received a bonus of 200 euros. The bonus was 100 euros for employees who worked less than 10 hours a week or with contracts of employment lasting less than four months.



## 8.5 Million Kilos Less Food Waste

**THE FAMILIAR** 30% red sticker discount practice was extended to new product groups in autumn 2022. We also started to use a green 50% discount sticker for perishables on their sell-by date. In total, 8.5 million kilos of food was saved from going to waste in 2022 thanks to the fruit and vegetable waste discount boxes, the sale of bakery products that have remained in store overnight, and discount stickers.



## Big on Biogas

**IN NOVEMBER**, one of the world's biggest biogas trucks started to be used for Lidl deliveries in northern Finland. By the end of the financial year 2022, a total of eight biogas trucks were used to transport products to Lidl stores in Finland. Our aim is for one fifth of our deliveries to be made using renewable or low-emission fuels by 2025.



## Lidl Customers donated over 300,000 Euros

**LIDL** customers donated almost 330,000 euros in money back on bottles to the Save the Children Finland Eväitä Elämälle (Fuel for Life) program, which supports children in low-income families. Deposit donations can be used to support the hobbies of 1,200 children. The donation option has been available at all Lidl bottle vending machines since the end of 2021.



## Pollinator campaign for Biodiversity

**WE ARE WORKING WITH** the Finnish Association for Nature Conservation in 2022–2023 to increase the number of pollinator habitats and improve their quality. Lidl sponsors the Association's Ketosirkka project, which focuses on the management and protection of heritage biotopes at three different sites in Uusimaa. During the campaign, we also highlighted the range of organic products in our assortment.

# From the CEO

**WE OPENED** our first store in Finland in 2002. For over 20 years, we have been working hard to offer our customers sustainable, high-quality, inexpensive products all the way from Hanko to Sodankylä.

Sustainability is a key component of our strategy. For us, sustainability means sustainably produced goods and raw materials, smart packaging, reduced emissions, shrewd energy use, taking account of biodiversity, caring about people, and dialog – and much more.

Our practical work in combating climate change reached a peak in March 2022 when we achieved carbon neutrality in our own operations.\* The climate work of our main suppliers was also given a boost when we ran a free training seminar for them on how to reduce their emissions.

In the winter of 2022, we also faced an energy crisis. We at Lidl have fine-tuned our energy use to be efficient, saving energy annually. I am very proud of the fact that we also managed to save 10% more energy in December and January of financial year 2022 compared to 2021. A big thank you goes to our employees for this: They helped us by thinking up new ways to save energy in their everyday work.

We want to provide our customers with the best service we can, and our goal is for their shopping bag to be the cheapest and most sustainable one possible. This means that it is always easy to make a sustainable choice with us and it

will not cost any extra. Our raw material targets apply to all our own-brand products, which make up three-quarters of our range of products. There are already hundreds of sustainable labeled products on our shelves. In 2022, for example, we paid more than 500,000 euros in Fair Trade premiums.

In addition, we expanded our Way to Go chocolate range in 2022, for which cocoa farmers receive a Lidl premium on top of the Fair Trade premium.

As a grocery chain, we are also responsible for the welfare of animals. For years we have supported the development of animal welfare labeling in Finland. In 2023, this work culminated in the long-awaited launch of the ELVI animal welfare label on the Finnish market, and we were the first retailer to use this label.

It is important for us to keep developing and moving forward, and to be a forerunner in sustainability long into the future. The feedback that we have received from our stakeholders is a great help in this, and I also want to thank you for the comments and suggestions that you have made. Thanks to our Lidl staff for making sustainability a part of our everyday life.

**Nicholas Pennanen**  
CEO  
Lidl Finland



\*Remaining operational greenhouse gas emissions (scope 1 and 2) are offset by Gold Standard -certified climate protection projects.

# The Effects of Inflation and the Energy Crisis on Our Business

In 2022, households' costs rocketed as a result of inflation and the energy crisis. We took action with a range of measures to ensure the availability of inexpensive food and energy sufficiency. We also supported our employees in what was a challenging financial situation for us all.

- In total, 74% of our standard product range consists of own-brand products. We are able to keep the prices of these products low thanks to our efficient processes.
- We kept our costs in check by for example employing efficient procedures, saving material through packaging reforms, and optimizing recycling measures.
- We took part in the “Down a Degree” energy-saving campaign and cut our energy consumption by 10% in December and January of financial year 2022 compared to the same period in 2021.
- We continued discussions with suppliers and logistics operators in order to guarantee product availability in view of the challenging market situation and the unexpected logistical challenges.
- We extended our discount practices for products approaching their sell-by date to new product groups and increased the sell-by date discount to 50% on perishables.
- In January 2023, we paid our employees an inflation relief bonus in addition to their normal pay due to the hard financial situation that we were facing.



# Lidl Finland's operations

Lidl opened its first 10 stores in Finland in 2002, and celebrated its 20th birthday in Finland in 2022. That same year, Lidl passed the 200-store threshold. By the end of financial year 2022, there were 202 Lidl stores in Finland, from Hanko on the south coast to Sodankylä in Lapland, with distribution centers in Järvenpää, Janakkala, and Laukaa and a head office in the Niitykumpu district of Espoo. Lidl Finland employs nearly 5,800 people.

**LIDL'S MAIN** goal is to be the number one choice for customers, staff, and suppliers. Sustainability lies at the core of our strategy, because for us sustainability is part of the quality of our products and our operations. We want to offer our customers Finland's most reasonably priced shopping bag and the best price-quality ratio available. Our goal is for current and future Lidl employees to want to choose us as their regular place of work. We also want to be a reliable partner for our stakeholders.

Lidl's operations are based on a clear concept and a product range that comprehensively represents a selection of everyday basic products, as well as changing special items and non-food products from Finland

and around the world. Approximately half of the products that Lidl sells are Finnish, the rest being delicacies from across the globe. The clear concept is based on refined processes that evolve constantly, and these together with the big purchasing volumes allow Lidl to keep down prices.

Our own-brand products account for approximately 75% of our selection, and these brands play a key role in terms of sustainability. By investing in own-brand products and the sustainability of their supply chains, we are able to have an immense impact throughout the supply chain. Lidl's product range includes many

sustainable label products, and sales of these account for almost 14% of the turnover. Our supply chain covers five continents. There were no major changes to the supply chain during the reporting periods.

## Lidl Stiftung & Co. KG

Lidl Finland is part of Lidl group of companies, which in turn is part of Schwarz Group. Lidl is one of the largest grocery store chains in Germany and Europe. It has more than 12,200 stores and over 220 distribution centers in 31 countries and a sourcing arm in Asia. Lidl employs around 376,000 employees in total.

Lidl Stiftung & Co. KG, which is headquar-

tered in Neckarsulm, Germany, decides the framework for Lidl's operational processes in collaboration with the national subsidiaries. As it is the assignment of Lidl Stiftung to provide the Lidl countries with the methods and practices they need, Lidl Stiftung is also charged with the conception and design of standardized processes.

## Schwarz Group

The companies of Schwarz Group, with business activities in over 30 countries, together form one of the leading retail groups in the world. With their about 13,700 stores and more than 575,000 employees, the compa-





nies of Schwarz Group jointly generated total sales of 154.1 billion euros by the end of the 2022 fiscal year. Divided into production, retail and environmental divisions, the companies of Schwarz Group together cover the entire value cycle. Lidl and Kaufland are the Group's pillars in food retailing. Many private label products on Lidl's and Kaufland's shelves, ranging from ice cream to beverages, are produced by Schwarz Produktion. Special emphasis is placed on the use of sustainable raw materials as well as the manufacturing, use and recycling of environmentally friendly packaging. The environmental service provider PreZero pursues the vision of closed loop recycling in waste and recycling management and thus contributes to a cleaner tomorrow. Schwarz Dienstleistungsgesellschaften, the Group's corporate services division, provides administrative and operational services – for example with regard to controlling, finances, personnel or IT – for all other companies of the Group.

All companies of Schwarz Group share the jointly elaborated sustainability strategy and the sustainability vision "Acting globally responsible with diversity". Under the umbrella of this strategy they together pursue and implement various activities in four focus areas: People, Product quality, Circular systems and Ecosystems.

**Our Value Chain**

As a retailer, we are positioned midway between production and our customers. We have a direct and indirect relationship with our customers and our suppliers. Our value chain covers the primary production and

**Schwarz Group**



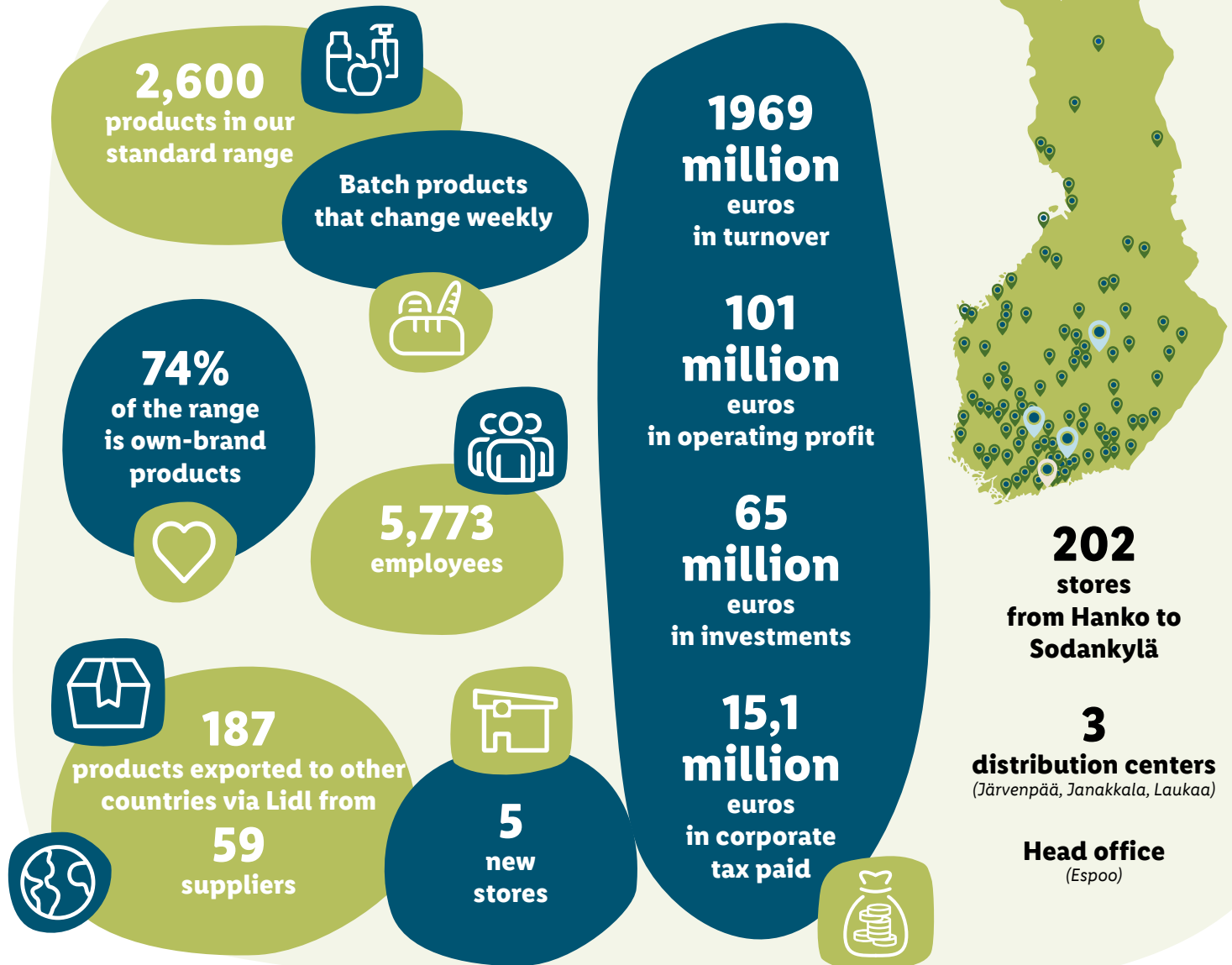


refinement of raw materials and the transportation of products to the distribution centers and to the stores. The stores are our main customer interface.

Primary production with its batch production, further refinement, and production processes as well as transportation have environmental and social impacts. We want to support the continued development of environmental and social standards. We work closely with our suppliers, use raw materials with discretion, and take into consideration the recycling potential right at the planning stage. We attempt to improve the working conditions of people in the countries of production with our raw material targets.

We can promote sustainable consumption by making sustainable, informed, and healthy choices easy. We strive to improve the sustainability and health aspects of our range, and we keep our customers aware of these issues.

## Lidl Finland in Numbers financial year 2022



## Lidl's Core Values and Code of Conduct

**AS A LARGE**, internationally active company, we are aware of our role and position in society. We respect cultural diversity and recognize its values and traditions. Our company's core values and Code of Conduct guide our work.

### Our core values:

- Customer satisfaction is our primary goal.
- Outstanding value for money defines our market position.
- We grow through expansion and continuous improvement in our stores.
- Our retail concept is systematic.
- 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 always work confidentially in personal and contractual relationships.
- Praise, recognition, and constructive criticism determine our working atmosphere.
- Our flexible organization is made up of competent employees, and we always have backup staff in place.

## Our shared principles:



Open communication

Setting an example

Developing and improving together

Strength and dynamism

Impartiality and trust

# Managing Sustainability

**SUSTAINABILITY** is a core component of Lidl Finland's daily operations. This means that sustainability is part of every Lidl employee's work at the stores, distribution centers, and head office. Sustainability lies at the heart of Lidl's business and is the responsibility of senior management. Overall responsibility for the sustainability strategy lies with the CEO, who also approves the sustainability report. The strategic guidelines governing Lidl's sustainability work and its reporting are decided by the CSR manager together with the executive team. The CSR manager works in the Sustainability and Communications department.

The CSR manager is supported by the sustainability team, made up of representatives from all departments. The team discusses the sustainability issues and trends that are relevant to the various departments. The CSR manager and sustainability team decide the goals of the sustainability program and the action that needs to be taken to achieve these goals. Lidl's executive team approves the objectives of the sustainability program, oversees their implementation, and determines the program's strategic direction.

The members of the executive team are responsible for sustainability matters within their own area of responsibility, represent Lidl Finland in the relevant sustainability-re-

lated organizations, and develop their expertise and skills in both external and internal training seminars and events.

## The Principles and Code of Conduct Underlying Sustainability

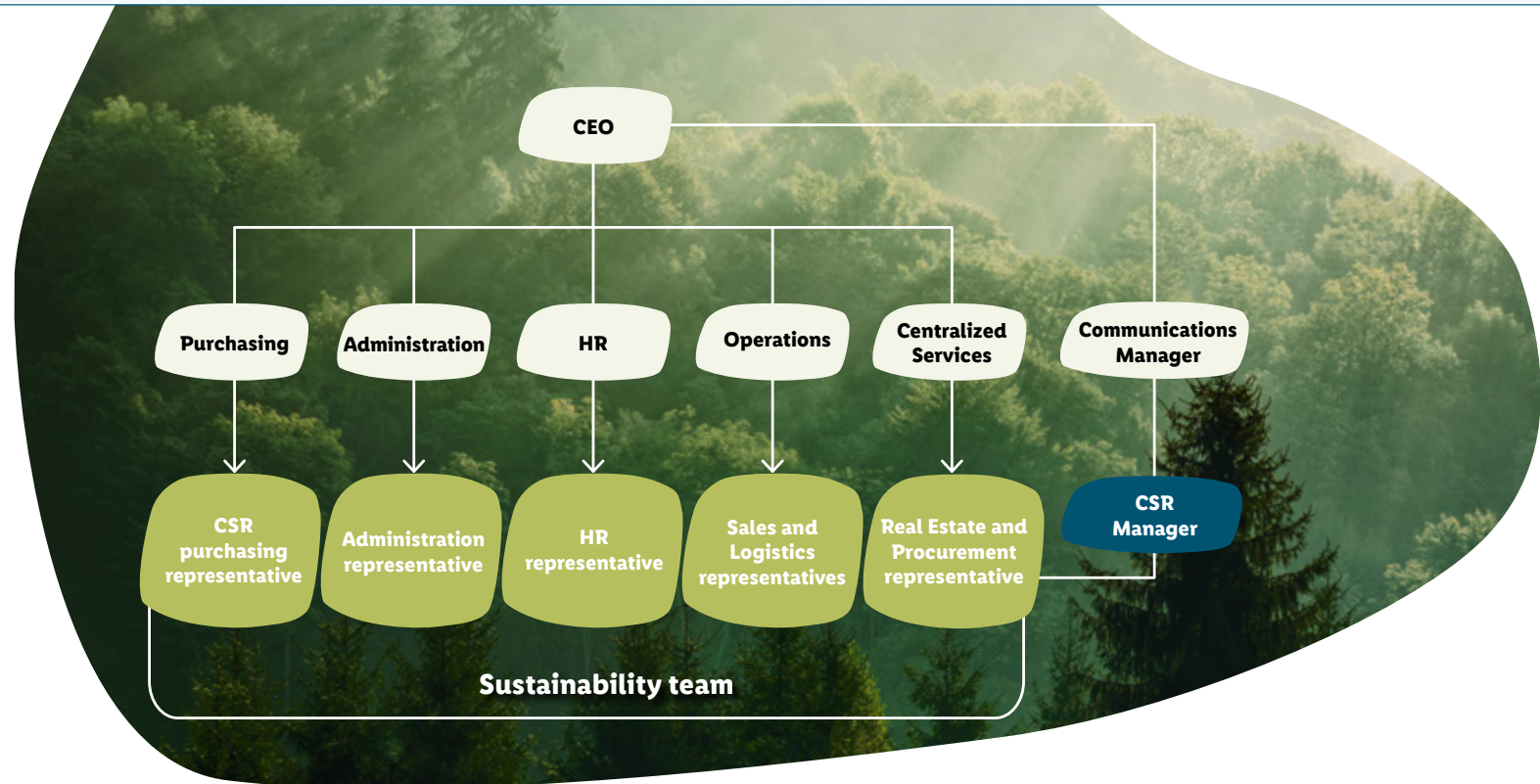
It is our responsibility to avoid or reduce the negative effects of our business operations on the environment and society for as long as possible. The precautionary approach declared at the UN Conference in Rio de Janeiro (UNCED) is part of our Code of Conduct, joint Code of Ethics of the companies of Schwarz group, and Lidl's managerial approach.

Our Code of Conduct (CoC) obliges us and our business partners in the supply chain to respect human rights and comply with the national and international laws that apply. The Code of Conduct includes our position on standards of occupational health and safety, freedom of association, pay, equal treatment, and a ban on child or forced labor in our supply chain. The following international guidelines and commitments inform our operations:

- Universal Declaration of Human Rights
- UN Global Compact
- UN Guiding Principles on Business and Human Rights
- UN Convention on the Rights of the Child

- UN Convention on the Rights of Women
- OECD Guidelines for Multinational Enterprises
- The fundamental labor standards under the International Labour Organization (ILO)
- Paris Agreement

We do not accept infringements of the rights of people and employees. In our Code of Conduct, we focus on human rights in connection with work and protecting people from the adverse impacts of work. Human rights in connection with work include a ban on child and forced labor, non-discrimination, decent pay, freedom of association, and occupational health and safety. Our business partners are



committed to the application of our Code of Conduct and implementing it as regards their own partners on the basis of agreements and through audits or training, for example.

We are constantly developing and refining our due diligence policy. We focus on supply chains where most of the effects of our operations arise. The due diligence policy we pursue includes an analysis of the risks posed to human rights and the environment and the appropriate corrective measures (for a more detailed description, see [our due diligence policy](#)). Our [policy on human rights](#) in supply chains is determined by the principles, objectives, standards, and responsibilities related to the protection of human rights. The due diligence process is to be adopted in all the countries where Lidl is established. The development work to implement due diligence continues on an ever-broader scale.

We inform Lidl staff of the principles they should follow. For example, buyers have available to them a manual that contains details of the practical procedures and objectives relating to the consideration of human rights. You can read more about our human rights work on page 46. Risks to human rights can be prevented through our sustainability policies, for example, which provide guidelines on the purchase of products and product development. The policies can be viewed on our website at [lidl.fi/vastuullisuus](https://lidl.fi/vastuullisuus).

### Lidl Finland's Corporate Governance System

Lidl Finland is a limited partnership and part of Lidl Group, which in turn is part of the Schwarz Group. The top decision-making

body at Lidl Finland is the executive team headed by the CEO. There were six people in the executive team at the end of 2022. Members are appointed on the basis of merit and Lidl Finland's own development programs. The aim is to take into account diversity in the selections. Board members have no other affiliations and they are under an obligation written into their contract of employment to declare any conflicts of interest.

Decisions on the remuneration of executive team members are taken by Lidl Stiftung & Co. KG, and the salaries are based on incremental pay scales. There is no bonus scheme. Executive team members are in a pension insurance scheme as a benefit.

### Compliance

Compliance means that the company acts in accordance with the law. We comply with the law and our internal guidelines in everything we do. In this way, we avoid the risks to our finances and reputation that can arise when the law in effect is breached. Breaches can also result in personal claims for compensation or have legal consequences.

Adherence to the law and our internal guidelines is a key principle in our company and is binding on all our staff. The Lidl Finland management is committed to adherence to this principle and its implementation.

We have in place a compliance management system (CMS) to ensure that our business conforms to the law. We adhere to a zero tolerance policy: Breaches of the law and internal guidelines are avoided, identified breaches are reported, and there are penal-



We comply with the law and our internal guidelines in everything we do

ties in place for breaches. The main focus of the policy is on anti-corruption and anti-bribery, antitrust law and data protection. Our procedures in this area include guidelines (e.g., handling donations and data protection practices), information and advice, training, and monitoring signs of internal and external breaches. All Lidl employees are provided with information on compliance during their onboarding, at training sessions repeated at regular intervals, and – depending on the job – via other measures through internal communication channels and training seminars.

The Legal & Compliance department is responsible for monitoring the impact of these procedures and investigated cases of suspected infringements.

There are social, human rights, and environmental risks associated with international supply chains. It is important for employees and external operators to be able to tell us about any breaches promptly. We have a reporting channel that can be used to anonymously report incidences of suspected abuse

in connection with our business, such as activities contrary to the law and internal guidelines. Such a report can be made by any representative of our stakeholders and may relate to bribery, a breach of the law on competition, fraud, or embezzlement, for example. The report can be made anonymously via the electronic reporting channel or directly to the Compliance Officer at [compliance@lidl.fi](mailto:compliance@lidl.fi). All such reports are dealt with completely confidentially. The electronic reporting channel (BKMS®) can be found on our website under "Compliance" at [lidl.fi/oikeudelliset-tiedotteet/compliance](https://lidl.fi/oikeudelliset-tiedotteet/compliance).

Reports on matters relating to compliance are reported to the executive team four times a year. We also report information to the international management every six months. If necessary, critical matters are reported on an ad hoc basis both in the national and international context. For reasons of data security and to protect anyone reporting an issue, we do not give out information on the content or type of information reported.

# Sustainability Program

**FOR LIDL FINLAND**, sustainability is a key strategic priority through which we endeavor to safeguard the future of our business. We are responsible wherever the Lidl business affects people and the environment. By acting responsibly, we are able to keep our promises of quality every day. Our sustainability program has been developed with this in mind and provides a clear direction for our sustainability work.

The starting point for our sustainability program is to work proactively to address the challenges that we face tomorrow. The approach we have taken 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 ensure well-being for the planet and people, both in the short and long term.

We published our first sustainability program in spring 2019. Because we are keen to keep developing our sustainability work, we update the sustainability program regularly. The program covers both long-term and short-term goals. In line with our sustainability strategy, the objectives and actions are divided into six themes that we work toward 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 the sustainability issues that are important to our stakeholders. We regularly update our materiality analysis, which informs our work to promote sustainability. The results of the materiality analysis are provided on page 18 and all the objectives under our sustainability program can be seen on pages 14-17.

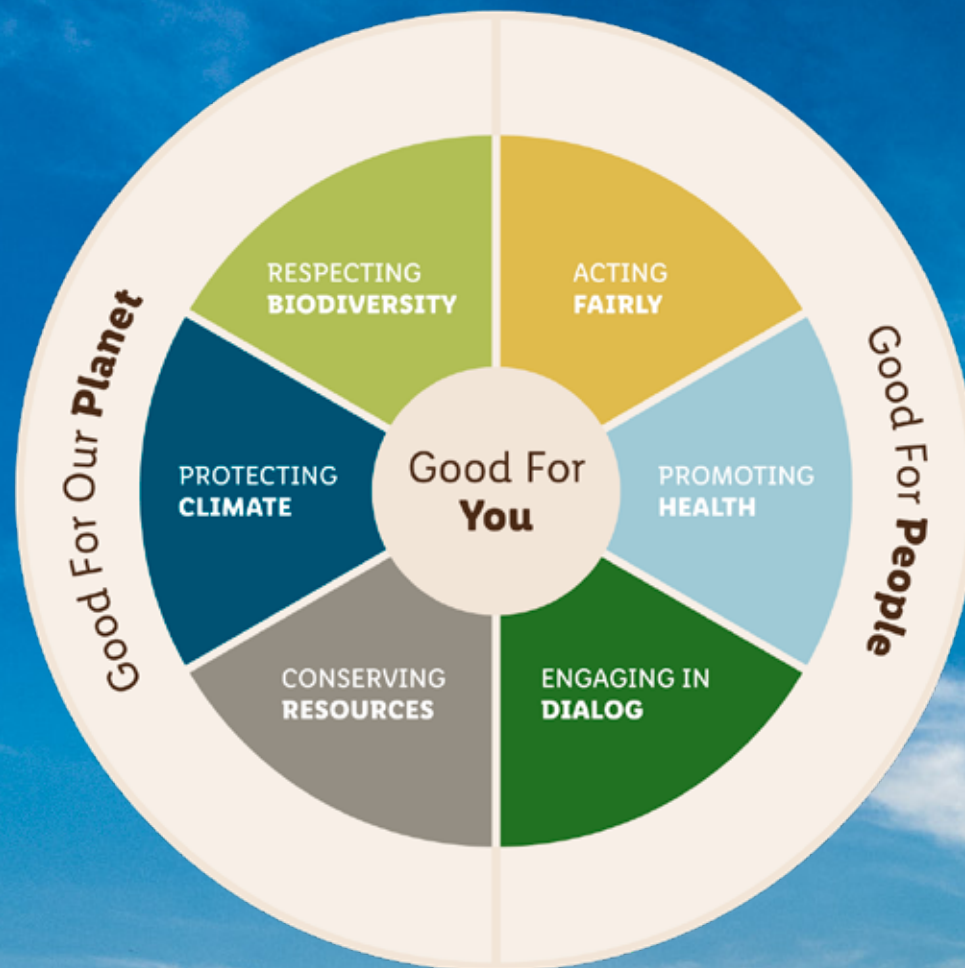


## Good for the Planet

An intact environment not only ensures the livelihood of future generations, it also ensures the quality and availability of our products.

For this reason, we support consistent environmental protection – for our climate, for biodiversity and using resources carefully.

- **Climate change**  
We are reducing our greenhouse gas emissions in order to support the implementation of the Paris Agreement on Climate Change.
- **Biodiversity**  
We support the preservation of biodiversity and the sustainable use of natural 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 You

We work every day on providing an attractive and more sustainable assortment for our customers.

This includes promoting conscious consumption and a healthy diet with appropriate products – supported by credible seal initiatives.

## Good for People

Our business has an impact on the daily lives of a large number of people. We are responsible for them as a partner, employer and social protagonist.

This is why we advocate good living and labor conditions as well as fair cooperation in all areas of our business.

- **Acting fairly**  
We improve conditions for the people we encounter in our business both at and outside of work.
- **Promoting health**  
We support the health of our customers and employees, and we develop targets that promote health.
- **Engaging in dialog**  
We engage in continuous open dialog with our main stakeholders.

**Targets and actions**

**Situation in 2022**

**Status**

**Further information**

Targets and actions	Situation in 2022	Status	Further information			
<p><b>Protecting Climate</b></p> <p>We will be carbon neutral in our own operations by the end of 2025. (Remaining operational greenhouse gas emissions for scope 1 and 2 are offset by certified climate protection projects.)</p> <p>We have set science-based climate targets.</p> <p>Lidl will reduce emissions globally from its operations by 80%. In Finland, we will reduce emissions from our operations by 15% in the period 2019–2030.</p> <p><b>To help restrict global warming to 1.5 degrees by means of our climate targets. To make our operations carbon neutral.</b></p> <p>Suppliers, which are responsible for 75% of Lidl's emissions in the supply chains internationally, will set science-based emissions targets in 2026.</p> <p>We will run training seminars on the climate for our small and medium-sized suppliers in Finland and will encourage them to set their own climate targets.</p> <p>We will implement energy-saving measures that reduce our annual energy consumption by 20% in the period 2016–2025.</p> <p>We will only use electricity produced with renewable energy.</p> <p>We will reduce carbon dioxide emissions from transport by 35% in the period 2022–2030 and will aim for a situation where a fifth of our transport runs on renewable or other low-emission fuel by the end of 2025.</p> <p>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.</p> <p>All distribution centers and stores will use natural refrigerants by 2035.</p>	<p>We reached the goal ahead of schedule, we have compensated the remaining operational emissions since 2022.</p> <p>In autumn 2021, Lidl published and approved international climate targets that comply with the initiative.</p> <p>A new target in this reporting period.</p> <p>A new target in this reporting period.</p> <p>In all, 34 Finnish suppliers took part in the climate training seminar run by Lidl in the financial year 2022.</p> <p>We had reduced our annual energy consumption by approximately 19.9% by the end of 2022.</p> <p>Since the start of 2019, we have only used electricity produced with renewable energy.</p> <p>We used eight trucks running on biogas, which corresponds to a good 12% of the cars we use.</p> <p>We have installed solar panels in 31 stores and at all distribution centers.</p> <p>Natural refrigerants are being used at all three distribution centers and in 48 stores.</p>	<p>●●●●</p> <p>●●●●</p> <p>●○○○</p> <p>●○○○</p> <p>●●●●</p> <p>●●●○</p> <p>●●●○</p> <p>●●●○</p> <p>●●●○</p> <p>●●●○</p>	<p>p. 27</p> <p>p. 27</p> <p>p. 27</p> <p>p. 27</p> <p>p. 29</p> <p>p. 30</p> <p>p. 27</p> <p>p. 33</p> <p>p. 31</p> <p>p. 27</p>			
	<p><b>Respecting Biodiversity</b></p> <p><b>To prevent biodiversity loss and, instead, promote biodiversity by improving our selections and when building stores.</b></p> <p>We will publish a policy on deforestation.</p> <p>We will improve the environmental friendliness of our places of work and take biodiversity into account at our new stores.</p> <p>We will develop a biodiversity add-on to GlobalG.A.P certification.</p> <p>All our properties will have sustainability certification by 2023.</p>	<p>We published our policy on deforestation in autumn 2021.</p> <p>An ecological survey is conducted and solutions to support biodiversity are adopted at the construction sites for all new stores.</p> <p>The add-on was published in spring 2022. We piloted the add-on internationally in the winter of 2022–2023 with a couple hundred fruit and vegetable producers in central Europe.</p> <p>All our stores and distribution centers received the international green building certification EDGE in 2021. Our head office has LEED certification.</p>	<p>●●●●</p> <p>■■■■</p> <p>●●●●</p> <p>●●●●</p>	<p>p. 35</p> <p>p. 37</p> <p>p. 35</p> <p>p. 32</p>		
		<p><b>Conserving Resources</b></p> <p><b>To minimize waste through appropriate packaging and recycling.</b></p> <p>We will aim to keep our recycling rate at over 90% at all times.</p> <p>We will keep the amount of food waste under 1.5% of the total volume of the food we handle, measured in kilograms.</p> <p>We will reduce the use of plastic in our own-brand products and their packaging by 20% by the end of 2025.</p> <p>We will aim for the maximum recyclability of all plastic packaging for our own-brand products by the end of 2025.</p> <p>25% of the plastics used in our own-brand products is recycled plastic by the end of 2025.</p> <p>By the end of 2021, there will no longer be any black plastic in the packaging of our own-brand products.</p> <p>The wood fiber used in packaging for our own-brand products will be either recycled or FSC-certified by the end of 2025.</p>	<p>Our recycling rate was 92% in 2022. We recycle 23 types of waste.</p> <p>Our waste rate was 1.4 % in 2022. We extended our best before discount to cover new product groups and we applied an additional 50% discount on perishables.</p> <p>In the years 2017-2022, plastic was reduced by 28% from Lidl's own brand packaging.</p> <p>We organized a "Packaging Stories" competition to encourage better recyclability of plastic packaging.</p> <p>19% of the plastics used in our own-brand products was recycled plastic.</p> <p>No black plastic has been used in new packaging since 2021.</p> <p>The wood fiber we use in all hygiene product packaging is FSC-certified.</p>	<p>■■■■</p> <p>■■■■</p> <p>●●●○</p> <p>●●●○</p> <p>●●●○</p> <p>●●●●</p> <p>●●●○</p>	<p>p. 42–43</p> <p>p. 45</p> <p>p. 44</p> <p>p. 44</p> <p>p. 44</p> <p>p. 23</p> <p>p. 34</p>	
			<p><b>To invest in the sustainability of raw material production.</b></p> <p>In line with our raw material targets (cocoa, coffee, tea, palm oil, fish, wood fiber, cotton, fruit and vegetables), we will use certified raw materials in our own-brand products.</p> <p>Since 2022, the cotton used in our own-brand products has been procured from sustainable sources.</p> <p>We will stop using microplastics in the composition of our own-brand cosmetics products by the end of 2021.</p> <p>We will assess the risks to fresh water in our supply chains and develop a water strategy.</p> <p>We will increase sales of sustainable label products by 20%.</p>	<p>Certification is one of our requirements for suppliers. Further information on the certification rates for different raw materials can be found on page 41.</p> <p>Our target is late in being achieved and the aim is to reach it in 2023.</p> <p>Target achieved in 2021.</p> <p>In February 2021, we published our water sustainability commitment.</p> <p>Sustainable label products accounted for 13.6% of turnover in 2022.</p>	<p>●●●○</p> <p>○○○○</p> <p>●●●●</p> <p>●●●○</p> <p>●●●○</p>	<p>p. 41</p> <p>p. 41</p> <p>p. 44</p> <p>p. 39</p> <p>p. 38–40</p>

Meaning of symbols:

●○○○= new target

●●○○= target in progress

●●●○= target has progressed

●●●●= target achieved

■■■■= continuous target

○○○○= late



Targets and actions

Situation in 2022

Status

Further information

Targets and actions	Situation in 2022	Status	Further information
<p><b>Acting Fairly</b></p> <p>We will commission human rights impact assessments in our raw material supply chains internationally.</p>	In Finland, we started the human rights impact assessments in the production chain for berries, and the work is to continue in 2023.	●●●○	p. 46–47
<p><b>To respect human rights and ensure fair business relations.</b></p> <p>We will try to improve working conditions in risk countries with international development projects.</p> <p>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 social evaluation by 2022.</p> <p>We will ensure fair business relations and we will be a reliable partner.</p>	<p>We are now involved in several initiatives internationally to improve working conditions. You will find more information on this from page 46 onward.</p> <p>Our target is late in being achieved and the aim is to reach it in 2023.</p>	<p>■■■■</p> <p>○○○○</p>	<p>p. 46</p> <p>p. 35</p>
<p><b>To support animal welfare.</b></p> <p>We will promote animal welfare via our procurement policies and in cooperation with our suppliers.</p> <p>We will offer new products that provide customers with an option that supports animal welfare.</p>	<p>We are investing in long-term supplier relations. All our employees must conduct the compulsory compliance e-learning.</p> <p>An animal welfare policy is one of our requirements for suppliers.</p> <p>There are two products in our Ilova product family. We are involved in the development and adoption of animal welfare labeling in Finland.</p>	<p>■■■■</p> <p>■■■■</p>	<p>p. 13</p> <p>p. 56</p> <p>p. 56–57</p>
<p><b>To pay fair wages.</b></p> <p>Our wages will be the best in the grocery industry. Our wages will be based on clear, incremental pay scales that ensure fair remuneration.</p>	<p>We pay store employees a Lidl bonus and warehouse employees a logistics bonus on top of their contracted salaries. In January 2023, we paid every employee a one-off inflation relief bonus.</p>	■■■■	p. 50
<p><b>To support the growth and development of every Lidl employee.</b></p> <p>Every Lidl employee will complete a thorough onboarding process.</p> <p>We will train new managers to act as staff coaches.</p> <p>We will manage individual career paths and support employee development.</p>	<p>A comprehensive onboarding plan is being drawn up for each employee.</p> <p>The training sessions continued during the financial year.</p> <p>In total, 22% of Lidl staff changed job internally.</p>	<p>■■■■</p> <p>■■■■</p> <p>■■■■</p>	<p>p. 69</p> <p>p. 69</p> <p>p. 69</p>
<p><b>To be a workplace for diverse and equal people.</b></p> <p>We will ensure equality in recruitment, employment relationships, and work communities.</p> <p>We will develop a diversity plan.</p> <p>We will raise staff awareness of diversity.</p>	<p>We ran an equality training seminar for recruiters and HR professionals.</p> <p>The plan has been produced and is being implemented.</p> <p>Each employee's onboarding includes online training in diversity, inclusivity, and culture.</p>	<p>■■■■</p> <p>●●●●</p> <p>●●●○</p>	<p>p. 52</p> <p>p. 54</p> <p>p. 54</p>
<p><b>Promoting Health</b></p> <p>We will reduce the sales-weighted average content of added sugar and added salt by 20% across our private label product range by the end of 2025.</p> <p>We will publish a sustainable diet strategy.</p> <p>We will increase the number of plant-based items in our product range.</p> <p>We will ensure the quality and safety of products.</p> <p>We will add more nutrition symbols to products.</p>	<p>Salt reduced by 13% and sugar by 12% in own-brand products between 2015-2022.</p> <p>The strategy was published in January 2023.</p> <p>We expanded the Vemondo product family and we displayed plant-based items during the vegetarian themed week.</p> <p>In 2022, we performed 3,513 product analyses and 35 audits in Finland.</p> <p>More than 200 items in the Lidl product range have the Heart Symbol.</p>	<p>●●●○</p> <p>●●●●</p> <p>■■■■</p> <p>■■■■</p>	<p>p. 62–64</p> <p>p. 62</p> <p>p. 63</p> <p>p. 65</p> <p>p. 64</p>
<p><b>To promote health in the workplace.</b></p> <p>We will support the health of Lidl employees comprehensively.</p> <p>We will provide all our managers with training on how to promote well-being at work and work ability.</p> <p>We will be a good workplace for Lidl employees.</p>	<p>Our sickness absence rate was 6.9% in 2022. We updated the risk assessments carried out for all our places of business.</p> <p>We updated the early intervention scheme.</p> <p>We are making changes to the staff questionnaires for 2023. The overall satisfaction rate in the pulse survey in 2021 was 72%.</p>	<p>■■■■</p> <p>■■■■</p> <p>■■■■</p>	<p>p. 66–68</p> <p>p. 66–67</p> <p>p. 66–67</p>
<p><b>Dialog with Stakeholders</b></p> <p><b>To cooperate and engage in open dialog.</b></p> <p>We will increase cooperation in Finland to keep environmental issues in the spotlight, slow down climate change, and protect biodiversity.</p> <p>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 in the public domain.</p> <p>We will train employees to act sustainably by the end of 2023.</p>	<p>We worked with the Finnish Association for Nature Conservation to restore traditional meadows and to raise awareness of the importance of pollinators.</p> <p>The factory information is available on our website.</p> <p>A new target in this reporting period.</p>	<p>■■■■</p> <p>●●●●</p> <p>●○○○</p>	<p>p. 36</p>

Meaning of symbols:

●○○○= new target    ●●○○= target in progress    ●●●○= target has progressed    ●●●●= target achieved    ■■■■= continuous target    ○○○○= late

# Materiality Analysis

**IN 2022**, we reviewed the definition of Lidl Finland's material sustainability topics. As part of the new process, we will take account of the new and altered requirements for compiling reports, such as the updated definition of materiality in the 2021 GRI standards and the changes introduced under the EU Corporate Sustainability Reporting Directive (CSRD). Lidl's updated sustainability model serves as a basis for the work. It contains 17 sustainability topics.

These were assessed from two angles:

- Lidl's negative and positive impacts on people, the environment, and society by sustainability topics (inside-out perspective)
- The impact the sustainability topics have on Lidl's business (outside-in perspective)

We updated our materiality analysis in 2022



Lidl's materiality analysis is updated every two years in connection with the sustainability report. The process is the same in all Lidl countries, but also takes account of national considerations when the results are produced. There are three stages to the analysis:

1. An international study of Lidl's main potential impacts, including an impact analysis and interviews with experts.
2. An assessment of the impact of the topics on the business in workshops in individual countries.
3. Validation of the results and their compilation in the materiality matrix for each country.

## 1 Lidl Finland Impact Assessment

We assessed Lidl's overall impact on people, the environment, and society for all Lidl countries employing a common two-stage process implemented by the international parent company. The process consists of an impact analysis and interviews with experts.

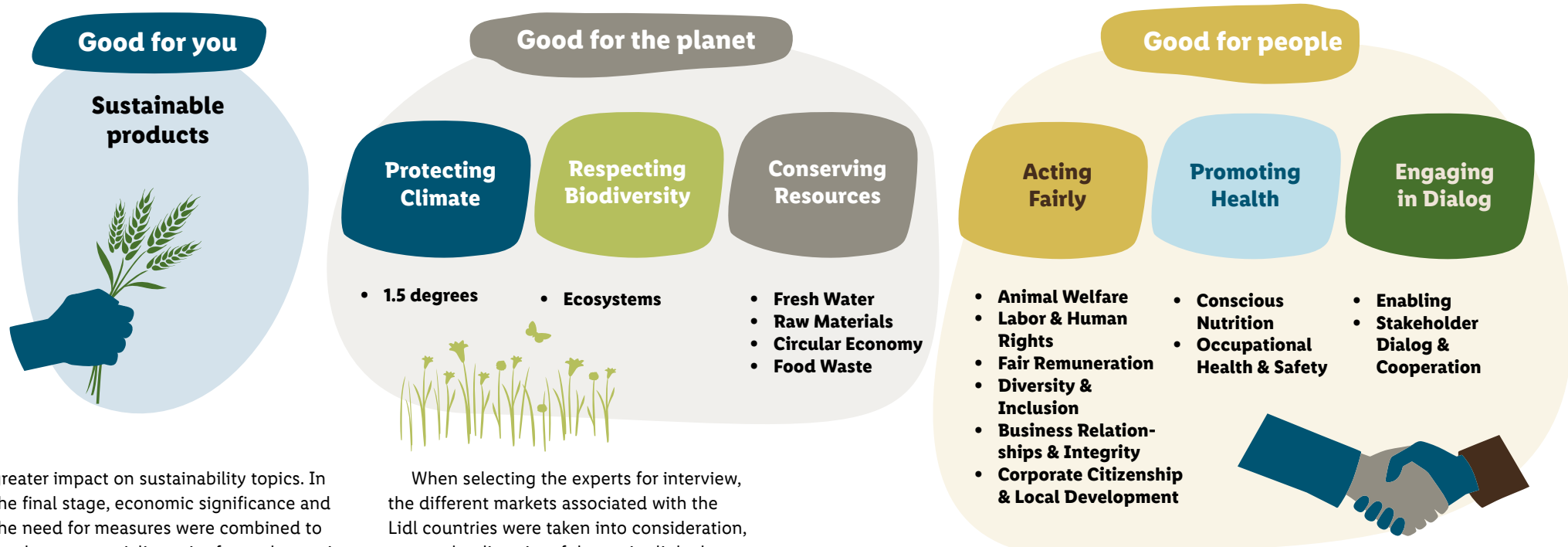
### Quantitative Impact Analysis

The impact analysis is used as a data-based evaluation of Lidl's potential direct and indirect impacts on people, the environment, and society. It examines the risks that are potentially posed to people, the environment, and society arising from Lidl's business operations. The analysis and identification of Lidl's environmental and social impacts

were carried out quantitatively on the basis of economic, corporate, and sectoral data covering the entire international value chain. Owing to Lidl's international nature, local needs for action were assessed in relation to each other, which also made it possible to compare sustainability topics.

Next we identified the countries where Lidl may have a significant influence. The Lidl value chain was modeled using sales data, information on the industry, and economic and financial data. This enabled direct and indirect economic measures to be determined for each country, and the analysis included the relative importance of the economy. This mainly covered the Lidl countries where the data showed that Lidl was particularly active and so possibly had a

## Lidl Responsibility Model



greater impact on sustainability topics. In the final stage, economic significance and the need for measures were combined to produce a materiality point for each sustainability topic, thus providing the first model of significant potential impacts.

### Qualitative Interviews with Experts

After the impact analysis was completed, its results were validated with a qualitative study. Combining the different methods makes the analysis more reliable, makes it possible draw more profound conclusions, and reduces the weaknesses potentially associated with the individual methods. We interviewed nine international experts from among key Lidl stakeholders to get a better idea of Lidl's impact on the 17 sustainability topics examined.

When selecting the experts for interview, the different markets associated with the Lidl countries were taken into consideration, as was the diversity of the topics linked to sustainability. The interviews were prepared, conducted, and analyzed by an external partner.

Compiling the results of the impact analysis and interviews with experts revealed Lidl's potential environmental and social impacts on the 17 sustainability topics examined. These also represent the values on the x-axis of the materiality matrix (page 21).

The results of the impact analysis and the interviews with experts were weighted by rank, and, when the type and availability of data allowed, they were compared.

### 2 Assessment of the Impact on Lidl Finland's Business

In order to determine the potential impacts of the sustainability topics on our business, we ran a sustainability team workshop in Finland. Those who took part assessed 17 sustainability topics from the perspective of their business opportunities and risks. The results were discussed and they formed the y-axis of the materiality axis. The results were validated at a workshop for the executive team. The end result of this was that the materiality matrix included the significance of the sustainability topics for the business (page 21).

### 3 Combining the Analyses

The results show that 1.5 degrees, fair remuneration, and raw materials are the most relevant sustainability topics for Lidl Finland.

There are nine such material topics in all. This means that the Lidl Finland business has a significant impact on people, the environment, and society in these areas, or that they represent the biggest opportunities and risks for our business. These material topics are shown in the matrix above the materiality curve.



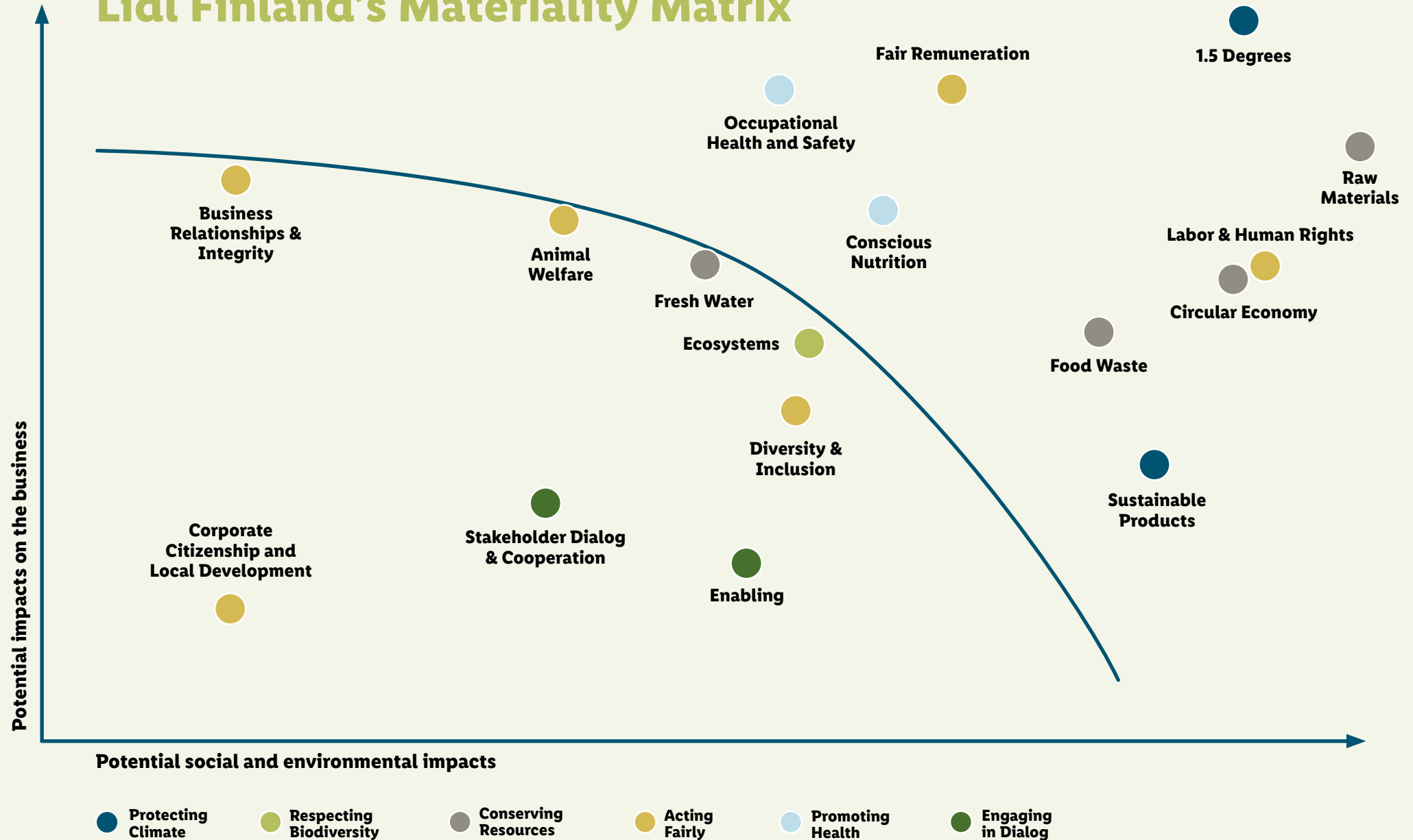
### Changes to the material topics

Compared to the materiality analysis that served as the basis for the 2019–2020 sustainability report, the sustainability topics that were the subject of the new analysis were to some degree combined. Consequently, climate (1.5 degrees), for example, became the most relevant topic. In the previous analysis, it had been divided between the topics related to the supply chain and our own activities. As a result of merging the topics, pollution disappeared from the list of material topics, because it was combined with other sustainability topics. Similarly, quality products and product safety are now included with conscious nutrition, and child labor is included with human rights.

Occupational health and safety, food waste, and the circular economy became new material topics. Labor & human rights, fair remuneration, raw materials, and sustainable products remained as material topics. Biodiversity and fresh water disappeared from the list of material topics. We nevertheless consider these as part of the overall category of raw materials.

The content of the report is based on our sustainability program presented on pages 14–17. We address all the themes associated with the program, but the material topics are described more comprehensively and information conforming to the GRI standards is also given on these topics.

# Lidl Finland's Materiality Matrix



## Sustainable products

## Goal: Finland's most sustainable shopping bag

## What does Finland's most sustainable shopping bag consist of?

## Sustainable raw materials



## Smart packaging



## Active climate work



## Healthier products



Our goal is to make sustainable shopping easy for all our customers and for everyone to be able to afford to make a sustainable choice. The sustainability of the assortment plays a key role in a grocery store, because the products and their production chains have the biggest impact on both the environment and on people. Our goal is to be a store where the customer can leave with Finland's most sustainable shopping bag. The most sustainable shopping bag consists of certified risk raw materials, smart packaging, active climate work and healthier products.

A BETTER TOMORROW

## Sustainable raw materials

A sustainability certificate on the side of a product means that the product or raw material is subject to controls and meets the criteria set for certification. There are hundreds of sustainable label products in our range. We have investigated critical raw materials associated with social or environmental risks. With regard to these, we have in place a policy whereby we use certified raw materials in our own-brand products. Such raw materials include for example coffee, cocoa, tea, soy, and palm oil.

It is highly likely that you will pick up a sustainable label product in our store, as our own-brand products cover three-quarters of our range of products. The sheer extent of our own-brand range also makes us an impressive and influential player where raw materials are concerned. Our continuous target is to increase the number of sustainable label items that we sell. In fiscal year 2022, they accounted for 13.6% of sales, compared to 10.5% in fiscal year 2020. Our initial target was to increase the share to 12%, so we exceeded our target. You can read more about the topic in the section of this report headed “Sustainably produced raw materials” (page 38).

## Smart packaging

We were the first Finnish grocery chain to set a target for reducing plastic in our range of products. Our goal is to reduce plastic in our own-brand products and their packaging by 20%, make all our packaging recyclable, and increase the quantity of recycled material in our packaging to 25% by the end of 2025.



Additionally, we aim to reduce the amount of virgin plastic used in our own-brand packaging by 10%. We do not use any black plastic in our packaging. You can read more on the subject in the section of this report headed “Towards material ingenuity” (page 42).

## Active climate work

We play a role in the climate work and are cutting emissions in our own operations and in our supply chains. In the future, we will be focusing in particular on the supply chains for our products, because that is where most of our overall emissions are produced. We are already carbon neutral in our own operations as a result of offsetting remaining emissions. We invest in plant-based items in our product range, we use energy sparingly, we recycle efficiently, and we prevent food waste. We encourage our suppliers to set their own emission targets: We require suppliers who cover 75% of the emissions in

our supply chain to set their own science-based emission targets by the end of 2026. You can read more about our work on climate in the section of this report headed “Protecting Climate” (page 26).

We work with our customers to prevent food waste. We reduce the prices for products well before their expiration date or best before date. Reduced products have a red 30% discount sticker to identify them. On their sell-by date, perishables have a green 50% discount sticker. Additionally, under the “Too Good To Waste” campaign, we sell bakery bread products, fruit, and vegetables that are left over, and are the first grocery chain in Finland to introduce fruit and vegetable loss boxes in every one of our stores. You can read more about food waste prevention in the section of this report headed “Less Food Waste” (page 45).



## Healthier products

As a grocery store, we are able to help our customers make healthy choices. For that reason, our target is to reduce the sales-weighted average content of added sugar and added salt by 20% across our private label product range by 2025. We will also avoid using trans fats where possible and aim to use European, soft plant fats in our products whenever possible. At the start of 2023, we published a sustainable diet policy. One of the aims of this policy is to increase the share of plant proteins and whole grains in our range. You can read more about the promotion of a sustainable diet in the section of this report headed “Conscious nutrition” (page 62).

By using clear package labeling, we want to help people make better nutritional choices. For example, more than 200 products sold by Lidl feature the Heart Symbol. Our goal is to increase the number of the Heart Symbol labeled products.



## Number of sustainable label products in the range in the financial year 2022:



Fair Trade products  
**339 pcs**



Organic products  
**222 pcs**



FSC-certified products  
**49 pcs**



MSC-certified products  
**87 pcs**



ASC-certified products  
**72 pcs**



Products bearing the Heart Symbol  
**226 pcs**



Rainforest Alliance Certified products  
**694 pcs**

Coffee, Banana & Cocoa

[rainforest-alliance.org](http://rainforest-alliance.org)



Sustainable label products as a proportion of turnover  
**13.6%**





**Purchases from Finnish suppliers 59%**

## More Than Half of Our Products Are Domestic

**MORE THAN** half of the products that we sell are bought from Finnish suppliers all year round. The notion of domestic origin is important to our customers, especially with regard to perishables, such as meat, dairy products, and vegetables. Almost 95% of our fresh meat and 94% of our milk were domestic in financial year 2022. All the fresh chickens and eggs we sell are Finnish.

We mark Finnish origin on our own-brand product packaging in two ways. The Made in Finland symbol tells customers that the product was manufactured in Finland, and the 100% Finnish symbol tells customers that the product's raw materials come from Finland. We use the Hyvää Suomesta (designation of origin for Finnish packaged foods) symbol alongside our own domestic origin symbols.



● **KANAMESTARI PRODUCTS** are made in Finland from Finnish meat.

**Proportion of domestic meat 95%**

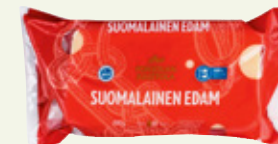
● **REILU FRESH MEATS** are always made from Finnish raw materials and produced in Finland.



● **POHJOLAN MEIJERI DAIRY PRODUCTS** are made from Finnish milk.

**Proportion of domestic milk 94%**

● **POHJOLAN JUUSTOLA CHEESES** are made from Finnish milk.



● **LEIPÄAITTA BREAD PRODUCTS** are produced in Finland, and all items in the product family are made using Finnish grain whenever possible.



# Protecting Climate

**We are working through our climate goals to limit global warming to 1.5 degrees. We have been carbon neutral in our own operations since 2022, and are the first retail chain in Finland to achieve this mile stone.**

**CLIMATE CHANGE** is one of the biggest environmental problems of our time. The well-being of future generations requires prompt international action to address the causes and effects of climate change. The countries of the world are committed

to the science-based target to restrict the rise in the global temperature to less than 2 degrees, and preferably 1.5 degrees, based on the Paris Agreement and the Glasgow COP26 Conference.

The objective is also central to the European Green Deal. The aim of the European Green Deal is for the EU to achieve the green transition and climate neutrality by 2050. This means reducing greenhouse gas emissions to virtually zero. Every single person and every business will affect the achievement of these targets, and that is why it is essential for everyone to cut emissions.

Lidl Finland is committed to the Paris

Agreement targets and has set its own clear targets. The first step is to calculate emissions<sup>1</sup>. With the aid of data, we analyze our emissions reduction potential, monitor how effective certain measures are, and document the progress of climate targets.

Majority of Lidl's total carbon footprint is generated from manufacturing our products. Direct emissions are produced in stores, at distribution centers, at head office, and through the use of company cars. We have various measures in place to avoid or reduce the production of these direct emissions. We compensate for any unavoidable Scope 1 and 2 emissions via [certified climate projects](#).

Greenhouse Gas Emissions table (page 28) shows Lidl Finland's emissions in tons CO2 equivalent, including stores, distribution centers, and head office. The calculation is based on the requirements of the Greenhouse Gas (GHG) protocol<sup>2</sup>. Our operation's greenhouse gas emissions include direct emissions (Scope 1), indirect emissions from purchased energy (Scope 2), and indirect emissions in our value chain (Scope 3). We ourselves are responsible for data collection. The necessary emission factors<sup>3</sup> are supplied by an external service provider that is responsible for calculating our carbon footprint. We report both market-based and location-based data for scope 2 emissions.

The calculation of Scope 3 emissions is challenging on account of the complications involved in collecting the data. The data is collected from external service providers (such as the number of kilometers driven for store deliveries) or our own data sources (such as the amount of paper used for advertising materials), or it is estimated in collaboration with outside experts (for example, staff commuting journeys). To ensure that we make the right decisions based on data, we continuously strive to improve the quality of data and increase the volume of primary data.

<sup>1</sup> Carbon dioxide (CO2), methane (CH4), nitric oxide (N2O), sulfur hexafluoride (SF6), hydrofluorocarbons (HFC), perfluorocarbons (PCF), and nitrogen trifluoride (NF3).

<sup>2</sup> GHG Protocol Corporate Accounting and Reporting – standard (scope 1+2) & scope 2 and scope 3 guidelines

<sup>3</sup> For the purpose of emission factors, the following sources, among others, are analyzed: sectoral organizations (e.g., PlasticsEurope, FEFCO), public LCA databases (e.g., Ecoinvent), international/ intergovernmental organizations (e.g., IPCC, IEA).

For district heating, emission factors of Statistics Finland were used.

## Reducing Greenhouse Gas Emissions

Our climate targets have been defined based on the Science Based Targets initiative (SBTi). This is a coalition of non-governmental organizations and companies whose aim is to meet the goals of the Paris Climate Agreement. We joined the initiative and set our science-based targets for the climate in 2022 as part of Schwarz Group. Lidl aims to cut emissions globally in own operations by 80% by 2030 in comparison to 2019. Lidl Finland's goal is a 15% reduction in the same period. Lidl suppliers, which are responsible for 75% of Lidl's Scope 3 emissions internationally, must set their own science-based targets by 2026.

Lidl Finland's total emissions in the fiscal year 2022 were 1 842 742 t CO<sub>2</sub>e. Emissions have decreased from the previous financial year but increased from the baseline year 2019. This is because we have opened new stores. However, the emissions in proportion to store area have decreased. We have several projects underway to reduce emissions in the future as well.

Lidl Finland has used only renewable electricity since 2020 and we achieved carbon neutrality in our own operations in 2022 by compensating for the remaining emissions in Gold Standard-certified climate projects. We are also, for example, working continuously to reduce the emissions of our logistics (more information on page 33).

Our goal is that by the end of 2025, one fifth of the properties owned by Lidl produce renewable energy. We reached the goal ahead of schedule: at the end of financial



year 2022, 23% of our properties produced renewable energy. In total, we produced 3,263 MWh renewable energy in 2022 via solar panels. More information about our energy measures can be found on pages 30-31.

Natural refrigerants are used for product cooling in all of Lidl Finland's distribution centers and in 48% of the stores. We aim to keep increasing the share of natural refrigerants. Natural refrigerants include propane (C<sub>3</sub>H<sub>8</sub>), carbon dioxide (CO<sub>2</sub>), and ammonia (NH<sub>2</sub>). They are used as operating materials for generating heat/cooling for the air conditioning of buildings and for product cooling. Natural refrigerants are notably more climate-friendly than artificial ones. In the case of damage, accidents, or leaks, there would be almost no discharge of greenhouse gas emissions.

In order to reduce emissions in supply chains, we organized a free climate training program for our suppliers in the winter of 2022-2023. You can read more about the training on page 29.

## Joint Climate Strategy of the Companies of Schwarz Group

**CLIMATE CHANGE** poses enormous challenges for our society and demands action at all levels of society. As part of the companies of Schwarz Group, Lidl Finland aims to keep its own contribution to climate change as low as possible and to steadily minimize greenhouse gas emissions. To achieve this, we, the companies of Schwarz Group, are jointly committed to the following three principles:

1. We prevent the generation of greenhouse gas emissions wherever possible.
2. We reduce those greenhouse gas emissions which are unavoidable.
3. We offset operational greenhouse gas emissions (scope 1 and 2) that we can currently neither prevent nor reduce, based on internationally recognized standards.

### Science Based Targets as Basis of Joint Climate Targets

As part of their joint climate strategy, the companies of Schwarz Group already joined the Science Based Targets initiative (SBTi) in August 2020. After preparing a complete climate impact assessment and analyzing the carbon footprint, climate protection targets were mutually defined according to the method of the initiative. These were filed together with jointly elaborated measures to reduce, prevent, or compensate CO<sub>2</sub> emissions in operation and along the supply chain. These science-based targets were

validated and released by the SBTi in September 2021.

### Shared Climate Targets

In total, the companies of Schwarz Group will reduce their operational greenhouse gas emissions (scope 1 and 2) by 55 percent by 2030 compared to 2019\*. As part of this, Lidl Finland has set itself the goal of reducing its operational greenhouse gas emissions by 15 percent over the same period. To achieve this mutually set goal, all companies of Schwarz Group will procure 100 percent of their electricity from renewable energies as of the 2022 fiscal year. Lidl Finland has used only renewable electricity since 2020 and we achieved carbon neutrality in our own operations in 2022\*\*. The companies of Schwarz Group also commit together to reducing their absolute scope 3 emissions with regard to the use of sold fuels, by 27.5 percent by 2030 compared to 2019 levels. Lidl commits itself, that suppliers who are responsible for 75 percent of product-related emissions will set their own climate targets by 2026, according to the criteria of the SBTi.

\* This target for scope 1 and 2 also includes biogenic emissions and the removal of biogenic raw materials (only PreZero)  
 \*\* Remaining operational greenhouse gas emissions (scope 1 and 2) are offset by certified climate protection projects



DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

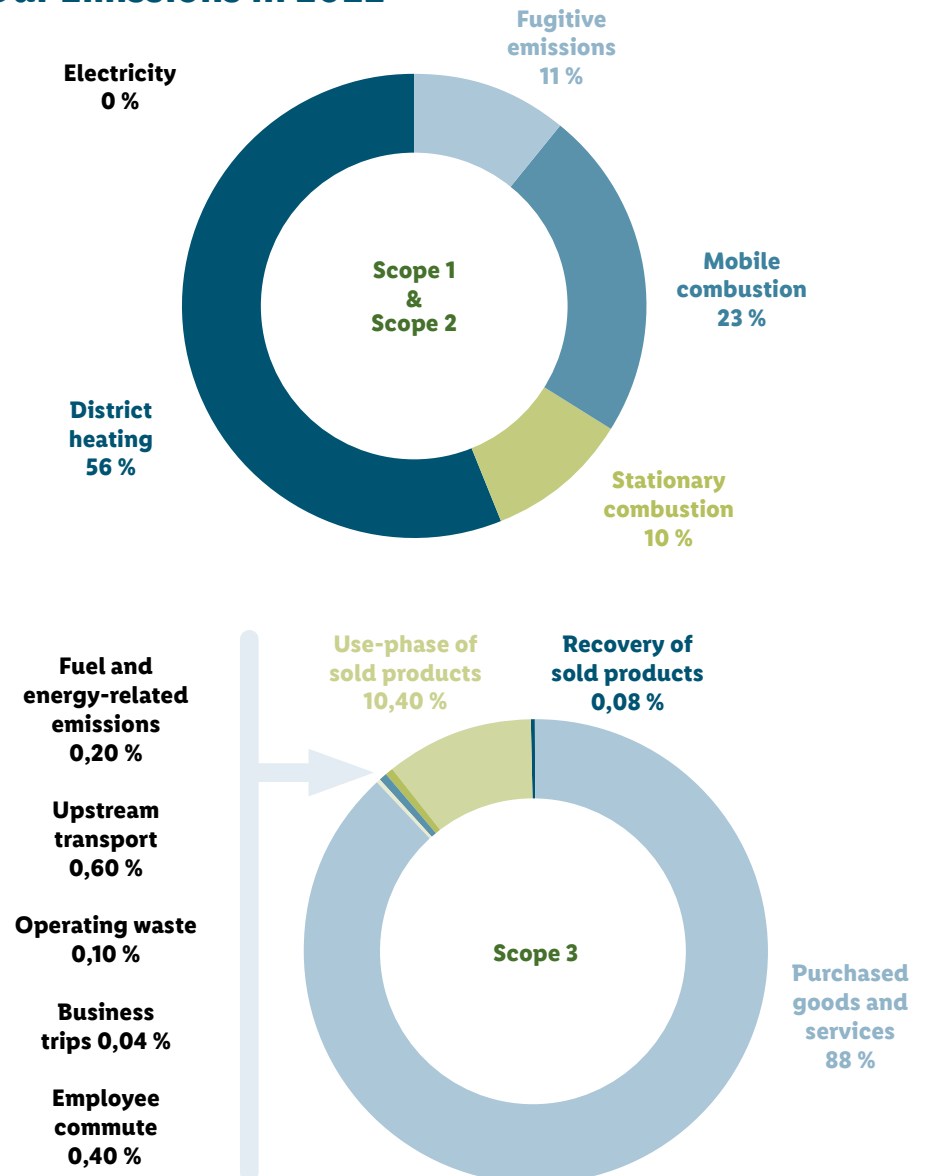
## Greenhouse Gas Emissions, tCO<sub>2</sub>e

Categories according to the GHG protocol	2019	2020	2021	2022
<b>Scope 1</b>				
Fugitive emissions	1,413	1,806	1,219	898
Mobile combustion	1,959	1,733	1,719	1,834
Stationary combustion	556	763	882	817
<b>Scope 2</b>				
District heating	4,000	4,314	4,396	4,535
Electricity (market-based)*	4	0	0	0
Electricity (location-based)*	10,274	11,888	9,873	7,760
<b>Scope 3 upstream</b>				
3.1 Purchased goods and services	1,629,769	1,699,343	1,734,055	1,617,028
3.3 Fuel and energy-related emissions	4,691	5,184	4,989	4,536
3.4 Upstream transport	11,502	11,647	11,856	10,103
3.5 Operating waste	2,473	2,619	3,235	2,595
3.6 Business trips	1441	252	357	916
3.7 Employee commute	5,957	6,292	6,940	6,963
<b>Scope 3 downstream</b>				
3.11 Use-phase of sold products	52,632	115,601	151,176	191,031
3.12 Recovery of sold products	1,271	1,422	1,645	1,486
<b>Emissions total*</b>	<b>1,717,668</b>	<b>1,850,976</b>	<b>1,922,469</b>	<b>1,842,742</b>

\*Emission factors have been updated since the last sustainability report

\*\*The market-based carbon footprint is based on the residual distribution for electricity calculated by energy producers. Location-based carbon footprint is calculated using average greenhouse gas emissions in a certain geographic region, which in our case is Finland. Total emissions (scopes 1, 2 & 3) are calculated by using the market-based method.

## Our Emissions in 2022





## Climate Academy – Free Climate Training Program for Suppliers

**EMISSIONS IN** the supply chains comprise a significant part of Lidl’s carbon footprint. To reduce our impact on the climate, we need suppliers to reduce their emissions.

In the winter of 2022–2023, we provided a free climate training program for our Finnish suppliers. Altogether, 34 small and medium-sized companies from the food industry attended the climate academy, and these were responsible for the supply of a significant number of Lidl Finland products. The three-part training session consisted of a review of how to calculate emissions, set

science-based targets for the climate, and cut emissions. The seminar focused on concrete, effective measures.

The aim was to help suppliers develop their climate work. The participants made a commitment to set their own science-based targets for the climate. We will monitor the way in which these targets are set and implemented in collaboration with the suppliers themselves. We will require our biggest suppliers internationally to have set targets for the climate by 2026.



## Electronic Price Labels Save the Environment

**WE STARTED** to change the paper price labels for electronic ones at the end of 2022. Electronic price labels will be in use in all of our over 200 stores by the end of 2023. Following this change, we will save around 85,000 kilos of paper a year.

## Digital Receipts Introduced in Fall 2021

**WE HAVE** provided our customers with a digital receipt service in the Lidl Plus app since fall 2021. When the app is scanned at the checkout, the digital receipt is saved to the app and no paper receipt is printed. In 2022 we saved the equivalent of more than 12 million paper receipts.



# Energy and Construction

In our mission to reduce emissions, we are also focusing on energy efficiency and sensible building solutions. Energy efficiency is a matter of routine for us.

**LIDL FINLAND** is part of an energy efficiency agreement whose aim is to save at least 7.5% of annual energy consumption between 2016 and 2025. We have set our own bar even higher than this. Our goal is to save 20% of our energy consumption by 2025. This is the equivalent of the annual energy consumption of 8,000 three-person households living in an apartment building. We have almost reached this goal, at the end of the 2022 reporting period we had already saved 19.9%.

For Lidl, energy efficiency is a matter of routine and we save energy in many different ways. For example, we have switched to energy-efficient LED lighting in all stores and in some of our advertising signs. We have installed a heat recovery system in some of our stores. This utilizes the waste heat from refrigeration equipment. In the winter of financial year 2022, we stepped up our ener-

We use  
**100%**  
renewable electricity

Target  
**20%**  
energy savings  
in the period  
2016–2025

gy-saving efforts significantly by changing the timers on the lights and the number of light bulbs, optimizing the ventilation and regulating the temperatures of the buildings and refrigeration equipment.

In 2015, we were the first grocery store in Finland to receive energy management certification (ISO 50001) at all our places of business. We measure, monitor, and optimize the consumption of electricity, heat, and water

at each place of business. 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.

Only four of our stores and one distribution center use natural gas for heating, and just four stores use oil. We are aiming to reduce the use of natural gas and oil even more. Two stores will switch away from

natural gas at the beginning of the 2023 financial year. At the distribution center in Janakkala, there is an electric boiler in addition to a gas boiler, and the aim is to stop using natural gas altogether. We are also looking into the options available for the stores. Most of our buildings are heated by district heating, and, where it is possible, geothermal heating is also used.

The Lidl Finland energy team monitors

energy consumption and the achievement of our energy targets. Lidl International and an external party audit the ISO 50001 energy management system every year. There are also building inspections of our stores four times a year.

Continuous monitoring means that we can deal with problems quickly and avoid wasting energy due to human error or equipment failure. Any problems identified are recorded locally in the energy management system and corrective actions are monitored.

### Lidl Finland's Energy Consumption, MWh

Form of energy	2021	2022
Electricity, renewable (wind power and solar)	108,584	109,593
Heating, district heating	36,106	33,214
Heating, natural gas	3,854	3,544
Heating, oil	594	555
District cooling	1,527	1,498
<b>Total energy consumption</b>	<b>150,665</b>	<b>148,404</b>

In 2022, **23%** of our properties generated renewable energy, totaling **3,263 MWh**

## Solar Panels Now at All Distribution Centers and in 31 Stores

**SINCE 2019**, we have used only renewable electricity. Our goal is for one fifth of the properties owned by Lidl to produce renewable energy by the end of 2025. We reached the goal ahead of time, because at the end of the 2022 financial year, 23 percent of our properties produced renewable energy. We will install solar panels in all new and, where possible, existing stores and look into the potential for geothermal heating. At the end of 2022, there were solar panels in 31 stores and all the distribution centers. A total of four stores used geothermal heating to heat and cool the building. In total, Lidl properties produced 3,263 MWh in renewable energy in 2022.

A single power plant in a store consists of 250–300 solar panels, and the energy that this power plant produces goes directly to store functions. It can produce almost 20% of the energy the store needs in a year. Solar power plants in Finland operate at maximum efficiency in spring and summer, when they produce almost 30% of the store's total consumption. During their best hours, the energy produced by a plant is enough to meet a store's entire demand for electricity. Solar panels can produce about 12 percent of the distribution centers' electricity consumption during summer.



During the energy crisis, we saved **10%** in energy compared to the same time last year



## Lidl Is Involved in the “Down a Degree” Campaign

**IN THE** winter of 2022–2023, Europe faced an energy crisis. Energy prices rose and there was no certainty as to whether there would be sufficient energy for everyone to get through the winter. A national energy-saving campaign – “Down a Degree” – prompted businesses and households to cut energy consumption and change the times when electricity is used. Lidl was also involved in the initiative.

For years, we have fine-tuned our energy-saving measures to make them effective. In addition to our normal measures, we lowered the temperature at all our places of business, changed the times when the lighting was in use and the level of lighting, and switched off the beverage shelves in stores. We trained staff to be energy-wise. Staff also got to share their observations and tips regarding energy saving, and the stores organized an energy-saving competition between them. These measures resulted in an energy saving of 10% in December to January of financial year 2022 compared to the same

period in the previous year, for example. Besides cutting usage, a flexible approach to consumption can have an effect on energy sufficiency. Consumption flexibility means a temporary reduction in electricity use or postponing consumption at times of high demand. Lidl stores operate as virtual power plants, i.e., they adjust their electricity usage in accordance with the grid load. For example, ventilation machines can operate with less output at peak consumption hours so that households can have sufficient electricity at those times and local power cuts can be avoided. At the distribution center in Järvenpää, electricity can be stored in an industrial-sized battery when there is an oversupply of power, and this can be used at times of peak consumption.

We also participate in the Fingrid Power System Support Procedure. If an electricity shortage threatens, we can produce the electricity required at the distribution centers using the backup generators.



## The First Retail Chain in Finland to Have Certified Properties

**ALL OUR** stores and distribution centers in Finland received the international green building certification EDGE in 2021, and our head office already has LEED certification. EDGE is a recognition of sustainable energy and water use and the use of sustainable construction materials. Certification also means that we obtain a comprehensive picture of consumption at our places of work. In addition, the distribution center in Järvenpää has been awarded an “excellent” BREEAM certificate while the store in Vapaala, in Vantaa, received a “very good” score in connection with the same award.



## Increasing E-Charging Points at Our Stores

**OUR CHARGING** network for electric vehicles now covers more than 90 stores across Finland. We will be investing significantly in the charging network in the years to come. All new stores will have a charging point outside, and charging points will be installed at 10 existing stores every year. As in the rest of our operation, the electricity used at

the charging points will come exclusively from renewable sources.

The easiest and fastest way to pay for charging a vehicle is to register as a user on the Lidl Plus app and pay using that. The price per kilowatt for app users is less than it would be if paying using other methods.



## Finland's First Wooden Lidl Store

**WE CELEBRATED** the opening of our first store made of wood in Riihimäki in November 2021. The building's steel structures were replaced with wood from the concrete floor upward. All the support structures, including the exterior walls, intermediate roof, and roof structures are made of wood. In addition, the store's facade consists of a wide wooden panel.

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 reduces the carbon dioxide emissions from construction by nearly 25%. Furthermore, wooden structures bind large amounts of carbon dioxide throughout the life of the building. The use of wood in buildings also has positive health effects, according to studies. The pilot has led us to the development of the wooden store concept, and our aim is to build new wooden stores in the future as well.



# Transportation

Before the products that we sell reach our shelves, they often have to travel long distances by truck, ship, and, in less usual circumstances, airplane. This produces greenhouse gas emissions that have a negative impact on the climate and the environment. The biggest potential for us to influence that impact lies in the deliveries between our distribution centers and our stores.

**WE SAVE** energy and cut our emissions by optimizing logistical processes and deliveries. We adapt our delivery route plans every day according to what is required and we send the vehicles on their journey when they are as full as possible. When the vehicles return to the distribution centers, they bring with them recycled materials from the stores. The selection of the products in our assortment also plays a role here: We ensure that our range features seasonal and, where possible, local products. This shortens delivery routes and therefore also reduces greenhouse gas emissions.

One way to cut emissions from transport

tation effectively is to introduce more environmentally friendly trucks. That is why we are studying the options for adding even more trucks that run on alternative fuels to the fleet.

## More Gas-Powered Trucks and Less Mileage

We are aiming to achieve significant reductions in emissions. By the end of 2025, our aim is to carry out one fifth of our deliveries with vehicles using renewable or low-emission fuel. By the end of 2030, our aim is to reduce the carbon emissions from our transport operations by 35% compared to 2022.

At the end of 2022, we were using eight biogas-powered trucks, and at least one at every distribution center. This means that more than 12% of all our vehicles now run on biogas. We decided to replace our entire natural gas-fueled fleet with one that runs on biogas because

this will deliver more substantial reductions in emissions. A truck running on biogas will produce approximately 90% fewer emissions compared to diesel. The use of gas-powered vehicles is still restricted, however, by the small number of gas refueling stations for heavy-duty trucks.

We aim to make better use of our transportation capacity and avoid situations where the vehicles are empty. We optimize the deliveries of orders from stores, which change on a daily basis, with the regular planning of routes. The optimization of loads takes into account the sizes and shapes of the batch packaging and the heights of the pallets in different vehicle models. We

also use extra-long high capacity transport trucks, which can carry nearly 30% more pallets than a normal truck at one time. Moreover, the trucks taking products to the stores bring back with them recycling fractions for further processing at



Target  
**35%**  
reduction  
in emissions  
in logistics  
by 2030

Now  
**8 trucks**  
run  
on biogas

the distribution centers.

The Logistics department and the distribution centers are responsible for Lidl Finland deliveries. They coordinate the operational implementation of all measures in order to comply with the laws and internal regulations in the individual countries.

## Emissions from Transported Pallets

	2021	2022
Kg CO <sub>2</sub> e/pallet	7.3	6.9

## We Are Using One of the World's Largest Biogas-Powered Trucks

**SINCE NOVEMBER 2022**, we have been using one of the world's largest biogas-powered trucks in our fleet of vehicles. This is Lidl's eighth truck running on biogas.

It is the biggest biogas-powered truck that it is possible to drive in Finland at the present time. The truck delivers products from the distribution center at Laukaa to Rovaniemi every day. What's more, the journey in question is exceptionally long. Previously, biogas-powered transportation was concentrated in southern Finland, but thanks to the growing network of refueling stations and improved engine technology, we were able to extend the use of biogas to cover longer journeys.

# Respecting Biodiversity with Our Product Range

**Biodiversity refers to the abundance of different species and communities and the diversity of their environments. It is important to preserve biodiversity for the world to function properly in terms of access to fresh water, the nutrient cycle, and, for example, food production. We have taken several measures to prevent biodiversity loss in our purchasing processes and in construction.**

**AS** a retail store, our aim is to ensure that we do not contribute to biodiversity loss along our supply chains. This is one of Lidl's main priorities in purchasing.

We published our policy on deforestation in fall 2021. In drawing up the policy, we worked on a comprehensive strategy to prevent deforestation in our supply chains together with our partners, such as the WWF and Mighty Earth. We have set a goal for our supply chains not to cause any deforestation, changes to forests, or the exploitation of forests by the end of 2025.

Our work will initially focus on critical

raw materials in particular. For example, all of the palm oil used in our own-brand products is RSPO-certified (Roundtable on Sustainable Palm Oil) and palm oil derivatives are RSPO Mass Balance-certified. All of the soybean feed used in our production chains has either RTRS (Round Table on Responsible Soy), ProTerra, or organic certification. Another of our goals is for all the wood fiber used in Lidl Finland products to be 100% certified or recycled by 2025. We mainly use recycled wood fiber. All our standard selection own-brand fresh, processed, and frozen fish is either of Finnish origin or





is MSC or ASC-certified.

We have also drawn up several other policies for our assortment concerning raw materials that present a risk, to ensure that their production also takes account of biodiversity. You can read more about our policies and the various certifications on pages 40–41.

We also offer our customers a large number of organic products, and in 2022 there were 222 such products in our assortment. With organic production, more plant and animal species live in the fields than with conventional farming methods, and nutrient cycling is more efficient.

## Deforestation Policy

We have set a goal for our supply chains not to cause any deforestation, changes to forests, or the exploitation of forests by the end of 2025. This is how we will achieve this goal:

UNDERSTANDING THE IMPACT	ADOPTING STANDARDS	PROMOTING ALTERNATIVES	PROMOTING CHANGE ALTERNATIVES
<p><b>We identify the risks in the supply chains and establish transparency.</b></p> <p><b>Example:</b></p> <p>We report the ecological and social risks apparent in our supply chains.</p> <p>Critical raw materials from the perspective of deforestation include palm oil, soy, cocoa, and wood fiber, for example.</p> 	<p><b>We certify critical agricultural products.</b></p> <p><b>Example:</b></p> <p>Since 2019, we have only used sustainability certified palm oil.</p> <p>All the wood fiber we use will be 100% certified or recycled by 2025.</p> 	<p><b>In our range of products, we support the more sustainable alternatives and are reducing the share of critical raw materials.</b></p> <p><b>Example:</b></p> <p>We are bringing to our range of products more plant-based items, because plant proteins are generally a more sustainable alternative than animal proteins where the prospect of deforestation is concerned.</p> 	<p><b>We are driving forward change and taking part in initiatives and projects.</b></p> <p><b>Example:</b></p> <p>Lidl has been a member of the Roundtable on Sustainable Palm Oil (RSPO) initiative since 2012. We are also involved in the Roundtable of Responsible Soy (RTRS) initiative and Donau Soja. In this way, we are able to promote better production methods for palm oil and soy. We also support sustainable forest management as a member of FSC.</p> 

## Europe's First Biodiversity Certification System for Fruit and Vegetables Now in Place

**SPRING 2022** saw the publication of the new biodiversity add-on for GLOBALG.A.P certification, something that Lidl was involved in developing internationally. We worked with GLOBALG.A.P. and the Research Institute of Organic Agriculture FIBL to specify a set of criteria for taking account of biodiversity in agriculture.



The add-on is intended for the certification of fruit and vegetable producers. There has been no equivalent certification available in Europe to date. We now require all our fruit and vegetable producers to introduce GLOBALG.A.P or JP Sigill environmental certification. We piloted the biodiversity add-on in the winter of 2022–2023 with a couple hundred fruit and vegetable producers in central Europe. The results will be released in 2023.





TURVATAAN YHDESSÄ PÖLYTTÄJIEN  
JA RUOANTUOTANNON TULEVAISUUS



Suomen luonnonsuojeluliitto

## Cooperation for Pollinators

**THE NUMBER** of insect pollinators is at risk of decline, even in Finland. Pollinator loss affects us all, as our food production largely depends on pollinators. Without them, many of the items we are so familiar with, such as chocolate, berries, and other fruit, would not be available.

In Finland, one of the main reasons for the decline in the number of pollinators is the disappearance of their habitats. That is why in summer 2022, we began a partnership with the Finnish Association for Nature Conservation to increase the number of pollinator habitats and improve their quality. We sponsor the Ketosirkka project, which focuses on the management and protection of heritage biotopes at three different sites in Hyvinkää, Mäntsälä, and Espoo. Heritage biotopes are habitats, such as meadows and fields, that have been shaped by traditional animal husbandry. They are important habitats for pollinators, especially bees and butterflies. The measures benefit a large number of other threatened animal species, in addition to pollinators.

In 2022, we also raised the awareness among our customers of the importance of pollinators. We showcased our organic and Fairtrade products, which are a better choice for pollinators because of their more stringent environmental requirements compared to normal production methods. We also brought the matter home to our customers in the form of a video.

# Construction That Considers Nature

**We also take account of biodiversity in the construction of new stores. Since the start of 2021, we have commissioned an ecological survey of the site before any new store opens. The store and its surroundings can be planned and built with reference to the results of the survey, reflecting and respecting the surrounding natural conditions and the species found there.**

**THIS MEANS** that, for example, bird and bat houses and insect hotels are placed outside the stores. Furthermore, instead of a lawn, forest meadows, trees suitable for the environment, and berry shrubs can be planted.

We piloted the approach already in 2020 in Vapaala, Vantaa: on the site of the store there is for example a 75-meter-long decaying wooden fence that is home to many insects and pollinators. Furthermore, when building the distribution center in Järvenpää, the schedule for the work that caused noise took account of the nesting season of birds.

The design of the store that opened in Linnainmaa in Tampere in 2021 took special account of the flying squirrel and its opportunities for nesting. Outside our first wooden store, which opened in Riihimäki in November 2021, a butterfly meadow has been established. The plants there thrive throughout the summer and their bright colors attract butterflies. The meadow stretches to a city construction site and measures thousands of square meters.



## Special Consideration Given to Important Nature Sites at the Linnainmaa Store

**WE OPENED** the store in the Linnainmaa district of Tampere in 2021. Its site is forested and the flying squirrel has been sighted there. We planned the store's surroundings in such a way that the squirrels could go from place to place unobstructed. A box was also placed on the site that could be used as a nest for the animals.

Another special feature of the store site in Linnainmaa is the ancient stone monument discovered there. The monument is protected under the Finnish Antiquities Act, and it has been declared a protected area, which was respected when the store car park was being planned. Lidl is responsible for the upkeep of the surroundings of the monument, which is close to the car park. There is also a nature trail in the area, which was preserved for recreational purposes.



# Sustainably Produced Raw Materials

The production of raw materials is responsible for most of the effects that a grocery store has on the environment and on people. We invest in raw materials that are produced sustainably on the basis of our broad raw material targets. As a result of these targets, all our own-brand black, green and rooibos teas are certified, for example.

**RAW MATERIALS** mean the world's natural resources that are used as they are or are refined and processed after harvesting, for example. The production of raw materials can have adverse effects on people and the environment, depending on their origin, production method, and refinement/processing.

More than 10% of the world's population live in extreme poverty, and two thirds of those people work in agriculture. The environment in turn is affected by the use of plant production products and fertilizers, and logging.

Often, multi-branch supply chains hamper the traceability of raw materials. Although Lidl does not produce food itself, our business activities indirectly contribute

to the environmental and social impacts of raw material production.

For a grocery store, raw materials form the basis of the range of products. To be able to offer our customers a sustainable range, we have to ensure that the raw materials used in the products are socially and ecologically sustainable. We are keen to promote sustainable production methods throughout the food production value chain and the subject is also an important one for our stakeholders.

Every year, the CSR manager runs a training session for our buyers on the goals relating to raw materials, so that they are able to reliably take them into consideration when they make their purchasing decisions. We also launched a new online training course in January 2023, which is compulsory for all buyers. The sustainability of raw materials and their production is managed and monitored by Lidl Finland's Commercial department.

Sale of sustainable label products as a proportion of turnover  
**13.6%**

## More Sustainable Rice

**WE INTRODUCED** sustainability-certified rice in our range of products at the start of 2022. Basmati rice sold under our own Golden Sun brand has a Sustainable Rice Platform certificate.

The aim of the Sustainable Rice Platform is to reduce the adverse impact of rice cultivation on the climate and the environment. More efficient cultivation and harvesting methods are used to curb the use of fresh water and cut carbon emissions. The flooded paddy fields in traditional rice production produce around 10% of the world's crop residue methane emissions. Farmers that commit to the SRP standards have already managed to cut water consumption by 20%, and the greenhouse gas emissions from their produc-

tion processes are down by as much as 50%.

One of the main objectives is also to safeguard and increase the income of smallholders by means of sustainable farming methods. Growing rice often involves the work of an entire family, and because the pay is very low, this frequently means that they have to work long hours. There is also a growing risk of child labor. Farmers on smallholdings meeting the Sustainable Rice Platform standards earn on average 20% more thanks to efficient cultivation methods, and the ban on the use of child labor is monitored.



# Our risk assessment – raw materials, risks, and country affiliation

## BANANAS



### Social risks

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

### Environmental risks

- Biodiversity: Ecuador, India
- Climate change: India, Philippines
- Deforestation & land conversion: Brazil, Ecuador, Indonesia
- Water: Brazil, India

## COTTON



### Social risks

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

### Environmental risks

- Biodiversity: India, Turkey, USA
- Climate change: India, Pakistan, USA
- Deforestation & land conversion: Brazil, China, India
- Water: China, India, USA

## PLANTS & FLOWERS



### Social risks

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

### Environmental risks

- Biodiversity: Ethiopia, Ecuador, Kenya
- Climate change: Kenya, Thailand
- Deforestation & land conversion: Ecuador, Colombia, Malaysia
- Water: Ethiopia, China, Kenya

## FISH & SEAFOOD



### Social risks

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

### Environmental risks

- Biodiversity: China, India, USA
- Climate change: India, USA
- Deforestation & land conversion: Brazil, Malaysia, Vietnam
- Water: Chile, China, India

## HAZELNUTS



### Social risks

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

### Environmental risks

- Biodiversity: Georgia, Turkey, USA
- Climate change: USA
- Deforestation & land conversion: Azerbaijan, China, Georgia
- Water: Azerbaijan, China, Iran

## COFFEE



### Social risks

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

### Environmental risks

- Biodiversity: Indonesia, Honduras, Vietnam
- Climate change: Brazil, India, Vietnam
- Deforestation & land conversion: Brazil, Indonesia, Colombia
- Water: Brazil, Indonesia, Vietnam

## COCOA



### Social risks

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

### Environmental risks

- Biodiversity: Ivory Coast, Ghana, Indonesia
- Climate change: Dominican Republic, Nigeria
- Deforestation & land conversion: Brazil, Ecuador, Ivory Coast, Ghana
- Water: Brazil, Ghana, Nigeria

## PALM OIL



### Social risks

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

### Environmental risks

- Biodiversity: Ecuador, Indonesia, Papua-Uusi-Guinea
- Climate change: Indonesia, Malaysia, Thailand
- Deforestation & land conversion: Indonesia, Malaysia, Thailand
- Water: Indonesia, Nigeria, Thailand

## RICE



### Social risks

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

### Environmental risks

- Biodiversity: China, India, Vietnam
- Climate change: India, Myanmar, Vietnam
- Deforestation & land conversion: China, India, Vietnam
- Water: China, India, Vietnam

## SOYA



### Social risks

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

### Environmental risks

- Biodiversity: Argentina, China, India
- Climate change: India, Canada, USA
- Deforestation & land conversion: Bolivia, Brazil, Paraguay
- Water: Brazil, China, India

## TEA



### Social risks

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

### Environmental risks

- Biodiversity: Ethiopia, Ecuador, Kenya
- Climate change: Kenya, Thailand
- Deforestation & land conversion: Ecuador, Colombia, Malaysia
- Water: Ethiopia, China, Kenya

## TIMBER & WOOD



### Social risks

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

### Environmental risks

- Biodiversity: Indonesia, Canada, Russia
- Climate change: Japan, Canada, USA
- Deforestation & land conversion: Brazil, China, Indonesia
- Water: Brazil, China, USA

## The Raw Materials Strategy Promotes the Sustainability of Raw Materials

One of the main ways in which we promote the sustainable production of raw materials are our raw material targets on critical raw materials. Critical raw materials are those that have a major impact on people and the environment and that are also of major importance for our range of products. The targets we have always relate to our own-brand products, which accounted for 74% of sold items in fiscal year 2022.

In 2022, we drew up a comprehensive international strategy for raw materials, which is based on four basic ideas.

### 1 We identify the risks in the supply chains and we establish transparency

We have analyzed the social and environmental risks associated with 12 raw materials used internationally. The analysis considered the stages in the supply chain from the production of the raw materials to their manufacture, and the country-specific risks were also assessed. You can read about the results of the analysis in the table on page 39.

### 2 We certify the critical raw materials

We have set sustainability targets for raw materials deemed critical, and these are shown in the table on page 41. We use certification systems maintained by third parties and whose priorities, strengths, and weaknesses we have analyzed before setting the targets. The requirements vary from one raw material to another, in consideration of the main challenges and impact associated with production.

### 3 In our range of products, we support the more sustainable alternatives and are reducing the share of critical raw materials

In order to avoid the environmental risks associated with soy production, for example, in our meat substitute vegetarian and vegan products, such as the Vemondo vegan burger, we only use European soy. If there is no more sustainable option available, we look into whether the use of the raw material in question in a product can be avoided in the future. This is what we did with angora wool.

### 4 We take part in various stakeholder initiatives and projects

We are involved in the development and adoption of the GLOBALG.A.P certification add-ons to improve biodiversity, water sustainability, and working conditions in the production of fruit and vegetables. You can also view the list of initiatives we have signed on page 71. In Finland, we work closely, for example, with the MSC (Marine Stewardship Council) and ASC (Aquaculture Stewardship Council) in order to increase our range of certified and sustainably produced fish products.

## Development of targets on our range of products

In the financial years 2021–2022, we fine-tuned or extended our targets on our range, including with respect to cellulose, herbal and fruit tea, the cocoa in chocolate bars, rice, and nuts. By extending our targets on the sustainability of raw materials, we are aiming to make it even easier for our customers to fill their shopping bags with the most sustainable items in Finland.

Our aim is for 12% of turnover to come from sustainability-certified products. We constantly strive to increase the sales of certified products. Sustainability-certified products accounted for 13.6% of sales in 2022, so we exceeded our target. Our selection included, for example, 339 own-brand Fair Trade products.

Our targets on our range dictate that certain raw materials should be 100% certified. We have reviewed the data collection process since the previous report. We have noted some flaws in the product data for single-batch items that affect the total percentage figures compared to previous Sustainability Report.

By the end of 2022, 93.1% of the cotton in textiles meets policy requirements, and we believe that we will reach the 100% certification target in 2023. Achievement of the target has been slowed down in particular by the challenges to the supply chains caused by the COVID-19 pandemic, owing to which deliveries of several textile products were delayed.

A lot of water is used in the production of cotton. By acquiring cotton only from sustainable sources, we can ourselves have an influence on the sustainable use of water. For example, there is less water used in growing organic cotton, and, at the same time, less fertilizer is used.


















The adoption of the add-on concerning the working conditions in the cultivation of fruit and vegetables has been delayed for all our suppliers because of the pandemic. Finland's national Global GAP Grasp application guidelines were approved in fall 2022, since which the supplier audits have progressed as planned. The remaining audits are to be completed in the harvest season in 2023.

All the roses sold at Lidl are Fairtrade roses





## Our raw material targets

	Policy	Situation in 2022
 Filter coffee	All our own-brand coffee has Fairtrade, UTZ, Rainforest Alliance, or organic certification.	97.5%
 Other coffee	All our own-brand coffee has Fairtrade, UTZ, Rainforest Alliance, or organic certification.	100%
 Cocoa	The cocoa used in all our own-brand products, such as chocolate, ice cream, and cookies, has Fairtrade, UTZ, Rainforest Alliance, or organic certification.	99.9%
 Black, green, and rooibos tea	All our own-brand black, green, and rooibos teas have Fairtrade, UTZ, Rainforest Alliance, or organic certification.	100%
 Herbal and fruit tea	Our herbal and fruit teas are certified if the product is available certified and there is a certification standard for it. The aim is for 75% certification by the end of 2022.	Not on schedule. Situation in 2022: 72.7%.
 Palm oil in food	The palm oil used in our own-brand food is RSPO-certified and traceable (segregated), and palm oil derivatives are at least RSPO Mass Balance-certified.	100%
 Soy in food	In our meat substitute vegetarian and vegan products, we have used European soy since 2022.	100%
 Soy in feed	The soybean feed used in the production chains for meat, processed meat, eggs, and dairy products is within the scope of responsible production with either RTRS (Round Table on Responsible Soy), ProTerra, Donau soy/Europe soy certification or RTRS creditation.	100%
 Fish	All our standard selection own-brand fresh, processed, and frozen fish is either of Finnish origin or is MSC or ASC-certified. 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. All our canned tuna suppliers are on the ISSF Pro Active Vessel register. It is our aim to increase certification for other canned fish as well. The fish contained in cat food is MSC or ASC-certified.	100%
 Cellulose	By the end of 2025, the wood fiber used in our own-brand packaging and products will be either recycled or FSC-certified. We will have increased the share of recycled fiber in kitchen and hygiene paper to 15% by 2025.	A new target, in progress.
 Flowers and plants	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 for ornamental and nursery plants + IP Terms and Conditions of Employment.	100%
 Fruit and vegetables	By the end of 2022, all our producers of fresh fruit and vegetables will also be included in an auditing system that monitors social responsibility criteria. Accepted certificates include: GLOBALG.A.P and GLOBALG.A.P GRASP, Rainforest Alliance, Fairtrade and IP Sigill vegetables + IP Terms and Conditions of Employment.	Not on schedule.
 Eggs	We do not sell any eggs produced in cage conditions or use them in our own-brand products.	100%
 Cotton	Starting in 2023, all the cotton used in our own-brand 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.	Not on schedule.
 Nuts	We will be introducing sustainability-verified nuts in our range of products by 2025.	New target. Situation in 2022: 4 items.
 Rice	We are piloting sustainability-certified rice products in our range.	New target. Situation in 2022: 1 items.
 Bananas	All our standard-range bananas have Fairtrade, Rainforest Alliance, or organic certification.	100%

# Towards Material Ingenuity



For decades, humankind has used natural resources faster than they can be naturally renewed. At the same time, more and more waste is being produced as a result of growing consumption and the use of packaging materials. The sensible use of materials that is as efficient as possible is a natural way for us to reduce our impact on the environment. We do not throw resources away, but instead invest in recycling and smart packaging.

**THE EFFECTS** of the overconsumption of natural resources are apparent in the environment: While the production and processing of raw materials worsen climate change and access to fresh water diminishes, the growing volume of waste is endangering biodiversity and fresh water quality. Businesses need to respond to the challenge of saving resources.

In our business, we use a significant amount of cardboard, paper, and plastic. Cardboard recycles efficiently: We use the

cardboard of our sales batches e.g. for the boxes that are used, when we recycle PET bottles. Paper is mainly used for advertising materials that play an essential role in customer communications. Plastic is mainly used for our plastic bags and for making other bags, bin bags, and stretch film. In addition to the materials we use ourselves, the stores also produce recycling fractions from the packaging in which products are delivered.

## Recycling Is a Matter of Routine for Us

A grocery store produces various recycling fractions, such as plastic, biowaste, cardboard, and glass, on a daily basis. Since natural resources have been used for all materials, it is important also to respect these materials. In order to reduce the impact of our operations on the environment and our effect on the sufficiency of natural resources, we have fine-tuned our recycling processes to make them as efficient as possible.

We consider recycling fractions to be valuable materials and we always try to reuse them. In addition to the environmental benefits, this is economically viable. For us, material efficiency means minimizing all types of waste. We also want to ensure that the number of fractions that require recycling remains as low as possible.

We have made recycling at our stores as easy as possible for both our customers and our staff. A total of 23 different fractions were sorted and recycled at Lidl stores and distribution centers in 2022. The latest addition to the operation is the recycling of the old work clothes of store and distribution center staff, which we began in 2021.

We have concentrated the recycling of fractions in our three distribution centers. The fractions are first sorted at the stores. When the trucks bring products to the stores, they then return to the distribution centers carrying the store recycling fractions. Avoiding empty vehicles also helps us to cut emissions.

## Use of Materials in Our Business Operation\*

Material (tons)	2021	2022
Paper	6,089	5,292
of which was recycled	0	0
Cardboard	546	496
of which was recycled	124	115
Plastic	265	346
of which was recycled	68	112

\*Figures calculated each calendar year (not each financial year).

The distribution centers have large, suitable spaces and effective equipment for recycling, such as balers, compactors, and crushers. In 2022, we invested in greater efficiency by acquiring new balers. Each distribution center has around a dozen employees who are engaged in recycling. They work in three shifts, and ensure that the materials are recycled effectively and properly.

The Operation department's logistics section is responsible for the recycling processes.

## Our Recycling Rate Is Over 90%

We continuously monitor the success and development of our operations. The tools we use include various analyses and indicators, such as the recycling rate, the collection equipment's loading rate, emptying frequencies, and the weight of loads. Optimizing these, even when transporting recycling fractions, avoids unnecessary mileage and emissions. In 2022, we introduced a new recycling enterprise resource planning system that

allows us to monitor the recycling processes in real time. The new system will also boost the reliability of the data collected, for example.

One of our most important indicators is our recycling rate, which was 92% in 2022. Our goal is to keep the recycling rate at over 90%, and we have been very successful in this area. In 2021, the recycling rate was 91%. In 2022, we were able to improve for example the recycling of plastic with the aid of new recycling channels.

This success can be attributed to our investment in recycling instructions and continuous development strategies. We actively explore new recycling options and ways to reduce the volume of energy and mixed waste. When it comes to developing its recycling processes, Lidl Finland is also supported by the recycling organization PreZero, which is part of Schwarz Group. This organization provides us as ordered with information about new operating methods, good recycling equipment and techniques, and recycling partners.

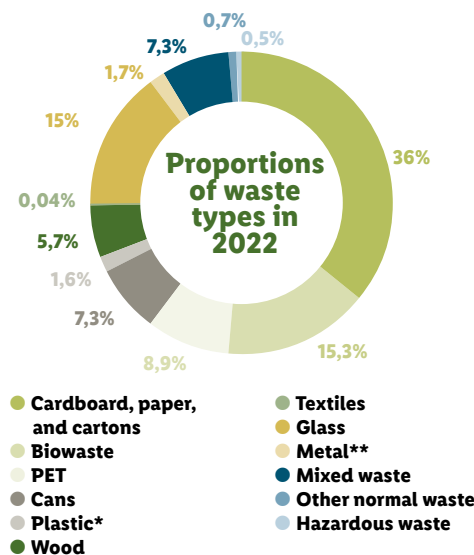
### Total Volume and Recycling Method

Material (tons)	2021	2022
Recycled	38,538	36,731
Used for biogas	7,614	7,885
Reused	3,969	2,705
Used for energy	4,871	4,235
Burned	26	0
Disposed of	7	9
<b>Waste total</b>	<b>55,025</b>	<b>51,565</b>

### Breakdown of waste types

Material (tons)	2021	2022
Cardboard, paper, and cartons	19,441	18,571
Biowaste	7,614	7,885
PET	4,672	4,559
Cans	4,021	3,766
Plastic*	576	820
Wood	4,390	2,960
Textiles	17	22
Glass	8,501	7,731
Metal**	964	879
Mixed waste	4,117	3,780
Other normal waste	418	361
Hazardous waste	294	231
<b>Total</b>	<b>55,025</b>	<b>51,565</b>

\*Excluding deposit return bottles \*\*Excluding deposit return cans



\*Excluding deposit return bottles \*\*Excluding deposit return cans



### We Recycle Work Clothes

**IN 2021**, we began recycling the work clothes of store and distribution center staff in collaboration with the Finnish work clothes manufacturer Touchpoint Oy and its subsidiary Rester. We sort work clothes according to their material, and they are then sent to Rester for recycling in Paimio.

Paimio's modern textile recycling plant and its processes are the only one of its kind in Finland, and a similar textile recycling operation is fairly rare, even in Europe generally. In 2022, almost 4,000 kilos of work clothes were recycled. Burning the same volume of textiles would have produced around 4,000 kilos of carbon emissions. Furthermore, 2 million liters of water were saved, as the same volume of fiber was replaced with waste textiles.

Textiles are recycled by cutting them up into small pieces and opening the material mechanically to form fibers. The fibers are then sent in bales to different operators in the industry for further processing. Recycled fibers can be used to make thread, cloth, various nonwoven materials, and composite material.



### Anti-Plastic Groups Took Action for an Environment Free of Trash

**THE ANTI-PLASTIC** groups that were formed as part of a collaboration between Lidl and the Finnish Association for Nature Conservation took action all around Finland to clear the countryside of plastic on World Clean-up Day on 09/18/2021. The clean-up events were organized in as many as 22 locations, from Helsinki to Ivalo in the north, in addition to which anyone could take part in the initiative independently anywhere. A lot of plastic and other trash was cleared that day.

In connection with the event, we donated 30,000 euros to the Finnish Association for Nature Conservation for nature and environment protection work.

### Used Packaging Materials\*

Packaging materials (tons)	2021	2022
Renewable	15,361	16,267
Non-renewable	12,178	11,561
<b>Total, tons</b>	<b>27,539</b>	<b>27,828</b>

\*Packaging imported by Lidl Finland

### Less Plastic

Our goal is to reduce the percentage of plastic in the packaging for our own-brand products, increase the share of recycled materials, and make the packaging for our own-brand products as recyclable as possible by 2025. Proper packaging protects the product and minimizes waste and the risks to product safety – using the minimum amount of packaging material that is as recyclable as possible.

We design the packaging for our own-brand products in conjunction with the suppliers, and they acquire the packaging material themselves via their subcontractor chains. We aim to reduce the environmental impacts of our own-brand product packaging by adopting policies and setting targets for packaging. We monitor achievement of the targets and report on developments in our sustainability reports. Responsibility for improved packaging lies with the experts in our Packaging department and the Lidl buyers who negotiate with the suppliers in Finland and abroad.

In the period 2017–2022, there was a 28% reduction in plastic in the packaging for our own-brand products. Recycled material accounted for 19% of the plastic packaging for our own-brand products in 2022.



### REset Plastic

**AS PART OF** Schwarz Group, Lidl has committed itself as part of the jointly elaborated REset Plastic strategy of the companies of Schwarz Group to reduce plastic consumption by 20% by 2025, to make 100% of our private label packaging maximum recyclable and to use an average of 25% recycle in our private label packaging. That’s why in 2018, companies of Schwarz Group therefore signed the Global Commitment of the New Plastics Economy of the Ellen MacArthur Foundation.

**Our vision: Less plastic – closed loops.**

**The five guiding principles of the action areas for REset Plastic – the jointly elaborated plastic strategy of the companies of Schwarz Group:**

**REduce:**  
We reduce plastic wherever sustainably possible.

**REdesign:**  
We design recyclable packaging and close loops.

**REcycle:**  
We collect, sort, and recycle plastic 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.

Lidl’s targets for plastic by the year 2025

**20%** less plastic

**25%** recycled materials



### Pakkaustarinoita (Packaging Stories) Contest Won by Monoplastic

**WE RAN** a Packaging Stories contest in spring 2021. 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 winner of the recyclability category was Hätälä’s 100% recyclable monoplastic packaging, now used for the packaging of, for example, Lidl’s Isokari label ASC-certified smoked salmon fillets and loin fillets. In addition to the matter of recyclability, many parts of the packaging had less plastic. Other awarded solutions included Kamupak’s food packaging deposit solution, Mondelēz’s Philadelphia box made of recyclable plastic, Finnvacuum’s recyclable monoplastic packaging, and VihreäKeiju’s wood-plastic packaging.

The contest was open to companies, universities, and other educational institutions, with prize money of 50,000 euros for the winners and the chance to see their own packaging solution on Lidl shelves. The winners were chosen by a jury made up of experts from Sitra, VTT, the Finnish Plastics Industries Federation, the Finnish Packaging Association, and Lidl.

## Less Food Waste

Every year, billions of tons of edible food is thrown away either by households or even before the food gets into the refrigerator at home. About half of the food produced globally goes to waste. Scarce and valuable natural resources, such as fresh water and arable land, are used needlessly for the production of wasted food, and the production process itself and transportation produce avoidable emissions. Besides the environmental impact, waste is always an unnecessary cost to consumers and companies.

**OUR GOAL** is to keep the amount of food waste under 1.5% of the total volume of the food we handle. In the financial years 2022 and 2021, our total waste rate was just 1.4% (calculated in kilos). The figure was the result of careful planning of orders, the avoidance of waste at stores, and the greater interest our customers had in discounted products due to inflation and the expansion of our discount concept at the end of 2022.

Food waste occurs in the whole value chain: in production, transportation, processing, retail trade, and households. Waste occurs in the retail trade when easily spoiled products do not remain salable or when they do not get sold before their sell-by date. Waste also occurs in households if the consumer does not know the difference between the sell-by and best before date. In that case too, food fit for consumption ends up in the trash.

We always want to provide our customers with good-quality, fresh products. The way in which we prevent waste relies on an ordering system based on need, an efficient supply chain with optimized transport routes, unbroken cold chains, effective inventory turnover, and price discounts. At the same time, we are keen to increase appreciation of food through communication and thus reduce waste by households. In certain areas

of our packaging, we use the “Best before – maybe even longer” slogan, which encourages people to use their common sense to judge whether the product can be consumed for a while longer.

We inspect freshness daily, especially in product groups that spoil easily, such as fruit, vegetables, and refrigerated products, such as fresh meat or poultry. We use price discounts to try to promote the sale of food approaching its sell-by date.

Lidl donates products that are still usable but are no longer eligible for sale to food aid charities, in compliance with current regulations. In Finland, Lidl has been working with several local charities that distribute food aid for a long time now. All our stores have a local food aid partner.

Waste rate  
**1.4%**

## More and More Products Are Being Saved from Waste

**WE EXTENDED** our discount practices in November 2022, when we updated the discount percentage on products approaching their sell-by date. We extended the familiar 30% red discount sticker practice to include dry and frozen products, and for fresh items we added a green 50% discount sticker for products whose sell-by date was approaching.

We also sell fruit, vegetables, and bakery products that are left over from the previous day at a reasonable price of 2 euros as a waste discount. The products are edible, but they would not meet our strict quality requirements for selling them at full price in all respects.

In 2022, we and our customers rescued approximately 8.5 million kilos of food from waste. This figure includes products sold with the discount sticker and the fruit, vegetables, and bakery products in the waste discount.

# Human Rights in the Supply Chain

The supply chains in the retail trade sector are often long and raw materials travel through many countries and companies. The more complex the supply chains are, the greater is the risk of human rights problems in them. In early 2021, we published our policy on human rights in supply chains, introducing our responsibilities and strategies to reduce the risks to human rights.

**IN GLOBAL** supply chains, structural poverty, inequality, and an unsatisfactory approach to the rule of law in the countries of origin allow breaches of human rights to take place. The COVID-19 pandemic has brought the situation to a head as the general dearth of work has driven more and more people into extreme or moderate poverty.

The risks associated with human rights often have complicated causes, and they affect the entire economic sector. The social risks attached to occupational health and safety, freedom of association, non-discrimi-

nation, and reasonable levels of remuneration can only be addressed by adopting comprehensive solutions. The same also goes for breaches of the ban on child and forced labor.

As part of our sustainable operations, we focus particularly on the prevention of the risks that were evident in our human rights risk survey, i.e., those associated with child labor, forced labor, the inadequate rights of workers, and discrimination. Child labor, for example, is a significant risk in cocoa production. (See page 39 for more information on the risk assessments.)

Furthermore, two out of three persons living in extreme poverty depend on income from agriculture.\* In many places, the work to ensure living income is still in progress, and poverty drives farmers into situations where human rights are not respected, for example

\*ILO: World Employment and Social Outlook – Trends 2018

with respect to children and employees.

In our business, we pursue a due diligence policy, and in that way we are committed to the internationally recognized labor and human rights agreements. [The due diligence](#) policy as a whole and our [policy on human rights](#) in the supply chain can be found on our website at [lidl.fi/vastuullisuus](https://lidl.fi/vastuullisuus).

We respect human rights in everything we do and promote their implementation. For us to be able to participate actively in building a future worth living, we work closely with governments, other companies, suppliers, and NGOs.

## Code of Conduct and Reporting Channels

We reduce our impacts on human rights in our supply chains through, for example, our raw material targets and human rights impact assessments. Labor and human rights risks

are also taken into consideration in jointly elaborated Code of Conduct of the companies of Schwarz Group, which is a component of the contracts we enter into with our partners. The Code of Conduct is 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 the OECD's guidelines for businesses.

We require 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 non cooperation to remedy in forced and child labor. We systematically investigate any breaches in accordance with the due diligence policy.

In our efforts to safeguard human rights, we also make use of reports submitted via our global reporting channel and feedback



## The Four Pillars of Lidl's International Human Rights Strategy

1

### Ongoing impact assessment

We assess risks and the potential for improvements continuously. As part of this work, we increase the transparency of our supply chains and conduct risk analyses and human rights impact assessments (HRIA).

#### From 2021

We still regularly conduct hot spot analyses to identify the human rights risks associated with our product groups. Our risk analysis of 12 critical raw materials as far as human rights and environmental impact can be viewed on page 39.

#### By 2025

We will commission internationally three human rights impact assessments in our major risk supply chains per year.

from NGOs, representatives of supply chains, and other stakeholders. We take any such reports seriously.

We provide the possibility to report human rights and social and environmental breaches via a web-based reporting channel. All of the reports are processed by an independent person who is responsible for supervision. An info poster in 60 languages on the reporting channel has been sent to suppliers. It is a requirement in our contracts that the poster

2

### Compliance with standards

We advocate compliance with the ILO principles. We rely on internationally recognized certification and social and environmental audit programs and work to provide workers in our supply chains with access to complaint mechanisms. We also develop training courses designed to help our suppliers identify and prevent human rights risks and take corrective action.

#### From 2021

We are improving the ways in which workers in the supply chains (especially in the case of near-food and non-food goods) can make use of complaint mechanisms.

#### By 2023

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

is accessible in e.g. factories. We also require suppliers of near-food and non-food products to distribute information on the reporting channel among their own subcontractors. The confidential [online reporting channel](#) (BKMS®) can be found on our website under "Compliance".

### Risk Mapping of Raw Materials

We map the potential risks associated with the manufacture of our products in our

3

### More Fairtrade

We support the concept of a living income. We are focusing especially on improving the income of smallholders. We have 339 Fairtrade products on our shelves. A successful project to promote living incomes was launched in 2020: Fairtrade Way to Go chocolate.

#### From 2021

We are developing an approach whereby we can promote the concept of a living income in our global supply chains and thus reduce differences in pay.

supply chains. Based on our findings, we address the adverse impacts of our business operation and prevent future negative effects. When mapping risks, we pay special attention to the prevention of child labor, forced labor, inadequate approaches to the rights of workers, and discrimination.

We have identified risks to human rights associated with supply chains mainly extending to the Middle East, the Asia-Pacific region, Latin America and Africa. Our risk

4

### Promoting change

We are committed to various development programs, initiatives, and projects in the supply chains to allow us to promote change even outside our own area of the business.

#### From 2022

We are developing an approach that spans all product groups, to enable us to improve working conditions in our supply chains, for example by running training courses for suppliers. We are also involved in projects aimed at improving the pay and occupational health and safety of workers in the supply chains. We are focusing on smallholders and agricultural workers. In Finland, we have started this practice with our berry suppliers.

analysis of 12 critical raw materials as far as human rights and environmental impact can be viewed on page 39.

We assess the risks that arise in supply chains using different indices. In addition to the International Trade Union Confederation's (ITUC) Global Rights index and the Global Slavery index, we use information provided by the Food and Agriculture Organization of the United Nations (FAO) and Environmental Performance indices.



## Working Toward a Living Income with Way to Go Chocolate

**THE WAY** to Go chocolate that went on sale in fall 2020 is a great example of the successful work we have done in promoting a living income. The cocoa in the chocolate comes from the Kuapa Kokoo smallholders in Ghana, and it is cultivated in accordance with the Fairtrade principles.

Fairtrade farmers are paid a Fairtrade premium in addition to a guaranteed price for the cocoa. For the Way to Go products, farmers receive an additional Lidl premium on top of this. The aim of the premium is to improve their income in the long term. The purpose of the model is to work towards a living income.

In addition to the Lidl premium, we finance training projects in which farmers are trained to use sustainable cultivation and harvesting methods. The new methods produce larger harvests, which increases the farmers' income. The additional subsidy also assists farmers in terms of expanding their operations to new crops, so that income is not solely dependent on the cocoa harvest and the market situation. This also has environmental benefits, as it is more sustainable. Diverse agriculture protects the cultivated soil and increases biodiversity.

In the future, we will expand the Way to Go product family to other product groups as well. We are also involved in the ACT initiative to promote living income for textile workers. As a member of the initiative, we are committed to long-term cooperation with local suppliers in order to, for example, prevent manufacturers from moving to low-income countries when pay levels rise.

In 2022,  
we paid more than  
**500,000**  
euros  
in Fairtrade  
premiums

On our shelves,  
there are more  
than  
**339**  
own-brand  
Fairtrade  
products

## WE SUPPORT



### Global Compact

**WE HAVE** long been committed to promoting the well-being of people and the environment. Our commitment grew in 2020 when we joined the UN Global Compact corporate sustainability initiative.

The Global Compact consists of 10 principles for sustainable business, the main themes of which are human rights, labor, the 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.





## Human Rights Training for Berry Suppliers

**IN FINLAND**, it has been recognized that the risk of forced labor is on the rise, especially among berry pickers coming from abroad. In 2022, the issue was also covered at length in the media, when problems found with the pay of Thai berry pickers prompted the suspicion that crimes were being committed.

We have identified the risks associated with the working conditions and income of berry pickers. In summer 2022, we investigated the practices and processes of our berry suppliers with regard to berry pickers, and in spring 2023 we ran a human rights training seminar for all our berry suppliers. We will continue to map the risks and investigate the solutions in close collabora-

tion with our suppliers. The results of the 2022 survey are published on our website and we will also in future publish the results of the risk and impact assessment that we carry out.

On an international level, we commission human rights impact assessments in global production chains in which we have identified human rights risks as a result of our risk mapping exercise. The assessments focus on human rights risks that our business operation influences, relating in particular to women, smallholders, and workers. So far, the results of the impact assessments and action plans have been published for Kenyan tea, Colombian bananas, Spanish berries, Italian tomato cans and Indian shrimps.

## Audits Are an Important Tool in Detecting Risk

**INDEPENDENT** amfori BSCI or SA8000 audits are conducted regularly at all the production plants located in high-risk countries that make own-brand non-food products for Lidl. Over the past 10 years, more than 20,000 third-party amfori BSCI audits have been carried out at production plants that produce non-food products for Lidl globally. The auditors monitor, for example, the practices connected with occupational health and safety, pay, recruitment, working hours, and the freedom of association of employees. We require at least a C-level audit result for production plants that produce Lidl's own-brand 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 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 own-brand products with respect, for example, to coffee, cocoa, cotton, fruit and vegetables. Certification is a guarantee that an independent body has overseen the production of the raw material in audits. More information on our raw material targets can be found on page 38.

In 2022,  
**2,498**  
social audits  
conducted in  
factories  
supplying Lidl  
internationally



## Fair Remuneration

**A living wage establishes a basis for a dignified life. Accordingly, companies have a responsibility to guarantee that their payment practices are fair and impartial. In this way, the employment relationship is based on trust and mutual respect, which benefits all parties. Our goal is that our salaries remain to be at the top of our industry.**

**OUR REMUNERATION** system is based on our HR strategy and also takes account of the relevant governmental requirements. We regularly review the legality of our practices and make any changes necessary. Our remuneration system is based on a clear incremental pay scale that is equal and a source of motivation for all Lidl staff. For example,

gender plays no part in the way salaries are determined, and nor do age, ethnic background, sexual orientation, ideology, religion, or personal or physical characteristics. Staff pay is based on a job description, and for certain jobs various supplementary payments are made in addition to a fixed salary.

In the financial year 2022, 94 percent of the staff was covered by collective agreements. There is no applicable collective agreement for senior employees, but the working conditions are determined by legislation.

In Finland, we pay our store and distribution staff more than what is required under the collective agreements for the commercial sector. Store employees receive 1.5–10% more pay than the collective agreement stipulates. The Lidl bonus increases with years of service and depending on the location of the workplace. The store employee Lidl bonus

goes up to 3% after two years of service. The bonus for store employees in the Greater Helsinki region rises to 5% after two years of service and to 10% after five years.

Warehouse employees receive 11–18% more in pay than required under the collective agreement. The logistics bonus depends on job experience and the location of the workplace. The staff who pick up store orders can also earn a performance-related bonus. The bonus increases the faster the store orders are collected. In 2022, the largest performance-related bonuses were more than 250 euros gross a month. The average performance-related bonus paid is 50 euros a month.

Payroll development is the responsibility of the HR Services department, as required by Finnish law and regulations. We also receive guidance from the Lidl Stiftung & Co. KG.

**We pay more than what is required under the collective agreement based on the Lidl bonus system**

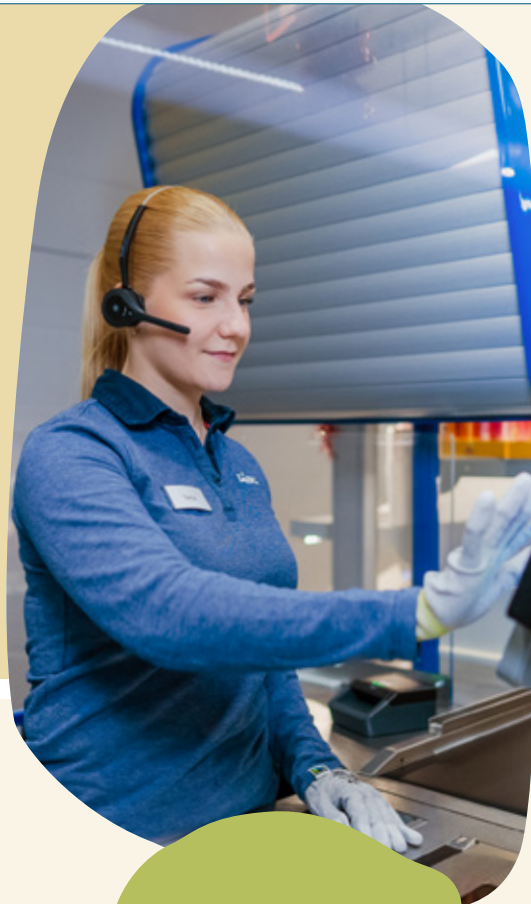
**1.5–10%**  
higher rates of pay for store employees

**11–18%**  
higher rates of pay for logistics employees

**Performance-based bonus for order collectors**

## Working for Lidl

- More than 38% of our part-time contracts are for at least 30 hours a week.
- We only use temporary workers in exceptional circumstances. We want to primarily offer more hours to Lidl employees.
- Every store or warehouse employee has at least five working hours a week in their contract.
- We do not enter into zero hours contracts unless an employee makes a point of asking for one, but this happens only in exceptional cases.



## We Supported Our Employees with an Inflation Relief Bonus

**2022 WAS** challenging in many ways on account of inflation and the energy crisis. We decided to support our employees in what was a difficult economic situation by paying them an additional inflation relief bonus in January 2023. The bonus was paid to sales staff, warehouse employees, and all administrative staff all over Finland, including employees on family leave. The majority of staff received a bonus of 200 euros. The bonus was 100 euros for employees who worked less than 10 hours a week or with contracts of employment lasting less than four months. Additionally, we doubled our usual Christmas bonus in 2022.

In January 2023, we paid all our employees an inflation relief bonus



## Aiming for Suitable Working Hours for Everyone

**RETAIL USUALLY** involves a lot of part-time work. For many, part-time work is a choice, while others would prefer to work more hours. As an employer, we are keen to be in a position to offer full-time positions to more and more people. The first trials of new systems allowing more people to do full-time work (37.5 hours a week) were held in fall 2022 and we plan to extend the scheme, which has proved successful, in spring 2023. Under the scheme, working hours are split among a few stores located in the same area.

**UNDER** the flexible full-time work scheme, at least 22.5 hours are planned for a store nearest to where an employee lives and the remaining 15 hours are worked in other stores in the areas as “flexible hours.” The employee is notified of the work shift hour and place of work at least 24 hours in advance.

**REGIONAL** sales staff, meanwhile, work pre-planned shifts in two or more stores. The shifts are planned in good time in periods that conform to the collective agreement. The place of work is specified no later than 12 hours in advance.

**ONE OF** the new full-time work schemes that we piloted, the flexible full-time work model, is part of a project that the entire commercial sector is jointly involved in and being developed by Service Union United (PAM) and the Finnish Commerce Federation. The project should help improve an employer’s possibility for offering full-time work and an employee’s chances of being offered it.



## Number One Choice for Staff

**OUR STRATEGIC** objective is to be the number one choice for staff. Our goal is for Lidl employees to want to choose us as their regular place of work. We also want to be the number one choice for future Lidl staff and recruit people with the best skills.

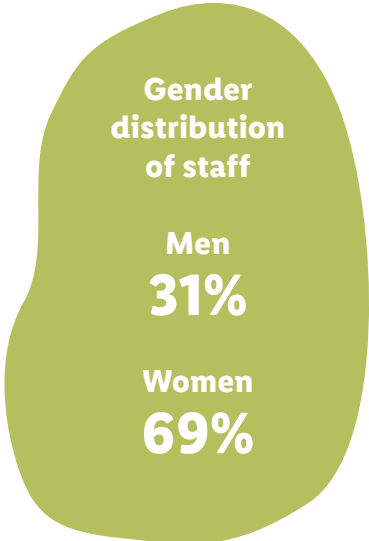


# Gender equality

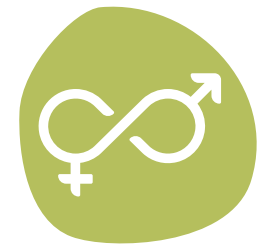
**WOMEN STILL** earn on average 14.1% less than men in the EU. This is known as the gender pay gap. To promote the concept of equal pay for women and men in our corporate culture and HR strategy, it is essential that we offer everyone equal career opportunities and ensure that there is impartial treatment too in our remuneration practices.

For this reason, we have gathered data on the gender pay gap since 2021. The data show that Lidl in Finland still pays different rates for certain groups of workers. Although the notion of equal pay is firmly rooted in our culture, we cannot completely avoid the gender pay gap, owing to the special structural features of the workforce. These are, for example, the small number proportionately of women working in logistics and so also as managers, plus the fact that women are strongly represented among store sales staff. Our remuneration system is based on clear incremental pay scales that are gender-neutral, in an attempt on our part to guarantee a pay system that is equal and a source of motivation for all. Our non-discriminatory pay schemes help us to ensure that there is gender equality in remuneration, and we take the appropriate action to narrow any differences in pay at all levels of the organization. We also intend to report more transparently on our processes for advancement, remuneration, and reward.

Our aim is for everyone working for us to be able to progress in their career, regardless of background. During the financial year 2022, we organized diversity, inclusivity, and equality training seminars for recruiters and HR experts. We promote balance between work and family life and we work actively to ensure that all employees are aware of the family leave practices. We also offer all our employees equal training and development opportunities.



## Gender Pay Gap in Financial Year 2022



### Gender pay gap (unadjusted)<sup>1</sup>

Average	9.4%
Median	4.0%

### Gender pay gap (adjusted)<sup>2</sup> – per pay level (by quartile)<sup>3</sup>

	Q1 – lowest pay category	Q2 – from the lowest to the average pay category	Q3 – from the average to a high pay category	Q4 – highest pay category
Average	2.6%	-0.2%	0.5%	6.3%
Median	6.1%	-0.1%	0.9%	2.6%

### Gender pay gap (adjusted) – per occupation and management position (by quartile)

	Senior management	Mid-management	Managers	Employees
Average	7.2%	16.1%	14.2%	4.6%
Median	0.0%	19.7%	13.2%	2.7%

<sup>1</sup> An “unadjusted” gender pay gap compares the pay of male and female employees ignoring any structural factors, such as position, status, pay level, type of employment (full-time/part-time), or other aspects.

<sup>2</sup> An “adjusted” gender pay gap compares the pay of male and female employees taking account of structural factors. To evaluate an adjusted gender pay gap, employees are grouped according to certain features and the figures are compared within the same group. At Lidl Finland, we assess employees on the basis of occupation/management position and pay level.

<sup>3</sup> One quartile represents one pay level. For the assessment, Lidl Finland’s employees are divided into four pay groups of equal size. The figure in the first quartile shows the gender pay gap among employees at the company’s lowest level of pay, while the fourth quartile gives the gender pay gap among employees in the highest pay category.

## Women’s Pay in Different Employee Groups

The average pay for women in relation to the average pay for men (%)

	2021	2022
Store employees	99.0	99.6
Store managers	97.1	96.3
Warehouse employees	98.9	99.9
Logistics managers	102.3	96.9
Administrative staff	94.5	96.5
Senior administrative staff	91.4	88.2



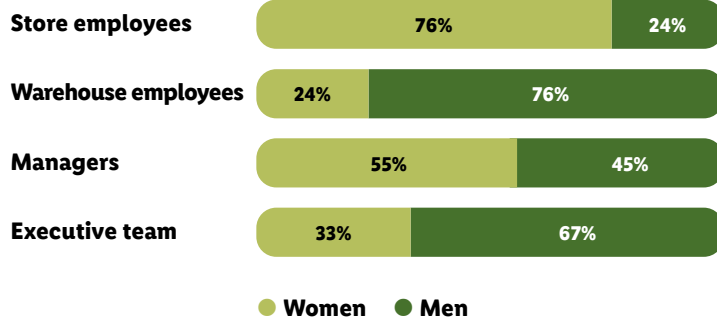
## Staff by Contract Type



Employment relationship structure, % of all staff

	2021	2022
Permanent	97.2	98.5
Temporary	2.8	1.5
Full-time	31.9	34
Part-time	68.1	66
Share of contracts of 30 hours or more weekly among part-time staff	36.5	38

## Gender Distribution by Employee Group in 2022



## A Good Place to Work for Everyone

There are now nearly 5,800 of us at Lidl. We represent more than 50 nationalities, and every one of us has our own special background. For us, it is important that every Lidl employee feels included, appreciated, and important.

**WE STRENGTHEN** diversity and inclusion by raising awareness of these issues and by creating a work environment where each employee is treated with respect and impartially. Since 2021, we have systematically developed our business to support diversity and inclusion.

We communicate regularly with our staff on these subjects by video, in articles, and on podcasts. Every employee in our work environment is treated with respect and impartially, regardless of such matters as age, culture, ethnic and social origin, religion, gender, sexual orientation, nationality, outlook, or physical or psychological characteristics. Each employee's onboarding includes online training in diversity, inclusivity, and culture.

All those recruiting staff for Lidl Finland have been trained in recognizing their own

unconscious prejudices and in ensuring that diversity is taken into account at different stages of the recruitment process. A small but important gesture on our part to ensure diversity is that the Finnish word we use for manager embraces both sexes.

In 2022, we gave the principles on which we base our work a boost and developed further our approach to leadership which involves coaching and caring. Senior and middle management attended workshops where the importance of these topics was considered in the context of their own management work. The workshops will continue in 2023.

We regularly analyze pay gaps and monitor gender equality. We have been analyzing the gender pay gap since 2021. You can read more about the results and steps we have taken on page 52.

We also show our support for diversity and inclusion by forging strategic partnerships and participating in selected networks in Finland and abroad. In Finland, for example, we have signed the FIBS Diversity Charter (2016) and the Women's Empowerment Principles (2020).

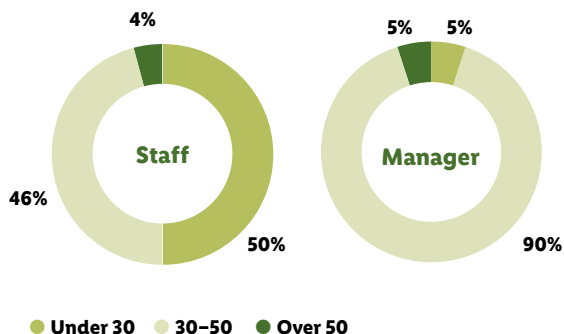
**All those who recruit staff for Lidl have been trained to recognize their unconscious prejudices**



## Lidl Once Again Voted Top Employer

**LIDL FINLAND** was awarded the coveted Top Employer Finland certificate for the fifth time. It is awarded by an independent Dutch research institute in recognition of excellent employers. The certificate is granted to companies where employees are treated especially well and where there is an employee-friendly atmosphere. The research institute examines, for example, the work environment at the company, the recruitment of new employees, their well-being, and diversity in the business. The HR strategy of employers that receive the Top Employer certification focuses particular attention on employee orientation.

### Age Structure of Lidl Staff



Lidl staff in Finland represent **55** different nationalities

Average age of staff in the Financial Year 2022 **31** years old

#teamlidl is the notion that everyone working for us can be themselves



## Spotlight on Animal Welfare

As Finland's third-largest grocery chain, we take responsibility for the production conditions in which the meat and other products of animal origin are produced. Furthermore, the expectations of consumers concerning animal welfare are high, and we want to respond accordingly.

**WE** published our procurement policy for products of animal origin in 2021. The policy defines our requirements and commitments regarding the treatment of livestock and other farm animals, and it covers food, non-food and near-food goods, and textiles that involve the use of animal-based materials, such as wool, leather, and feathers. The steps we have taken to promote animal welfare are based on the "Five Freedoms": freedom from hunger and thirst, freedom from discomfort, freedom from pain, injury or disease, freedom to express normal behavior, and freedom from fear and distress.

Essentially, we require all our suppliers to comply with current national legislation on animal welfare and protection at the very

least. However, we encourage our suppliers to go beyond the legal requirements by taking measures to improve animal welfare. We engage in continuous dialog with them regarding what the animals are fed, how they are kept, and the extent to which they spend time outdoors.

We are keen to offer our customers more animal welfare options that go beyond the law. An example is the Ilona dairy product line: These products are produced from the milk of cows whose welfare has been verified. We also offer organic products, the production of which is subject to stricter criteria than the law provides concerning how animals are kept and fed. Since 2017, we have also been involved in the development of a national

animal welfare label to be introduced in Finland. In 2023, we are the first retail chain in Finland to introduce the ELVI label.

We have a separate policy on fish and shellfish. At present, our assortment for fresh or processed fish products only contains Finnish or sustainability-certified fish.

In 2022, all the fresh chickens and eggs we sold were Finnish. Almost 95% of the fresh meat we sold came from Finland, as did 94% of our milk. Besides animal-based products, our range includes a wide assortment of plant-based proteins and we are continuously adding these to our selection of products.

As a basic principle, we do not sell processed 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 employ these methods.

We monitor the implementation of our procurement policy by different means, for example, of questionnaires sent to suppliers. Any shortcomings or breaches we hear about are addressed immediately, and we require the supplier to explain the situation and take corrective action. If this does not reflect what is required under our raw material targets, we may stop selling the product.





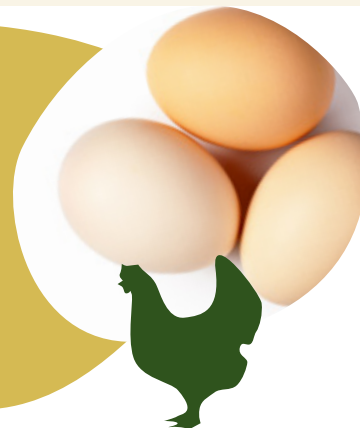
## Examples of Our Procurement Policy for Products of Animal Origin:

- Our fresh eggs come from production facilities where the birds' beaks are not trimmed.
- We require our fresh meat producers to ensure that disbudding, which means burning the horn buds of beef calves, is performed in the most painless manner possible. Disbudding should preferably be done under anesthesia or when at least sedation and analgesia have 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 that 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.

The entire policy is available to read at [lidl.fi/vastuullisuus](https://lidl.fi/vastuullisuus)

## Only Free-Range Eggs

**WE WERE** the first grocery store chain in Finland to stop the sale of eggs produced in caged conditions, which we did in 2016. We sell fresh eggs that are Finnish in origin and laid in deep litter chicken coops or are organic. In addition, eggs produced in caged conditions may not be used as an ingredient in our own-brand products.



## Lidl Is Involved in the Development of an Animal Welfare Label

**OUR AIM** in future is to boost the transparency of animal-derived products so that it is easier for the consumer to make choices in accordance with their own set of values. For that reason, between 2017 and 2022, we were involved in a project with the Natural Resources Institute Finland and Pellervo economic research PTT to promote the adoption in Finland of the animal welfare label Parempi eläimille ("Better for Animals"). The requirements for using the label include free movement and allowing the animals on to pasture regularly, for example.

In 2022, in an extension to the project, we helped bring Finland's first animal welfare label on to the market. ELVI is an indepen-



dent, research-based packaging label developed to promote animal welfare. It was launched in spring 2023 for Lidl's Ilona products.

**ADDITIONALLY**, we are continuously increasing the number of Welfare Quality-audited dairy products we sell. Welfare Quality audits assess the welfare of an animal at any one moment: behavior typical of the species, health, nutrition, and the conditions in which it is kept. Cows on farms live freely in barns and are let outdoors regularly.

Our aim in the future is to extend our range of animal-derived products that carry the welfare symbol and are third-party verified to other animal groups, such as pigs and chickens.

### This is what the ELVI symbol represents:

- Animals on ELVI farms roam freely untethered.
- Animals on ELVI farms are let outdoors and special attention is paid to their bedding and comfort.
- ELVI farms are committed to annual visits by a vet to check the preventive health care measures in place for cattle (Naseva).
- The comprehensive welfare of animals on ELVI farms is verified regularly by means of audits, using the international science-based and evidence-based Welfare Quality (WQ) method. An ELVI farm must achieve an advanced or excellent score in the audit (the two highest grades in a four-grade system).



## Lidl Makes an Impact in Finland

In 2022, we celebrated 20 years of Lidl in Finland. During that time, our network of stores has expanded to more than 200 and the number of Lidl employees has risen to nearly 5,800. Our business has not just had a good impact on all grocery store customers, with the fiercer price competition, but has also brought jobs and new opportunities for Finnish suppliers. We invest in long-term partnerships and joint development. We are glad that we can offer many Finnish companies an export channel via our networks. We also want to be part of the social discussion and support those in need.

### Social Discussion Based on Bold Initiatives

We were the first national retail chain to remove gaming machines from all our stores, which we did in the summer of 2021. There were approximately 250 gaming machines in our stores at the time. We abandoned the machines and the revenue from them because public opinion and the feedback we received showed that a large number of Finnish people do not regard gaming machines as a vital service in a grocery store. We also saw how as many as 900,000 Finnish lives were affected by problem gambling and its indirect impact, and we regarded this as a major social challenge that we wanted to

help resolve. The decision prompted much debate and we received positive feedback from numerous sources. It had been an important issue for many consumers.

Toward the end of the financial year 2022, we published our sustainable diet policy, for which many of our stakeholders were grateful. The policy sparked a good deal of debate on the role of vegetarian food in a sustainable way of life, and the role of commerce and society as enablers or guides where the human diet is concerned. You can read more about our policy in the section of the report headed “Conscious Nutrition” (page 62).

### More Lidl Stores in Finland

**IN FINANCIAL** year 2022, we opened 5 new stores, and we modernized 7. 2 stores changed location.

## Cooperation with Lidl

Lidl is a major player in the commercial sector in Finland and internationally. Our supply chains extend around the world, and in Finland we cooperate with companies of all sizes. The size or location of our partners has no effect on how we do business with them. Our basic premise is always to ensure that our business complies with the laws and good trading practices. We want to be a reliable partner, which is why we are also opposed to corruption in all aspects of our operation.

We hold long-term partnerships in high esteem. At the end of the reporting period, 41% of our suppliers had collaborated with us for more than 10 years. Because we like to experiment with the new and our range of products is constantly evolving, every financial year we enter into new agreements with partners. Furthermore, we regularly invite tenders for existing projects.

## For Export via Lidl

Thanks to our international networks, we are able to present interesting Finnish products to colleagues in other countries and, in the best-case scenario, therefore provide an export channel for products going to Lidl countries. In 2022, 59 Finnish suppliers sold their products in Lidl stores in other countries. A total of 187 Finnish products got to titillate the palates of customers in other Lidl countries. Some of the most popular products exported are from the bakery: organic oat hearts, rye bread, fish and confectionery.

## Cooperation with Lidl Finland 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 own-brand 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 operations anonymously via our reporting channel.

**59**  
Finnish suppliers  
exported a total of  
**187**  
products  
abroad via Lidl  
networks





## Lidl Does Good

Every year, we donate to, and sponsor, hundreds of projects and events. Our charitable work tends to help low-income families, promote the healthy lifestyles of children and young people, and provide training, education, and cultural input. Lidl is the main partner of the Finnish Ice Hockey Association. In the financial years 2021–2022, we provided financial support that went to Hyvä Joulumieli, (Christmas time fundraisers), the Finnish Red Cross (its friendship action initiative), the Finkey Foundation, which works to promote ice hockey for children of low-income families, the Economy and Youth

(TAT) organization in their work to promote learning, working life, and social skills, and the Finnish Association for Nature Conservation in their work to promote biodiversity. Each year, we award scholarships to German students and support the German Library and German School in Helsinki and the work of several German-speaking day care centers in Finland. Every year too we get involved in around 150 local events and donate products. Altogether, in 2021, we awarded around 1,031,000 euros in financial support, while in 2022 this figure was 827,000 euros.

In March 2022, the companies of Schwarz Group, which Lidl is part of, donated money

and products worth 10 million euros to help the victims of the war in Ukraine. In February 2023, the companies of Schwarz Group donated one million euros altogether to the German Red Cross to help the victims of the earthquakes in Turkey and Syria.

Since December 2021, we have enabled our customers to donate the deposits on their bottles to charity, with no deductions. Customers were happy to accept the vending machine donation function. Between December 2021 and February 2023, our customers donated via the bottle vending machines almost 330,000 euros to the Save the Children Finland Eväitä Elämälle (Fuel for Life)

program, which supports children in low-income families and helps with their studies and hobbies. That meant that around 1,200 children received support for their hobbies.

In December 2022, it was also possible to donate to the Finnish Red Cross at the bottle vending machines. Our customers donated more than 10,000 euros to combating loneliness.

At the end of 2022, we asked our customers what else they would like to support using the vending machine donation function. Since March 2023, customers have been able to choose from three alternatives for donations.



## Schoolchildren Practice Their Work Life Skills in Mini Lidl Stores for the Seventh Year

**LIDL** has been involved in the Yrityskylä (“Business Village”) project since 2016. Business Village has been named the best educational innovation scheme for work. It gives young schoolchildren a chance to practice their economic and social skills by working, for example, in a mini Lidl store. The children try their hand at sales and managing a store, serving customers, and recycling, and obviously they get paid for the work they do. In addition, they learn about Lidl’s sustainability

work and changing country specific theme weeks, and they get to fill Finland’s most sustainable shopping bag.

At present, we are involved in nine Business Villages, so the opportunity to work in a mini Lidl store is there for the majority of children of that age. In 2022, almost 50,000 schoolchildren learned about working at Lidl in the Greater Helsinki area, and in several other regions in Finland.

## We Donated iPads and Phones to Young Ukrainians

**IN** summer 2022, we donated 14 iPads and 10 phones to young Ukrainians studying in a school in Somero. Ukrainian refugees were in great need of the technology, so that they could contact their home country easily. The donation scheme was organized on the initiative of an employee of ours in cooperation with the IT department.



**Lidl Finland’s support for social projects in financial year 2022 was 827,816 euros**



## Conscious Nutrition



**We are Finland's third-largest retail chain and the decisions we take on our product range have an impact on the diets of our customers. We want to give our customers the chance to enjoy a healthy and sustainable lifestyle. A sustainable diet does not just have a favorable impact on health – it has many other positive effects on the environment and people in the supply chains.**

**WE** published our Conscious nutrition policy in January 2023. The policy will act as a guide to the way we develop our range in the future from several perspectives: healthy eating and nutrition, ecological and social sustainability, transparency and communication, and product safety.

### Healthy Eating and Nutrition

We can help our customers to eat more healthily by offering healthy options and by improving the nutritional content of our products, without compromising on flavor. Our goals are:

- To reduce the sales-weighted average content of added sugar and added salt by 20% across our private label product range by the end of 2025.
- To increase the share of whole grains in suitable product groups, and by 2025 to indicate the percentage of fiber on more products.
- Whenever possible, to replace the plant fat used in products with European, soft plant fats and so increase the quantity of unsaturated fatty acids in our own-brand products.
- To avoid the excessive use of additives and preservatives.



## Less Salt and Sugar

**WE HAVE** pledged to cut the average quantities of salt and sugar, weighted according to sales, by a fifth in our own-brand 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.

The nutritional quality of our products is overseen by the Quality Control department. The Commercial department is responsible for product development together with the suppliers.

The Quality Control department reviews dozens of products every year and, where necessary, makes recommendations to improve their nutritional value and the quality of the raw materials chosen.

The recommendations serve as a basis for looking into whether it is possible to change a product's recipe in line with the recommendations without compromising product safety or

impairing the product's sensory quality. If it is possible to change the recipe, the new version of the product is put into production.

### Ecological and Social Sustainability

As the population increases, the resources for food production will not be unlimited. With regard to diet, remaining within the planetary boundaries will call for greater consumption of plant-based products and moderate use of products of animal origin.

Our aim is to increase the share of plant-based sources of protein and at the same time reduce the adverse ecological and social impacts of the raw material supply chains. In addition, we aim to provide and present far more seasonal and organic products. We favor the sustainable production of fruit and vegetables, soy, palm (kernel) oil, coffee, tea, cocoa, rice, nuts, meat, fish, and shellfish.

We promote the ecological and social sustainability of the products in our range:

- By certifying critical raw materials (read more on page 41)
- By increasing the share of plant-based sources of protein in the range and through communications on the subject
- By reducing food waste (read more on page 45)

At Lidl, our customers can easily find plant-based products under the ever-expanding Vemondo product label.



**Products assessed for improvement in health and safety impacts by Lidl Finland**

**69 pcs**  
2021

**21 pcs\***  
2022

\*In FY2022, longer-lasting projects are under way, so the total number is smaller.

## We Promote a Conscious Nutrition

In January 2023, we published our conscious nutrition policy, which flags up the development of our range from the perspective of food safety, healthy eating, social and ecological sustainability, and transparency and communication.

- In terms of healthy eating, we continually try to offer our customers better alternatives with respect to the quality of fats, fiber, and the quantity of sugar and salt.
- Ecological and social sustainability means that our customers can follow a diet that is right from the point of view of the environment and human beings within the planetary boundaries and with consideration being given to animal welfare.
- Transparency and customer communications are crucial for making more informed purchase decisions in terms of nutrition and sustainability.
- Food safety is the basis for the way our entire range develops and a requirement for accomplishing these goals.

We are signatories to the Suomi kasvaa vegetää ("Finland grows veg") initiative of almost 30 operators and this requires investment in the promotion of vegetarian food and a plant-based diet. The aim of the initiative is to support company growth and exports with plant-based products.





### Transparency and Communication

With the use of transparent labeling on our products, we want to enable our customers to make an informed purchasing decision. In our own-brand products, we use well-known, third party-verified labeling and certification. Furthermore, we communicate to our customers about the sustainability of our products using other channels.

As regards nutritional physiology properties, we use the Heart symbol, which can be found on more than 200 products at Lidl. To ensure the transparency of the welfare of livestock and other farm animals, we promote the development of animal welfare labeling and, where possible, use labels based on audits and granted by third parties. The farms that produce the dairy products in the Ilona

product family have been Welfare Quality-audited and -certified since 2019. In spring 2023, the Ilona products also received ELVI certification as the first retailer's own-brand product in Finland. Our goal is to increase animal welfare labeling, extending it more widely to products of animal origin.

Reduction from own-brand products in the period 2015–2022\*

**Salt 13%**  
**Sugar 12%**

\*Figures calculated for calendar year (not for financial year)

We have reduced the sugar content of these products, for example, in the reporting period...

- Solevita pear drink -33%
- Solevita blueberry soup -15%

...and the salt in these

- LeipäAitta Retkieväs whole grain rye bread -18%
- Margarine 60% 400g -44%







### Product Safety

Our high product safety standards apply to all products regardless of their country of production and origin. The production plants that make our own-brand products must have a food safety certificate (IFS, BRC, FSSC 22000). The audit required for the certificate is performed by an independent third-party agency.

For all our own-brand products, we commission a full survey of marketable quality before they are offered for sale, and regularly even when the products are already in stores. The survey covers sensory, 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 indicated on the packaging.

In addition to the tests conducted by the supplier, we commission a similar risk-based analysis of products at an accredited laboratory. These analyses are performed at regular intervals. Products associated with a higher

risk in terms of safety are analyzed more frequently than lower-risk items.

If the results reveal problems, Lidl and the supplier investigate the cause. Any consignments found to be unfit for sale are recalled and customers receive compensation for the products they return. Lidl recalled 10 food products in 2022.

The sensory quality of all our own-brand products is checked when they go on sale. We also have our main products tested by consumer panels on a regular basis.

### Safety Requirements for Near-Food and Non-Food Products

The safety and salability of our near-food and non-food products and the limit values for harmful substances are interpreted at reliable German test centers before they go on sale. In addition, the functionality and ergonomics of these products and their instructions for use and care are reviewed as part of Lidl's international quality control operation.

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.

This is how our near-food and non-food goods are tested:

- 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.
- The materials, safety, and functionality of furniture and household goods 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.

## Audits and Analyses Conducted in Finland

### Supplier audits food

53 pcs  
2021

35 pcs  
2022

Product analyses commissioned for our own-brand food

1,852 pcs  
2021

1,793 pcs  
2022

### Recalls of own-brand products

8 pcs  
2021

10 pcs  
2022

Product analyses for fruit and vegetables

1,938 pcs  
2021

1,720 pcs  
2022

## The Well-being and Safety of Lidl Staff

**We want that work at Lidl supports well-being in and outside of work. For us, this means ensuring our employees' well-being, occupational health and safety. If employees are happy at work, this also has a positive impact outside the workplace.**

**WE PROACTIVELY** nurture our employees' well-being. During the reporting period, we invested in particular in the development of models for early intervention, mental well-being, and adjusted work.

We use feedback and well-being surveys to assess effectiveness. The indicators that management regularly monitors are sick leave, staff turnover, and the results of staff questionnaires and other staff surveys.

We also support the well-being of Lidl staff in their leisure time. We offer Lidl employees ePassi as a perk. The value loaded onto the application can be used for physical activity, well-being, culture, or commuting. We also help them attend sports events. Administrative staff can work on a flextime basis and remotely to help make day-to-day life easier.

### **Early Intervention at the Heart of Well-being Management**

The early intervention model predicts and prevents challenges by giving attention to the flow of work and interaction. We invest in coaching- and intervention-oriented management. We try to identify the stressful factors in advance and pay attention to prevalent illness or declining work ability as early on as possible with reference to predic-

tive thresholds of concern. The aim is for employees to continue to be able to do their work by changing their contracted duties or work methods.

The intervention model also applies to well-being at work and the viability of the workplace. Administrative staff regularly have the opportunity to discuss the methods they use at work and together create a model for their team that strengthens resources. Managers can take advantage of the support that is available from the HR department to allow their team to evolve.

### Support for Mental Well-being

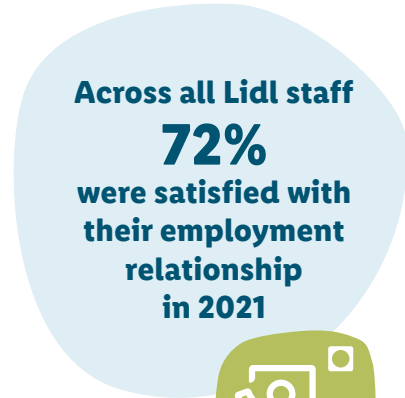
Lidl staff are in an extended occupational health care scheme that covers the statutory services, medical care, and, where necessary, the services of an occupational health psychologist, a social welfare expert, and an occupational health physiotherapist. We have identified mental health problems as a special social challenge that is also evident in our business. We provide our employees with an opportunity to have short-term psychotherapy and use digital “Mielen chat” and “Mielen Sparri” mental well-being services, through which employees can arrange a remote meeting with a psychologist or psychotherapist. Lidl staff can also meet with a nurse trained in the area of mental health.

Managers play an important role in the promotion of work ability and identifying associated challenges together with employees. Managers receive training and support for this task from the occupational health team and HR experts. In 2022, we

organized, for example, Tunnista, tue ja toimi (“Mental health: Identify, support, and act”) courses.

### Adjusted Work Keeps People Working

We support the work ability of Lidl staff through adjusted work. Since 2022, store, warehouse, and administrative staff have enjoyed the benefits of adjusted work and the way it works is the same for all Lidl staff. Adjusted work allows someone to do their job even if the employee concerned cannot carry out all the tasks involved in the job because of their state of health. Tasks are adapted according to work ability and this helps people to recuperate and continue in their career.



### Pulse Staff Survey

**WE** use an international pulse survey to monitor Lidl staff well-being and job satisfaction. In 2021, 71% of our staff responded to the survey. The results suggest that our strengths are mainly cooperation among colleagues and with immediate superiors. Our work community is seen as efficient, dynamic, honest,

and fair. Communications and information flow are seen as areas for improvement, with everyone having the information they need in good time to do their job.

In all, 72% of Lidl staff were satisfied with their employment relationship (responses: somewhat or fully agree). The pulse survey will be conducted next in 2023.

## Occupational Safety Is Everyone's Business

We want to ensure that working and visiting at Lidl is safe. Our goal is to minimize accidents, which is why we perform continuous risk assessments. The emphasis is on prevention. If risks are identified, we do our best to change the tasks that are prone to risk. As a last resort, for example, we will ask staff to wear protective gear to avoid risks.

We monitor the effectiveness of our risk management mechanisms using an electronic risk management system. The system determines the measures to be taken to counter every risk, the party responsible for the measures, and the deadlines. In 2022, we updated the risk assessments carried out for all our places of business. The risk assessments are updated regularly and, where necessary, on the basis of occupational accidents, safety observations, or staff communications.

Each Lidl employee is made familiar with aspects of occupational safety, and employees always have the right to leave dangerous work situations without penalty. Distribution center employees retake their occupational safety training courses every year. In the reporting period for 2022, we invested in the development of online training materials that will start to be used by all employees in 2023. The content of the training is based on occupational safety risks identified in previous years and in the future, annual retraining sessions will be compulsory for all Lidl staff. External employees, such as refrigeration equipment technicians, have separate safety instructions that they must acknowledge before starting work on our premises.

We monitor the implementation of training and every year we carry out occupational health and safety reviews in our places of business to ensure that the internal guidelines are being complied with. Development measures are planned in cooperation with the responsible manager on site and recorded in the risk management system.

Since the reporting period 2021, occupational accidents leading to absence from work have been investigated by the occupational health and safety organization of headquarters together with the parties involved. A manager also takes part in the analysis of accidents, and this enables site-specific action to be taken. The rise in the frequency of accidents in the reporting periods of 2021 and 2022 compared to previous financial years is partly explained by the change in the way it was measured, with accidents leading to an absence of between one and three days now included in the total figures. Ergonomics and risks in the work environment play a major part in occupational accidents as sprains and bruises caused by falls are the most common ones. In the financial year 2023, we will investigate and assess the incidence of harmful physical stress in collaboration with the Finnish Institute of Occupational Health to determine the relevant preventive measures.

We encourage our employees to make safety observations, which everyone can submit via Lidl's risk management system. The responsible managers process these observations and respond to them as quickly as possible.

Lidl's occupational health and safety matters are discussed regularly at the meet-



Days of absence due to sickness per employee

14.9 days  
2021

15.3 days  
2022



Sickness absence rate

6.4%  
2021

6.9%  
2022



Number of Accidents

	2021	2022
Accident frequency LTA*	48,6%	25,3%
Proportion of serious accidents**	6,6%	6,0%

\*The accident frequency is calculated from occupational accidents that led to absenteeism in relation to 1,000 full-time employees. The number of full-time employees has been calculated as follows: For the financial year 2021, the number of personnel on the last day of the financial year who have a full-time employment contract. For the fiscal year 2022, the total number of personnel converted to full-time employees (FTE). The number of accidents has remained almost the same in both financial years.

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

ings of the occupational health and safety committee. The committee is made up of representatives of the employer and the employees, as well as occupational health and safety representatives and their deputies. The committee meets four times a year.

# Skills and Competence for Advancement



**Employees are the most important resource that we have, and we want to invest in developing their skills right from the start. We support the growth and development of every Lidl employee by providing several different development paths.**

**A JOB-SPECIFIC** orientation plan is drawn up for all new employees at Lidl and anyone changing jobs. The onboarding process for sales staff involves a review of the daily tasks, the issue of ergonomics, and the importance of energy efficiency and recycling. The main focus of the training sessions for logistics employees is safety, ergonomics, and hygiene. Employees are offered regular review training sessions and the experiences of new Lidl staff from the time they start work are monitored by means of a survey that was restructured in 2022.

We ensure that our managers receive regular training. Managers complete a comprehensive training package that is suited to their job. As management and leadership play a very important role in the well-being of the individual and the success of the

company, we invest in coaching- and caring management. Coaching-oriented managers have a sense of seniority and support their employees' growth and competence. They create a direction for a common endeavor and help staff find meaning in their work.

We offer apprenticeships in addition to employment. Contact teaching days are paid, and the scheme is popular. Around 100 Lidl staff members start an apprenticeship in a year.

The course designed for those who want to become store managers is intended for future shift managers, who are given a permanent contract of employment and a comprehensive 18-month coaching package with pay. During the orientation stage of the training, participants work as store employees and undertake general retail sector studies. Finally, the participants move on to shift manager duties and complete a further vocational qualification in first-line management.

We encourage Lidl staff to share their skills and knowledge on a mentoring program. The aim of the program, which was started

in 2018, is to offer instruction and support for the personal development of staff. Since 2022, store managers as well as administrative staff and regional managers have been able to participate in the program.

In 2022, we provided training for Lidl staff equal to 31 hours per employee. The figure also includes training periods for store and warehouse employees and managers plus statutory training seminars.

## International Training Opportunities

Participants selected for the International Trainee programs in a public application process have the opportunity to learn much about Lidl's operations and support functions. The program lasts for 18 months, 6 of which are spent in Germany on a language course and working for the parent company.

The Job Rotation program for senior administrative staff involves working in another Lidl country for one to two years. This is an opportunity to gain experience abroad. Staff can also transfer to another Lidl

country by means of an internal application.

## Skills Evaluation

The Talent Management process is for administrative staff and managers. The process comprises an assessment, an annual meeting, a personal development plan, and the annual Talent Review career development conferences, at which managers examine the performance and development of their teams. The Talent Review discussions are 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. Store and warehouse employees also have the opportunity to take part in an annual appraisal. A lot of internal job rotations and recruitment takes place at Lidl. In 2022, nearly one in five of our employees continued their career in a new position inside our company.

Average amount of training per employee

28 h  
2021

31 h  
2022

22%  
of Lidl staff changed job internally in 2022

## Stakeholder Dialog & Cooperation

Continuous interaction with our internal and external stakeholders is a key component of Lidl Finland's sustainability management. Our stakeholders include customers, NGOs, political decision-makers, business partners, employees, and the media.



**INTERACTION** goes both ways. We regularly communicate with our stakeholders about our operations. Our stakeholders, meanwhile, provide us with valuable feedback when they share their own knowledge, skills, and observations and when they examine our business critically and constructively. We take into consideration the feedback we receive in our work.

All our stakeholders can also anonymously report any suspected cases of wrongdoing or abuse in connection with our business operations via our reporting channel. The [online reporting channel](#)

(BKMS®) can be found on our website under "[Compliance](#)". For our staff, the channel is also available on the company intranet.

We regularly, and at least every two years, evaluate which stakeholders are the most crucially important for us. This is done by means of external questionnaires and by following the social debate. We also take note of changes in responsibilities, for example in politics and NGOs. In addition, we compare stakeholders with the results of the materiality analysis and the issues that are the most important for us.

Lidl Plus brought  
to customers an easy  
feedback channel  
and savings of more than  
**14 million**  
euros



**WE** began our benefits program on a mobile app in 2020. In Finland, the Lidl Plus app quickly acquired more than a million users following its launch in 2020. In 2022, Lidl customers saved more than 14 million euros thanks to the Lidl Plus app. In addition to these savings, the app provides our customers with an easy information and feedback channel.

## Examples of Dialog with Our Stakeholders

### Customers:

- Our customers can ask questions and provide feedback in a chatroom, on a website form, by email, on the phone, through our social media channels, or on the Lidl Feedback website.
- We ask our customers for their opinions of us by means of various surveys on different subjects. Our products are tested by consumers. We see how our reputation is growing through T-Media's Luottamus ja Maine ("Trust and Reputation") survey.
- Since 2020, our customers have also been able to contact us via the Lidl Plus benefit app. The app has a contact form that customers can use to send us feedback, as well as their hopes and expectations.



### Employees:

- All employees can propose ideas for improvements via an open initiative channel. Rewards are given for ideas submitted through the initiative channel.
- We commission employee surveys for the whole staff, and managers have annual appraisals with their employees. The information collected from these meetings is used for the purposes of management development.
- The We are Lidl app for staff provides all Lidl employees with a channel to ask questions and contact their colleagues in stores and distribution centers and at the head office.
- As an employer, we engage in regular and robust dialog with store staff.

### Suppliers:

- We are in contact with our suppliers on a daily basis. Communications relate to such matters as ensuring the flow of goods and new product development.
- The employees in our supply chains can anonymously report incidents of suspected abuse via our reporting channel.

## Initiatives from External Parties Approved or Promoted by Lidl Finland

**WE** want to play an active part in the social discussion. We monitor developments in the law and are a member of several organizations, including lobbying organizations. Our aim is to respond to the ever-greater legal requirements promptly in partnership with our suppliers.

Lidl Finland is also involved in the following external Finnish and international initiatives:

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

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

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

- Energy Efficiency Agreement
- Climate Partner of the City of Helsinki
- Material Efficiency Agreement
- Diversity Charter Finland
- Plastic Carrier Bag Agreement
- Nutrition Commitment
- Agreement to Reduce the Use of Plastic Single-Use Packaging
- Suomi kasvaa vegestä ("Finland grows veg") initiative

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

- ACT – Action, Collaboration, Transformation
- Alliance for Water Stewardship
- amfori Business Social Compliance Initiative (BSCI)
- Partnership for Sustainable Textiles
- Danube soya
- Econsense
- Ethical Tea Partnership
- Ethical Trade Initiative
- EUROOPEN
- Food for Biodiversity
- Forest Stewardship Council (FSC)
- German initiative on sustainable cocoa
- Fur Free Retailer
- GlobalG.A.P., GlobalG.A.P. GRASP Technical Committee

- ILO Better Work
- Initiative for Sustainable Agricultural Supply Chains (INA)
- International ACCORD
- International Network of Leading Executives Advancing Diversity (LEAD)
- Leather Working Group
- Round Table on Responsible Soy (RTRS)
- Roundtable on Sustainable Palm Oil (RSPO)
- RMG Sustainability Council (RSC) Bangladesh
- Sustainable Nut Initiative
- Sustainable Rice Platform (SRP)
- World Banana Forum

### Lidl Finland's membership of associations as a part of Schwarz Group:

- Ellen MacArthur
- UN Global Compact
- Science Based Target initiative

### Lidl Finland also works with the following partner organizations:

- Aquaculture Stewardship Council
- Compassion in World Farming
- Cotton made in Africa (CmiA) Downpass
- Rainforest Alliance
- Marine Stewardship Council
- Oxfam
- Save the Children

## GRI Content Index

GRI standard	Reporting content	Location	Additional information and omissions	Assurance
<b>Reporting Principles</b>				
GRI 1: Foundation 2021				
<b>General Disclosures</b>				
<b>The organization and its reporting principles</b>				
2-1	Organizational details	p. 8–10	Lidl Finland limited partnership is a subsidiary of Lidl operating in Finland. Lidl is part of Schwarz Group.	
2-2	Entities included in the organization's sustainability reporting	p. 2		
2-3	Reporting period, frequency and contact point	p. 2		
2-4	Restatements of information		Changes reported in connection with topic-specific information, if needed.	
2-5	External assurance	p. 2		
<b>Activities and workers</b>				
2-6	Activities, value chain and other business relationships	p. 8–9, 22–23, 58–59	There were no essential changes in the Lidl Finland organization or supply chain in the reporting period.	
2-7	Employees	p. 10, 51, 53	The personnel data has been calculated with the figures of the situation on the last day of the financial years 2021 and 2022, excluding absences of more than 90 days, except for sickness absences. The total number of personnel calculated as an average of the quarters. Number of personnel 5,555 in financial year 2021. Contract types not presented by gender.	●
2-8	Workers who are not employees		Hired labor does not perform a significant part of the work.	
<b>Administration</b>				
2-9	Governance structure and composition	p. 12	The presentation of the executive team can be found on our website at <a href="https://corporate.lidl.fi">corporate.lidl.fi</a> .	
2-10	Nomination and selection of the highest governance body	p. 13		
2-11	Chair of the highest governance body	p. 12–13		
2-12	Role of the highest governance body in overseeing the management of impacts	p. 12		
2-13	Delegation of responsibility for managing impacts	p. 12		
2-14	Role of the highest governance body in sustainability reporting	p. 12		
2-15	Conflicts of interest	p. 13		
2-16	Communication of critical concerns	p. 13		
2-17	Collective knowledge of the highest governance body	p. 12		
2-18	Evaluation of the performance of the highest governance body		Not reported for confidentiality reasons.	
2-19	Remuneration policies	p. 13		
2-20	Process to determine remuneration	p. 13		
2-21	Annual total compensation ratio		Not reported for confidentiality reasons.	
<b>Strategy, policies and practices</b>				
2-22	Statement on sustainable development strategy	p. 6		
2-23	Policy commitments	p. 11–13	All our public policies can be found at <a href="https://lidl.fi/vastuullisuus">lidl.fi/vastuullisuus</a> .	
2-24	Embedding policy commitments	p. 12–13		
2-25	Processes to remediate negative impacts	p. 13		
2-26	Mechanisms for seeking advice and raising concerns	p. 13		
2-27	Compliance with laws and regulations		We are not aware of any significant breaches that would have resulted in fines.	
2-28	Membership associations	p. 70–71		

GRI 2:  
General Disclosures  
2021



## GRI Content Index

GRI standard	Reporting content		Location	Additional information and omissions	Assurance
<b>Stakeholder engagement</b>					
GRI 2: General Disclosures 2021	2-29	Approach to stakeholder engagement	p. 70-71		
	2-30	Collective bargaining agreements	p. 50	The share calculated from the total number of personnel, from which fixed-term employees, whose employment contract is less than 6 months, are limited. The number is different from the total number of personnel shown on page 10.	●
<b>Material Issues</b>					
GRI 3: Material Topics 2021	3-1	Process to determine material topics	p. 18-19		●
	3-2	List of material topics	p. 20-21		●
	3-3	Management of material topics	p. 12-13, 70-71	The description of the management method covers all material topics. More information on material topics can be found in the content sections.	●
<b>Environmental impacts</b>					
GRI 301:Materials 2016	301-1	Materials used by weight or volume	p. 42, 44	Materials are reported based on their actual weight.	●
	302-1	Energy consumption within the organization	p. 31	Fuel information has not been reported.	●
GRI 302:Energy 2016	302-4	Reduction of energy consumption	p. 30-31	The information required by GRI 302-4 was not fully reported for the base year and the amounts of energy savings targeted for the financial years 2021 and 2022. The information is reported in accordance with the trade industry energy saving agreement as a percentage saving from the base year 2016 level.	●
GRI 304: Biodiversity 2016	304-2	Significant impacts of activities, products and services on biodiversity	p. 34-35, 37-41		
	305-1	Direct (Scope 1) GHG emissions	p. 26, 28		●
GRI 305:Emissions 2016	305-2	Energy indirect (Scope 2) GHG emissions	p. 26, 28	Scope 2 emissions are reported using both a market-based and a location-based calculation method. For the calculation of total emissions (Scope 1, 2, and 3), the market-based method has been used.	●
	305-3	Other indirect (Scope 3) GHG emissions	p. 26, 28, 33		●
	305-5	Reduction of GHG emissions	p. 27-28	No emission reductions have been reported. However, we have reported measures leading to emission reductions.	●
GRI 306:Waste 2020	306-1	Waste generation and significant waste-related impacts	p. 42, 45		●
	306-2	Management of significant waste-related impacts	p. 42-43, 45		●
	306-3	Waste generated	p. 42-43		●
<b>Social impacts</b>					
GRI 403:Occupational Health and Safety 2018	403-1	Occupational health and safety management system	p. 66-68		●
	403-2	Hazard identification, risk assessment, and incident investigation	p. 67-68		●
	403-3	Occupational health services	p. 67		●
	403-4	Worker participation, consultation, and communication on occupational health and safety	p. 67-68		●
	403-5	Worker training on occupational health and safety	p. 68		●
	403-6	Promotion of worker health	p. 66-67		●
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	p. 40-41, 49, 68		●
	403-9	Work-related injuries	p. 68	Reported occupational accident frequency and proportion of serious occupational accidents. Accident frequency calculated from accidents leading to absenteeism in relation to 1000 full-time employees. (FY21 the number of personnel on the last day of the fiscal year who have a full-time employment contract. FY22 the total number of personnel converted to full-time employees.) Absence of more than 30 days has been taken into account as serious accidents resulting in occupational accidents. Not reported for temporary workers or contractors, data is not available. No fatalities during fiscal years 2021 and 2022.	●*

\*verified regarding FY22

## GRI Content Index

GRI standard	Reporting content	Location	Additional information and omissions	Assurance
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	p. 69	Reported average number of training hours per employee.
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	p. 53-55	
	405-2	Ratio of basic salary and remuneration of women to men	p. 53	●
GRI 408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	p. 39-41, 46-47, 49	●
GRI 409: Forced or Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	p. 39-41, 46-47, 49	●
GRI 416: Customer Health and Safety 201	416-1	Assessment of the health and safety impacts of product and service categories	p. 63	The figures are given in number of pieces. ●
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	p. 65	●

## Material Topics and GRI Standards

### Material topic for Lidl Finland

### GRI standard

#### Sustainable products

Sustainable products

Materials (301), Child labor (408), Forced labor (409), Emissions (305), Customer health and safety (406)

#### Protecting Climate

1.5 degrees

Emissions (305), Energy (302)

#### Conserving Resources

Sustainably produced raw materials

Child labor (408), Forced labor (409)

Circular economy

Materials (301), Waste (306)

Food waste

Emissions (305)

#### Acting Fairly

Labor and human rights

Child labor (408), Forced labor (409)

Fair remuneration

Diversity and equal opportunity (405)

#### Promoting Health

Conscious nutrition

Customer health and safety (416)

Health and safety of employees

Occupational health and safety (403)

# Independent practitioner's limited assurance report

## To the Management of Lidl Finland

We have been engaged by the Management of Lidl Suomi Ky (hereinafter also the "Company") to perform a limited assurance engagement on selected sustainability information for the reporting period from 1 March 2021 to 28 February 2022 and from 1 March 2022 to 28 February 2023, disclosed in the Sustainability report 2021-2022 of Lidl Suomi Ky on the Company's website (hereinafter the Selected sustainability information).

### Selected sustainability information

The subject of our limited assurance assignment was the chosen sustainability indicators as assured in the GRI content index of the company's Sustainability Report 2021-2022, to the extent that these are presented in the report.

### Management's responsibility

The Management of Lidl Suomi Ky is responsible for preparing the Selected sustainability information in accordance with the Reporting criteria as set out in Lidl Suomi Ky reporting instructions (described in the Sustainability report 2021-2022 of Lidl Suomi Ky) and GRI-standards. The Management of Lidl Suomi Ky is also responsible for such internal control as the management determines is necessary to enable the preparation of the Selected sustainability information that is free from material misstatement, whether due to fraud or error.

### Practitioner's independence, other ethical requirements and quality control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

PricewaterhouseCoopers Oy applies International Standard on Quality Management (ISQM) 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Practitioner's responsibility

Our responsibility is to express a limited assurance conclusion on the Selected sustainability information based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", and, in respect of greenhouse gas emissions, International Standard on Assurance Engagements (ISAE) 3410

"Assurance Engagements on Greenhouse Gas Statements". These standards require that we plan and perform the engagement to obtain limited assurance about whether the Selected sustainability information is free from material misstatement.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. An assurance engagement involves performing procedures to obtain evidence about the amounts and other information in the Selected sustainability information. The procedures selected depend on the practitioner's judgment, including an assessment of the risks of material misstatement of the Selected sustainability information.

Our work consisted of, amongst others, the following procedures:

- Interviewing senior management of the Company.
- Interviewing employees responsible for collecting and reporting the Selected information.
- Assessing how Group employees apply the reporting instructions and procedures of the Company.
- Testing the accuracy and completeness of the information from original documents and systems on a sample basis.
- Testing the consolidation of information and performing recalculations on a sample basis.
- Considering the disclosure and presentation of the Selected sustainability information.

### Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Lidl Suomi Ky's Selected sustainability information for the reporting periods ended 28 March 2022 and 28 March 2023 are not properly prepared, in all material respects, in accordance with the Reporting criteria.

When reading our limited assurance report, the inherent limitations to the accuracy and completeness of sustainability information should be taken into consideration.

Our assurance report has been prepared in accordance with the terms of our engagement. We do not accept, or assume responsibility to anyone else, except to Lidl Suomi Ky for our work, for this report, or for the conclusions that we have reached.

Helsinki 31st of August 2023  
PricewaterhouseCoopers Oy

#### Mikael Niskala

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Sustainability Reporting & Assurance

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