

Lidl GB

Supplier Social Compliance Guidance

Department: CSR – Responsible Sourcing

Audience: All Lidl GB direct suppliers for Lidl own-label products.



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Executive Summary

This document sets out the Sedex and ethical auditing requirements for Lidl GB's Tier 1 suppliers. It details the essential compliance elements of our ethical sourcing programme and provides answers to the following practical questions:

- When do I conduct an audit?
- What audits are accepted?
- Who can conduct an audit?
- What happens following the audit?
- What happens if non-conformances are identified during the audit?

The requirements outlined in this document are in place to ensure the objectives of our Code of Conduct are met, which is a contractual obligation for Lidl GB suppliers.

1 Introduction

Lidl is committed to ensuring the products we buy and sell are not only high quality, but are also sourced ethically. This includes ensuring that the workers who produce the products we buy and sell benefit from good labour standards, and that their fundamental human rights are protected. We aim to work in partnership with our suppliers to ensure our expectations are met, whilst continuously improving our approach to ethical sourcing.

Our **Supplier Code of Conduct** outlines our expectations with regard to the core social standards that must be met by our Business Partners. The Code of Conduct is based on the Universal Declaration of Human Rights and the International Labour Organisation (ILO) core conventions, and we are guided by the UN Guiding Principles on Business and Human Rights in the way that we aim to address the risk of adverse human rights impacts linked to business activity.

Our ethical sourcing compliance programme is designed to ensure the objectives of our Code of Conduct are met and that continuous improvements are made within our supply base. The essential compliance elements of this programme consist of the following:

- a) Visible, complete **Self-Assessment Questionnaire (SAQ)** shared on Sedex for all sites
- b) **Accountable person** identified for ethical sourcing (communicated via Sedex)
- c) Visible, in-date **ethical audit** shared with Lidl on Sedex for designated high risk sites
- d) **Post-audit compliance** at audited sites

Lidl recognises the challenges associated with ethical sourcing and welcomes an open dialogue with its suppliers when it comes to the implementation of this programme. Our general principles are set out below:

1. All suppliers are expected to engage in a process of **continuous improvement**. If practical challenges are found in meeting certain expectations outlined in the Code of Conduct, suppliers are expected to demonstrate that they are making improvements towards meeting our standards.
2. Suppliers are required to take **ownership** in developing and implementing measures that ensure the expectations set out in our Code of Conduct are met. Suppliers must have in place a social responsibility strategy with appropriate internal procedures in place to ensure its implementation. A senior **accountable person** for social compliance should be nominated and identified to Lidl GB.
3. Our suppliers are required to conduct business with Lidl in an **open, honest and transparent manner**. We expect suppliers to share information that will help us ensure that products are being sourced ethically and with respect for the fundamental human rights of workers.
4. We expect suppliers to regularly monitor the performance and effectiveness of their social responsibility strategy. Where there is a higher risk of workers being exploited, Lidl will request that an **independent assessment** of working conditions takes place and corrective actions plans are implemented within agreed time frames.

Any queries should be directed to the Ethical Trade Manager at csr@lidl.co.uk

2 Sedex Membership

2.1 Sedex Platform

Lidl uses the Sedex platform to manage its ethical sourcing compliance programme. Sedex is one of the world's largest collaborative platforms for sharing ethical data on supply chains and is widely used across the industry, acting as a simple and efficient vehicle for collecting and analysing information on ethical business practices in supply chains.

For suppliers, Sedex makes it easy to share information with multiple customers in an industry-standard format, allowing you to cut down on duplication. As a member of Sedex, you also gain access to best-practice guidance, advice and updates to enable you to improve your business practices further.

For Lidl, it enables us to access vital information about our suppliers' social and environmental performance in an efficient way that minimises impact on the companies we work with. The information will be used to assess the risk that lies across our entire supply chain, helping us to address issues with individual suppliers and mitigate risks for the workers who produce the products we buy and sell. Accessing this information allows us to:

- Improve traceability of the conditions in our supply chain;
- Conduct high level measurement of ethical performance; and
- Identify site specific factors or issues to determine ethical risk

2.2 Sedex Registration

All Tier 1 suppliers must register on Sedex, ensuring that all production sites where Lidl own-label goods are finished are shared with Lidl GB [ZC4050725] on the platform. Suppliers beyond tier 1 will be risk-assessed by Lidl GB on a case-by-case basis, and required to register on Sedex where deemed appropriate.

Definition: Tier 1 site is a production site where goods are finished, ready for supply to, or sale by, the end company.

Note: Agents/traders assume responsibility for the compliance of all sites from which they purchase finished goods.

Details of how to join Sedex can be found online at <https://www.sedexglobal.com/> If you have any questions regarding Sedex specifically, or if you need any assistance please contact the Sedex Helpdesk:

Europe Helpdesk
helpdesk@sedexglobal.com
+44 (0)20 7902 2320

China Helpdesk
helpdeskchina@sedexglobal.com
+86 (0)21 8031 1666

North America Helpdesk
helpdesk@sedexglobal.com
+1 877 355 4866

Japan Helpdesk
japan@sedexglobal.com
+81 (0)3 4520 9729

Latin America Helpdesk
helpdesklatam@sedexglobal.com
+56 2 25940272

Once you have registered on Sedex and initiated a relationship with Lidl GB [ZC4050725] please email csr@lidl.co.uk and we will validate the request.

3 Compliance Elements

Compliance to the essential elements of Lidl GB's ethical sourcing programme will be measured through the following key performance indicators.

3.1 Visible, Complete SAQ Shared with Lidl on Sedex

All production sites where Lidl own-brand goods are finished must complete the Sedex Self-Assessment Questionnaire (SAQ). The SAQ covers four key areas:

- Labour Standards
- Health and Safety
- The Environment
- Business Ethics

The SAQ should be updated by each production site every six months to reflect any changes to your business. It is the responsibility of suppliers to ensure your SAQ is up-to-date and your Sedex membership is renewed annually.

3.2 Accountable Person Identified for Social Compliance

A main contact for ethical sourcing should be identified and included under the company profile section on the Sedex platform, and/or emailed to csr@lidl.co.uk. This person must be accountable for the implementation of this programme and be appropriately positioned to answer queries on ethical sourcing issues.

3.3 Visible, In-Date Audit Shared with Lidl at Designated High Risk Sites

3.31 When do I conduct an audit?

Our audit programme has been developed to monitor the ethical compliance of suppliers' production sites against our Supplier Code of Conduct. Our audit programme is risk-based and any Tier 1 production site deemed 'high risk' could be selected to conduct an ethical audit based on the following criteria:

- Sedex Self-Assessment Questionnaire (SAQ) information
- Geographic location
- Sector/product
- Commercial factors (value of business and strategic importance of product/site)

Lidl GB will notify selected suppliers if an ethical audit is required. Should a selected site have had a valid audit conducted within 12 months of the notification and are able to provide this to Lidl GB via the Sedex platform, a new audit will not be required.

Sites without a valid audit will be given a 3 month time frame to commission and upload an audit report on to the Sedex platform using an approved ethical audit body (see section 3.33). Audits typically take 1-2 days depending on the size and complexity of the site and includes site visit, interviews with staff and review of documentation.

Sites beyond Tier 1 will be risk assessed by Lidl GB and will be included in the scope of the ethical trade programme where deemed necessary. All sites rated 'high risk' will be re-assessed on an ongoing basis.

3.32 Which audits are accepted?

SMETA: All audits carried out must follow the most recent 'Sedex Members Ethical Trade Audit' (SMETA) methodology which encourages best practice based on the UN's Guiding Principles and includes details on the Modern Slavery Act for UK sites.

SMETA is an audit procedure which is a compilation of good practice in ethical audit technique, and is one of the most widely used ethical audit formats in the world. It is not a certification process. More information about the SMETA guidance can be found on the Sedex website.

We accept both SMETA '2 pillar' and '4 pillar' audits. In the instance that a supplying site has an existing social audit which is not in the SMETA format (e.g. BSCI or SA8000), the Lidl GB Ethical Trade Manager should be notified. These audits will be considered on a case-by-case basis.

Semi-announced audits: New audits should be commissioned on a "semi-announced" basis within a three-week period. Your selected audit body will be able to provide you with full details of this process. If there are any special circumstances that would make it difficult to arrange this audit on a semi-announced basis, please ensure that you contact Lidl GB's Ethical Trade Manager at csr@lidl.co.uk to discuss.

Lidl reserves the right to request unannounced audits.

3.33 Who can conduct an audit?

Third party audits: If you are required to commission an ethical audit, you must ensure that the audit is carried out by an organisation experienced in conducting social auditing. Therefore, you must select an audit body listed as a member of the Sedex Stakeholder Forum (SSF). A list of these organisations are available on the Sedex website.

If you would like Lidl GB to accept an audit carried out by an audit body not listed within the SSF please contact the Lidl GB's Ethical Trade Manager to request permission before booking the audit at csr@lidl.co.uk.

When arranging the audit it is important to specify to the audit body that the audit should be uploaded onto Sedex and shared with Lidl GB no later than 10 working days after the audit has taken place.

3.34 What happens following the audit?

Following a SMETA social audit, the audit report must be uploaded on to the Sedex platform by the audit body and published by the supplier within 5-10 working days. To validate the findings and any corrective actions taken, it is essential that the audit report is uploaded to Sedex by the audit body.

The audit report will be presented in line with the sections under the Ethical Trade Initiative (ETI) Base Code. Under each section any non-compliance / non-conformances (NCs) against the ETI Base Code, observations or examples of good practice viewed during the audit will be identified. All NCs agreed at the audit closing meeting will be outlined in the corrective action plan report (CAPR) along with agreed timeline for their closure.

Note: Once the audit has been uploaded to Sedex by the audit company, you must review the findings and publish the audit in order for Lidl and any other customers to see the audit information on Sedex.

3.4 Post-Audit Compliance

3.41 What happens if non-conformances/non-compliances (NCs) are identified during an audit?

Any NCs identified during the audit must be addressed by the site within the time frames agreed at the closing meeting. The NCs must be formally closed via the Sedex platform (either through desktop review or follow-up audit). In order to do this:

- a) evidence of corrective actions taken against the NC must be uploaded by the site to Sedex; and
- b) submitted to the auditor, and
- c) the site should then contact the auditor to review the evidence/close the NC on Sedex

Important: This process should be communicated during the audit but it is not always followed, causing delays in the process. It is the responsibility of the supplier to ensure that all corrective actions are uploaded to Sedex and non-compliances are closed by the audit body.

3.42 Grading of audits

Lidl applies a grading system to all audits shared on Sedex, irrespective of the site's risk rating and whether the audit was requested by Lidl. The number and 'criticality' of the NCs will determine whether the audit is graded Gold, Silver, Bronze or Red.

Lidl uses the criticality levels of non-compliances determined by the SMETA non-compliance guidelines, which can be downloaded from the Sedex eLearning centre. The below grading matrix determine a site's audit grade:

Grade	Criteria
Gold	No Business Critical, Critical or Major NCs; and Fewer than 4 minor NCs
Silver	No Business Critical or Critical NCs; and Fewer than 4 Major NCs; and Fewer than 10 Minor NCs
Bronze	No Business Critical or Critical NCs; 4-9 Major NCs; or 10+ Minor NCs
Red	1+ Business Critical or Critical NCs; or 10+ Major NCs

All 'Red' audits will be escalated internally at Lidl GB according to the type of non-compliances identified.

3.43 Grading of overdue non-conformances

Lidl uses Sedex to actively review and monitor outstanding NCs for all audited sites, including those audits that were not requested by Lidl. Once the auditor's recommended time frame for resolving any NCs has passed, sites will be rated 'Red' against our ethical sourcing programme if any of the following circumstances apply:

- 1+ 'Business Critical' issues remain open; or
- 1+ 'Critical' issues remain open; or
- 5+ 'Major' issues remain open

All 'Red' sites will be monitored and escalated internally at Lidl GB according to the type of non-compliances identified.

We expect our suppliers to take a proactive approach to managing ethical trade issues and we encourage you to build capability to help address specific areas you find challenging, or to understand best practice in areas such as responsible recruitment, health and safety, equality and diversity, working hours and identifying labour exploitation. For further guidance please refer to the 'Ethical Trade Training Resources for Suppliers' document on [our website](#).

3.44 Derogations and exceptions

In exceptional circumstances a derogation may be given for specific non-conformances if they cannot be resolved on the Sedex platform within the agreed time period. These must be agreed in writing between the supplier and Lidl GB's Ethical Trade Manager. If the derogation is being requested for other customers in addition to Lidl, we will accept a copy of the Sedex common derogation form. Derogations will be taken into account when measuring supplier compliance to the ethical sourcing programme.

Mobile Technology

Lidl may also use mobile technology to survey workers, either as part of the audit process or as an alternative method of ensuring the objectives of the Code of Conduct are met. You will be contacted if your site is selected to take part in a mobile technology survey.

APPENDIX A: PROCESS OVERVIEW

Figure 1. Lidl GB's Ethical Sourcing Programme – Process overview

