

# Tesco Forest Risk Commodities Mapping (Palm and Soy)

August 2021

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# Introduction

As part of our Little Helps Plan, and through our membership of the Consumer Goods Forum, Tesco is committed to achieving zero deforestation throughout our value chain, including our sourcing of palm oil and soy.

While certification status is an important starting point for delivering our commitment, we recognise the importance of mapping further information about the palm oil and soy used in our supply chain. This includes countries of origin and the names of the companies responsible for importing these commodities into the markets where we operate. This visibility helps us to achieve our zero deforestation objectives at both geographic and industry levels.

Palm oil and soy are globally traded commodities used within our supply chain. This includes palm oil used as an ingredient in a finished product or soy in animal feed for meat or dairy products. However, the complexity of these supply chains can limit visibility and traceability to specific countries or importing companies.

In order to improve our transparency, we engage our direct product suppliers to map as much of this information as possible. The following slides present palm oil and soy mapping results so far based on data from the 2020 calendar year.

We will continue to work with our suppliers to further refine the data to support our progress towards achieving our deforestation free commitments.

# Engagement Actions

# Palm Oil

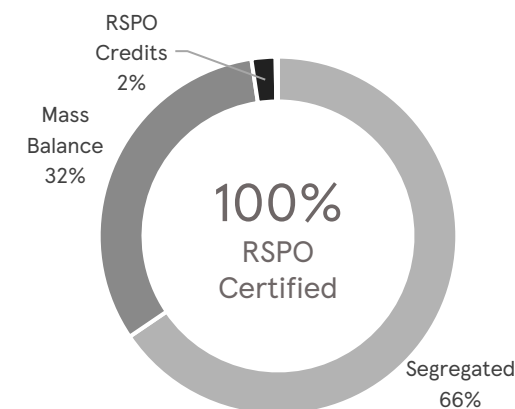
Tesco is a founding member of the Palm Oil Transparency Coalition (POTC). Through our current role as Chair of this group, we have been able to effectively engage and work with the traders present in our supply chain.

Some of the key successes of the group have included:

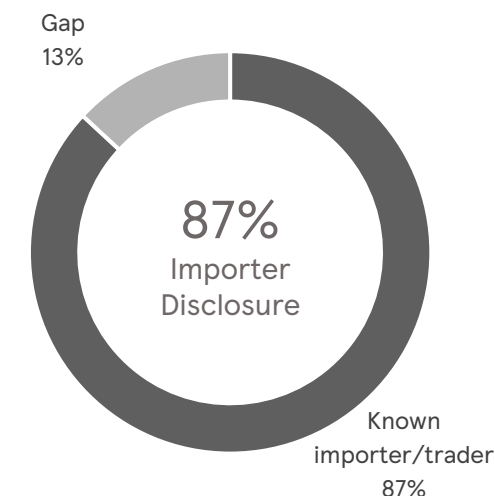
- Pushing traders to publicly disclose their mill lists for the first time.
- Pooling together with our competitors and peers to harmonise the approach and asks we have for palm growers, processors, and traders.
- Establishing a connection with two NGO Advisory Partners to provide a mirror for our own operations whilst providing additional expert insight into the challenges and opportunities facing the palm oil sector.

We also work through the [Tesco-WWF Partnership](#) to identify opportunities for further work and engagement.

## RSPO Certification Status



## Importer Disclosure



# Soy

The soy that is sold as part of our products – such as soy milk, tofu, and other vegetarian meals – contributes less than 1% of our soy footprint. The remaining 99% is present via animal feed that is used to produce the livestock-based products we sell, such as chicken and cheese. Mapping these supply chains is inherently more complex as the companies we buy from often do not handle soy themselves, but rather buy products that were fed soy several links away from their own operations.

For the past three years we have engaged in detailed mapping and capacity building in our supply chain to improve the disclosure we have from the upstream actors in our supply chain. We began this process with our UK supply chain first, where we now have achieved 47% disclosure from the traders. We also recognize there is more work to do in bridging the gap across the Tesco Group.

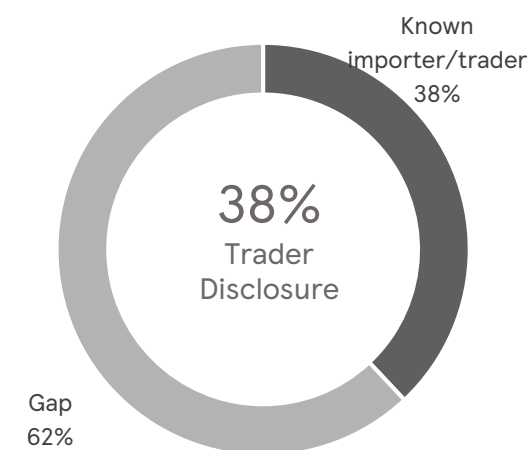
Tesco is the co-chair of the Statement of Support for the Cerrado Manifesto (SoS Group). Over the past year we have convened the forum to engage privately with all the major European soy traders to adopt cut-off dates for all forms of deforestation and land conversion throughout their operations.

At the same time, in 2020 we spearheaded the creation of a new Soy Transparency Coalition (STC) to consolidate the ask coming from livestock producers, food manufacturers, brands, and retailers through a standardised questionnaire and assessment process. The success of this group led to the first private disclosure of soy sourcing origins for a trader for their whole supply chain. In July 2021 we communicated the requests of the Forest Positive Coalition to 100% of the known and likely indirect companies in our supply chain via the STC.

## Deforestation Free Compliance



## Trader Disclosure



# Tesco UK (excluding subsidiaries)

# Palm Oil Policy

Tesco is committed to zero-net deforestation in our sourcing of palm oil. As members of the Consumer Goods Forum (CGF) we committed to achieve this by 2020. Tesco is also a member of the Roundtable on Sustainable Palm Oil (RSPO) which supports sustainable palm oil production, and we delivered on our 2020 ambition by sourcing 100% RSPO certified oil for Tesco Own Brand products.

Beyond our supply chain, we work collectively at an industry level and with other stakeholders (such as NGOs and governments), because we recognise that developing the right conditions for a sustainable palm oil market requires effective collaboration. Our approach to contributing to zero-net deforestation in palm oil follows our Improve-Transform-Advocate approach.

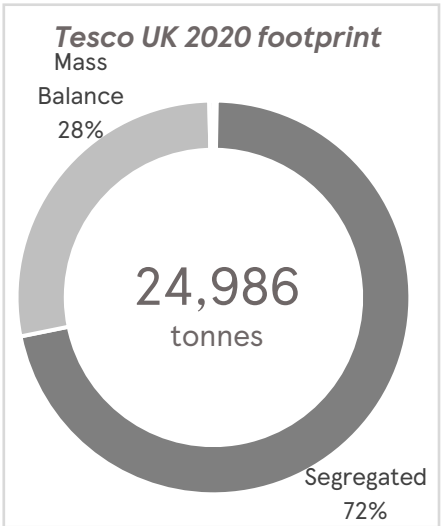
For more detailed information on Tesco's approach to driving sustainability in palm oil and our results for the 2020 reporting year, see [Sourcing Palm Oil Responsibly](#)



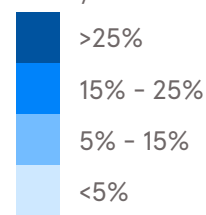
# Where our UK palm oil comes from

## UK Palm Oil

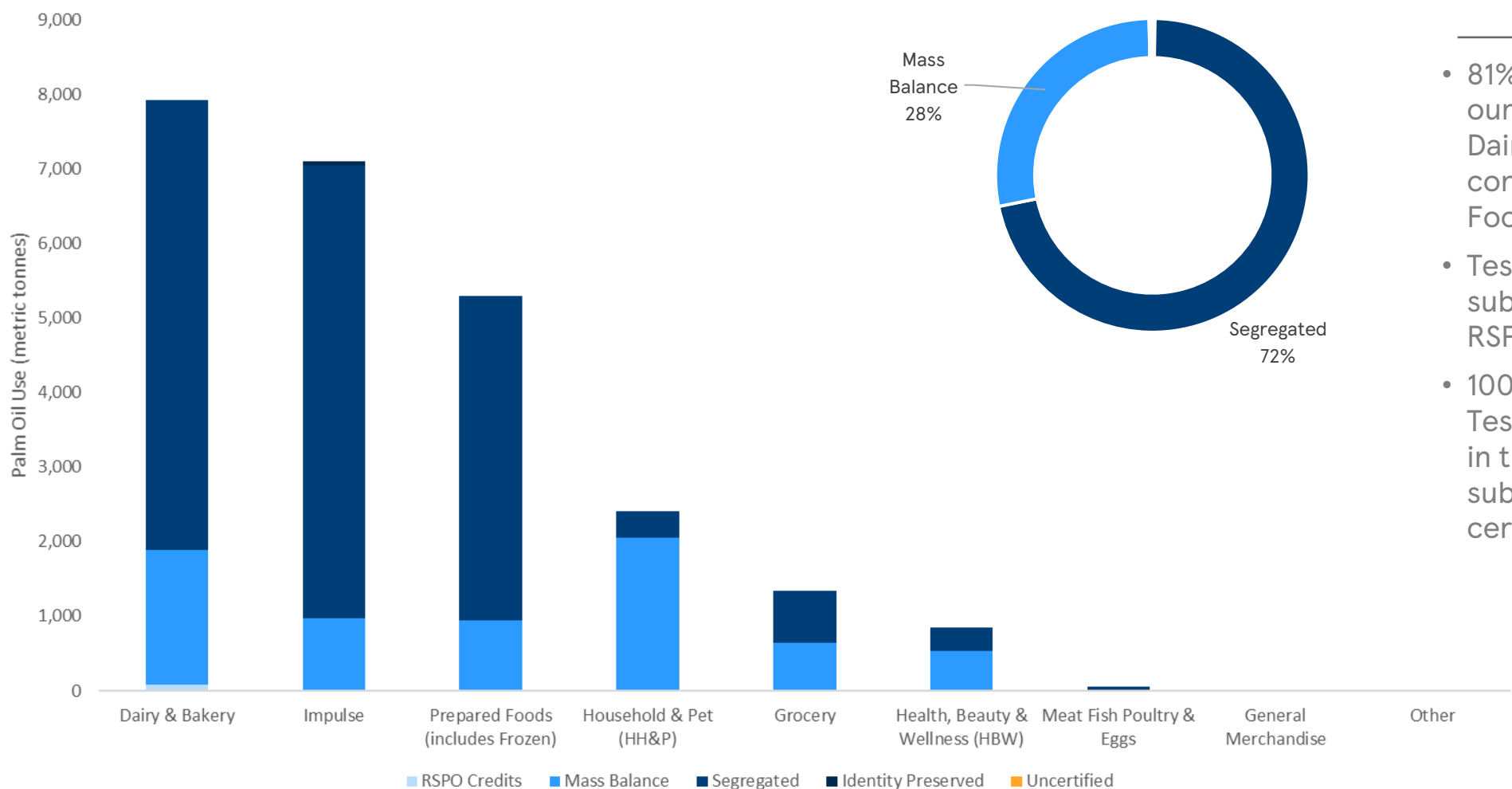
- Global annual production of palm oil is 75 million tonnes.
- 2019 UK annual imports 475,000 tonnes.
- Tesco Own Brand products use 6% of all palm oil imported into the UK.
- 100% palm oil in Tesco UK Own Brand products is RSPO certified - 72% of is from Segregated sources.



% of supply from each country



# Where palm oil is present in our UK own brand products



## UK Palm Oil

- 81% of our palm oil is used in our top three categories: Dairy & Bakery, Impulse (e.g. confectionary), and Prepared Foods.
- Tesco UK, including subsidiaries, is 66% certified RSPO segregated.
- 100% of the palm oil used in Tesco own-brand products in the UK, including subsidiaries, is RSPO certified.

# UK Palm Oil – Mapping Results Overview

Volume (tonnes)	Country of Origin	Sub-National Origin (where known)	Importers
8,315	Papua New Guinea, the Solomon Islands	West New Britain, Ramu Valley, Milne Bay, Poliamba and Higaturu (PNG); Guadalcanal Province (Solomon Islands)	Sime Darby & New Britain Palm Oil
4,137	Indonesia, Malaysia	Sabah (Malaysia)	AAK
1,763	Indonesia	Not yet attributable	Cargill
1,089	Malaysia, Indonesia, Colombia, Honduras	Cesar and Magdalena (Colombia)	Olenex
916	Not yet attributable	Not yet attributable	Stepan
5,804	Not yet attributable	Not yet attributable	Various low volume importers (BASF, KLK, Bunge, Olympic Oils, Olam and others).
2,962	Not yet attributable	Not yet attributable	Not yet attributable

\*Not yet attributable = Volumes not currently attributable to a specific importer and/or origin.

# UK Palm Oil – Importer Assessments

Known Importers (% share)	Public Transparency	Link to Transparency	Status of Action
Sime Darby & New Britain Palm Oil (33%)	Mill list provided	Published <a href="#">mill list</a>	All fully segregated and RSPO certified
AAK (17%)	Mill list provided	Published <a href="#">mill list</a>	POTC engagement
Cargill (7%)	Mill list provided	Published <a href="#">mill list</a>	POTC engagement
Stepan (4%)	None	None	POTC engagement
Olenex & Wilmar (4%)	Mill list provided	<a href="#">Refineries</a> map with associated mills	POTC engagement
Various low volume (11%)	Not yet attributable	Not yet attributable	Supplier engagement to separate traders
Not yet attributable (24%)	None	None	Supplier engagement to map non-attributable volumes

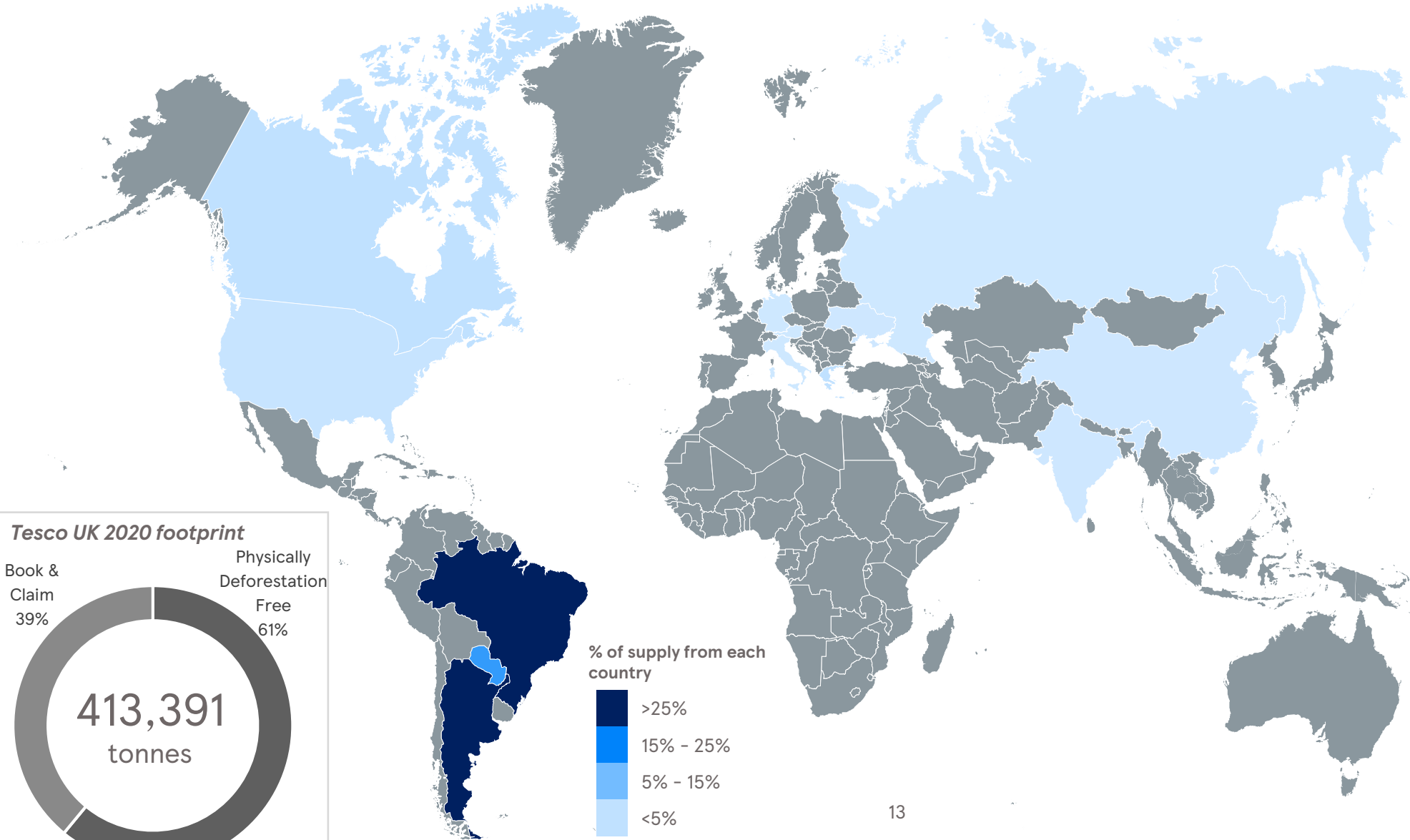
\*Not yet attributable = Volumes not currently attributable to a specific importer and/or origin.

POTC = The [Palm Oil Transparency Coalition](#) provides an annual ranking of the zero deforestation performance of palm oil importers across their entire operations to enable members of the coalition, like ourselves, to ensure that our suppliers are sourcing palm oil from companies that are making progress on their zero deforestation commitments beyond the RSPO certified palm oil supplied to us.

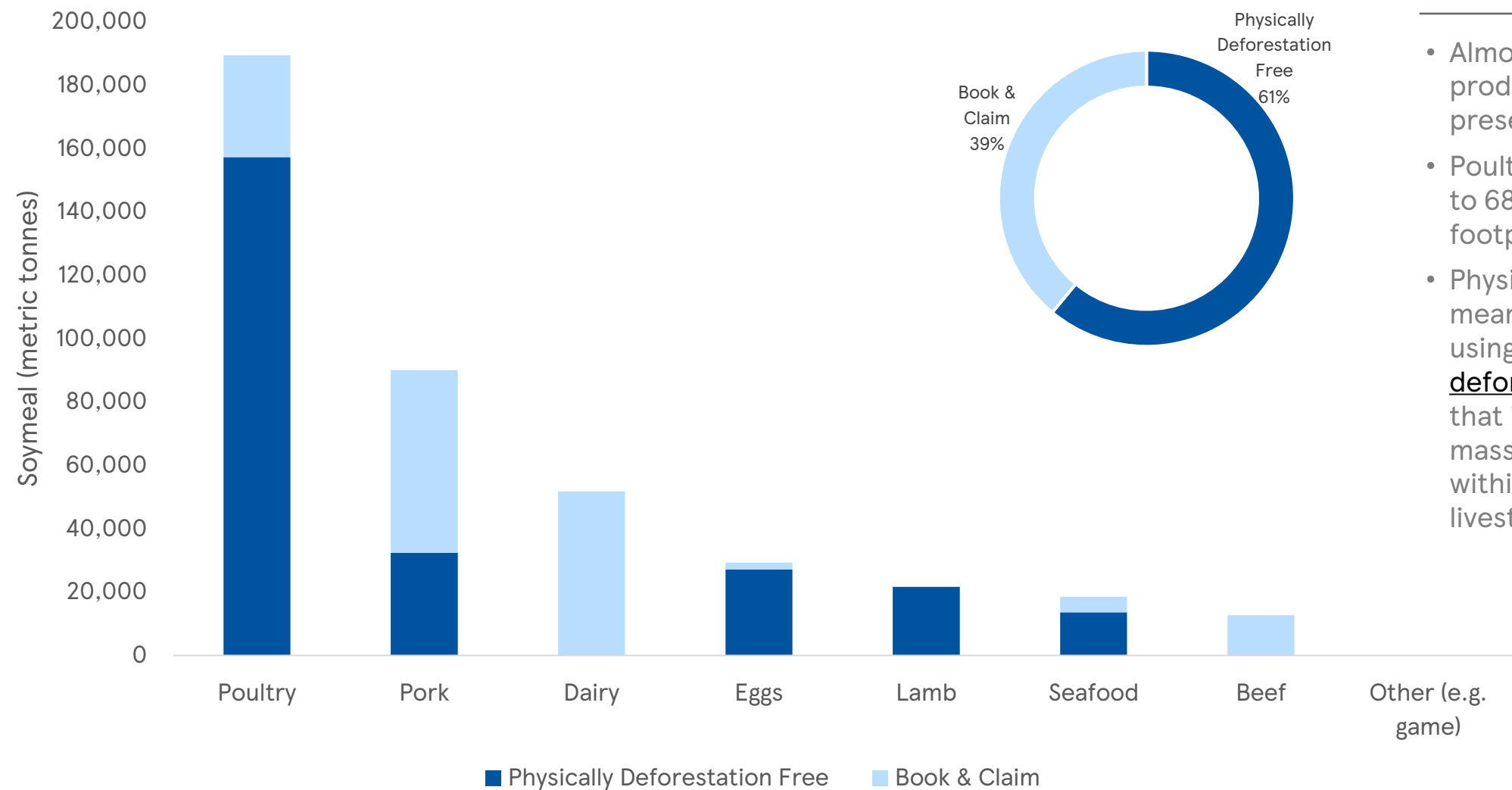
# Where our UK soymeal comes from

## UK soymeal

- Global production of soybean is 333 million tonnes
- Approximately 2.6 million tonnes of **soymeal (as animal feed)** is used in UK supply chains
- Tesco represents 16% of the UK's soymeal footprint
- We estimate that more than 87% comes from South America based on our latest data
- 61% is compliant with Tesco policy for physically deforestation free by 2025 as being certified to a mass balance, area mass balance, or segregated supply chain.
- Tesco UK continues to implement its UK Zero Deforestation Soy Transition Plan.



# Where soymeal is used as animal feed (UK)



## UK Soy Use

- Almost all soy used in our products is indirectly present within animal feed.
- Poultry and pork contribute to 68% of our total footprint.
- Physically deforestation free means our supply chain is using a Tesco-compliant deforestation free standard that is mass balance, area mass balance, or segregated within the supply chain to livestock production.

# UK Soy – Mapping Results Overview

Volume (tonnes)	Country of Origin	Sub-National Origin (where known)	Importers
95,358	Argentina, Brazil, Paraguay	Atlantic Forest region (Paraguay)	Cargill
40,153	Argentina, Brazil, USA, Canada	Not yet attributable	Cefetra
14,503	Brazil, Paraguay	Mato Grosso (Brazil)	ADM
775	Brazil	Mato Grosso (Brazil)	Caramaru
262,602	Not yet attributable	Not yet attributable	Not yet attributable

\*Not yet attributable = Volumes not currently attributable to a specific importer and/or origin.

# UK Soy – Importer Assessments

Known Importers (% share)	Public Transparency	Link to Transparency	Status of Action
Cargill (22%)	High risk sourcing area disclosure	<a href="#">Published sourcing from high-risk areas in Brazil</a>	Importer engagement; <a href="#">public statement</a> on support of the SoS Cerrado to achieve an effective industry approach
Cefetra (10%)	None	<a href="#">Sourcing predictions/Annual Progress Report</a>	Majority of soy from Cefetra is being supplied with an area mass balance certification to their Certified Responsible Soy (CRS) standard.
ADM (4%)	High risk sourcing area disclosure	<a href="#">Published sourcing from high-risk areas in Brazil</a>	Importer engagement; support for the SoS Cerrado stated in <a href="#">Soy Progress Report</a>
Caramaru (<1%)	None	None	
Not yet attributable (64%)	None	None	Supplier engagement to map non-attributable volumes

\*Not yet attributable = Volumes not currently attributable to a specific importer and/or origin.

[The Statement of Support \(SoS\) for the Cerrado](#) is a collaboration of over 100 of the world's biggest food companies and investors working with local and international stakeholders to achieve an effective industry-wide approach to zero deforestation soy in the Brazilian Cerrado.



# Soy Policy & Landscape Engagement

Soy represents Tesco's largest environmental footprint. Our equally large ambition is that all soy used as animal feed in our UK supply chain is sourced from areas which are verified as zero deforestation by 2025. Beyond our supply chain, we work collectively at an industry level and with other stakeholders (such as NGOs and governments), because we recognise that developing the right conditions for a sustainable soy market requires effective collaboration.

Tesco recognises that achievement of our ambitious 2025 target will have to be approached in phases;

Phase 1 : transition to zero deforestation soy credits schemes, starting in 2018

Phase 2 : transition to Area Mass Balance (or Mass Balance) certified soy, by end of 2020

Phase 3 : transition to sourcing from verified zero deforestation areas, by 2025

To help achieve Phase 3, we have been leading industry efforts to make the Cerrado a verified zero deforestation area for soy. In 2019, we were the first company to commit to the funding needed to end deforestation from soy in the Cerrado with a £10 million contribution to the Cerrado Funding Coalition. We are now working with Brazilian and international stakeholders to advance industry progress towards making the Cerrado a verified zero deforestation area.

For more detailed information see: [Sourcing Soy Responsibly](#)

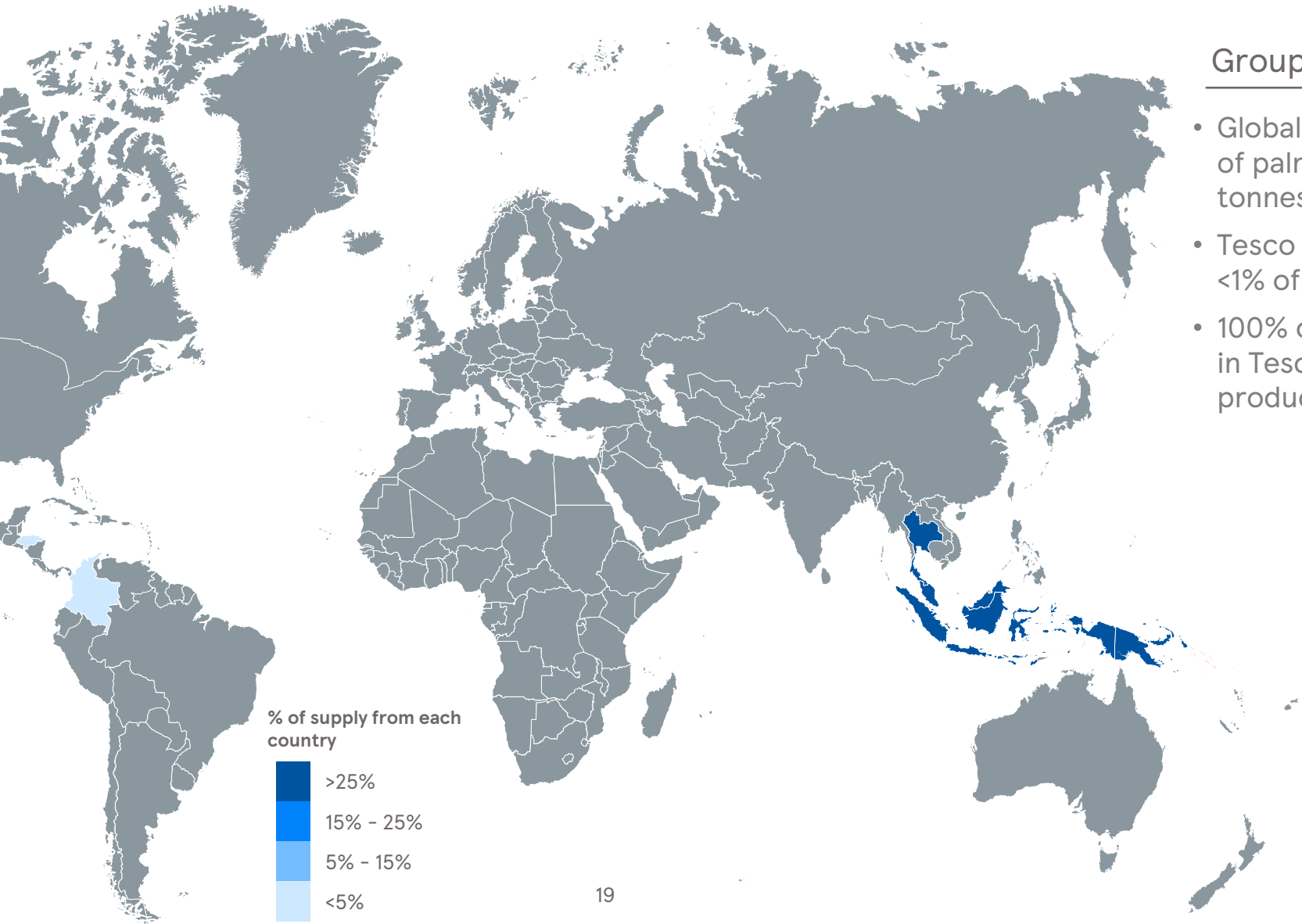
# Tesco Group

(UK, Republic of Ireland & Central Europe)

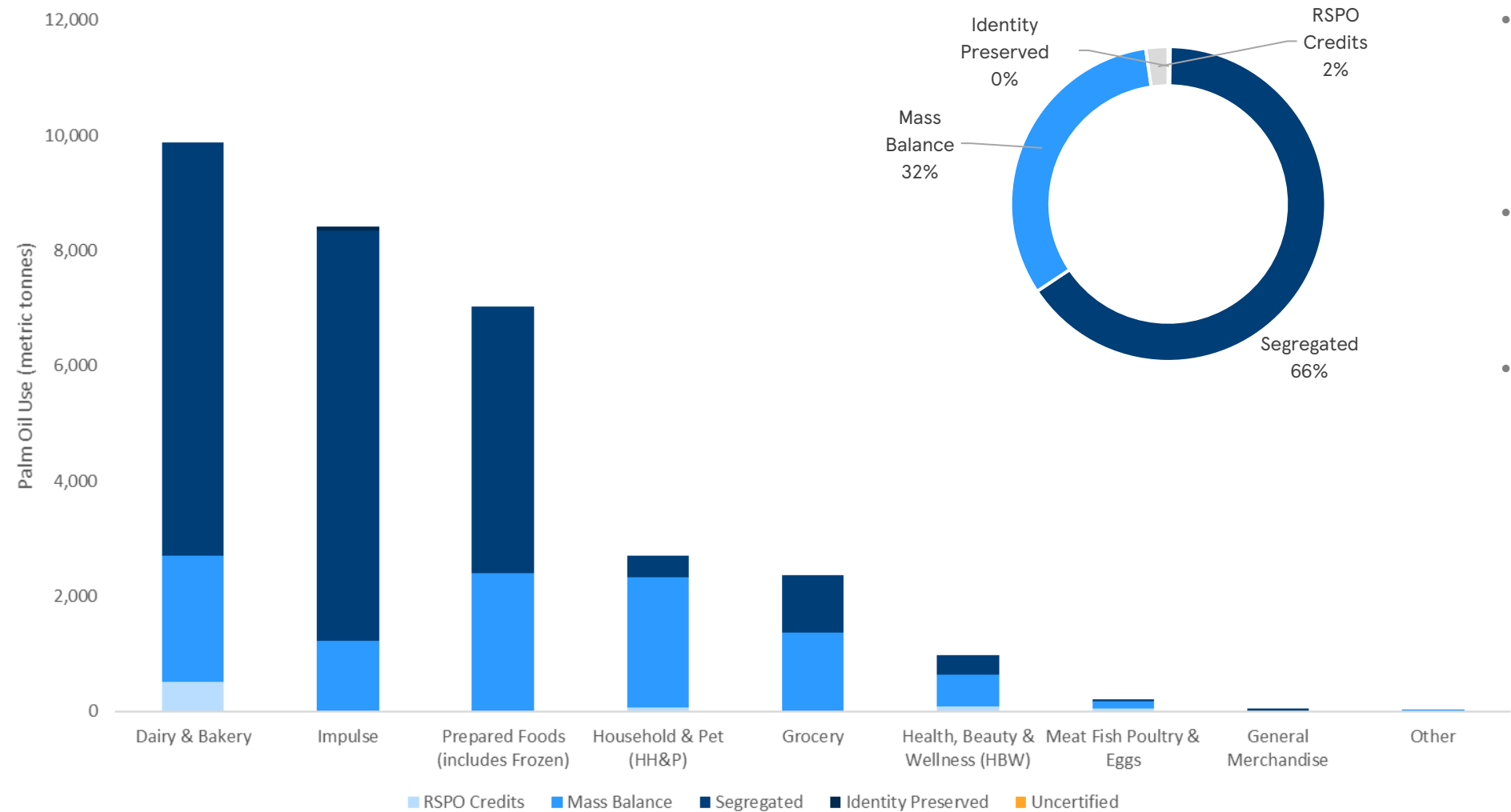
# Where our Group palm oil comes from

## Group Palm Oil

- Global annual production of palm oil is 75 million tonnes.
- Tesco Group represents <1% of global palm oil use.
- 100% of the palm oil used in Tesco Group own-brand products is RSPO certified.



# Where palm oil is present in our Group own brand products



## Group Palm Oil

- 80% of our palm oil is used in our top three categories: Dairy & Bakery, Impulse (e.g. confectionary), and Prepared Foods.
- 79% of Group palm oil use is in our UK own brand products, excluding subsidiaries.
- 100% of the palm oil used in Tesco own-brand products throughout the Tesco Group, including subsidiaries, is RSPO certified.

# Group Palm Oil – Mapping Results Overview

Volume (tonnes)	Country of Origin	Sub-National Origin (where known)	Importers/Producers
9,555	Indonesia, Malaysia, Papua new Guinea, Solomon Islands, Liberia	Central Kalimantan, Central Sulawesi, Jambi, Riau, South Kalimantan, South Sulawesi, West Kalimantan, Johor, Kedah, Malacca, Negeri Sembilan, Pahang, Perak, Sabah, Sarawak, Selangor	Sime Darby & New Britain Palm Oil
4,919	Indonesia, Malaysia	Sabah (Malaysia)	AAK
3,170	Indonesia, Malaysia	Not yet attributable	Cargill
1,290	Indonesia, Malaysia, Colombia	Cesar and Magdalena (Colombia)	Olenex & Wilmar
1,082	Indonesia, Malaysia	Not yet attributable	Stepan
211	Indonesia, Malaysia	Not yet attributable	Bunge
7,229	Not yet attributable	Not yet attributable	Various low volume importers
4,139	Not yet attributable	Not yet attributable	Not yet attributable

\*Not yet attributable = Volumes not currently attributable to a specific importer and/or origin.

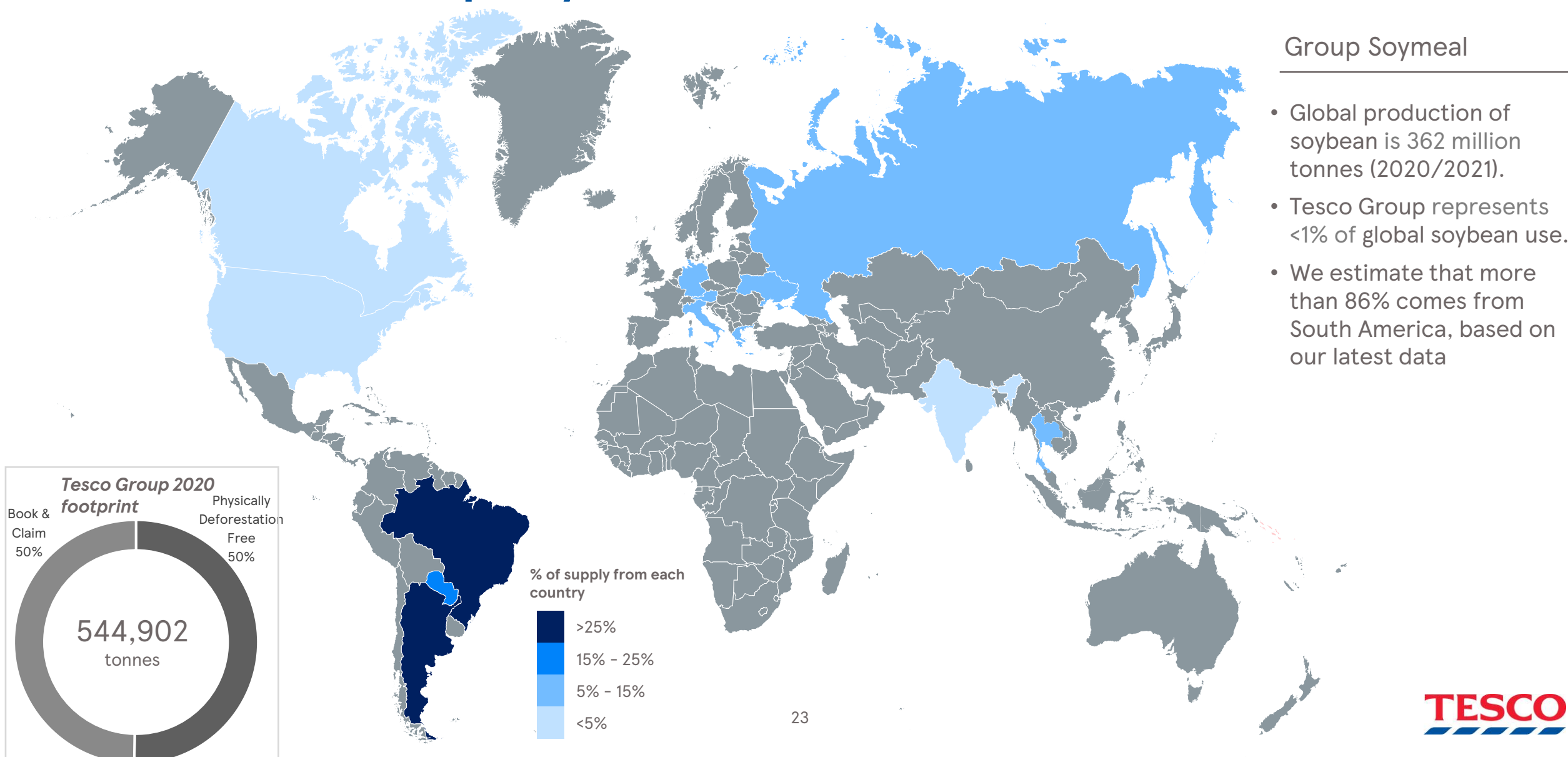
# Group Palm Oil – Importer Assessments

Known Importers (% share)	Public Transparency	Link to Transparency	Status of Action
Sime Darby & New Britain Palm Oil (30%)	Mill list provided	Published <a href="#">mill list</a>	POTC engagement
AAK (16%)	Mill list provided	Published <a href="#">mill list</a>	POTC engagement
Cargill (10%)	Mill list provided	Published <a href="#">mill list</a>	POTC engagement
Olenex & Wilmar (4%)	Not disclosed	Published <a href="#">mill list</a>	POTC engagement
Stepan (3%)	Not disclosed	None	POTC engagement
Bunge (1%)	Mill list provided	Published <a href="#">mill list</a>	POTC engagement
Various low volume importers (23%)	None	None	Supplier engagement
Not yet attributable (13%)	None	None	Supplier engagement to map non-attributable volumes

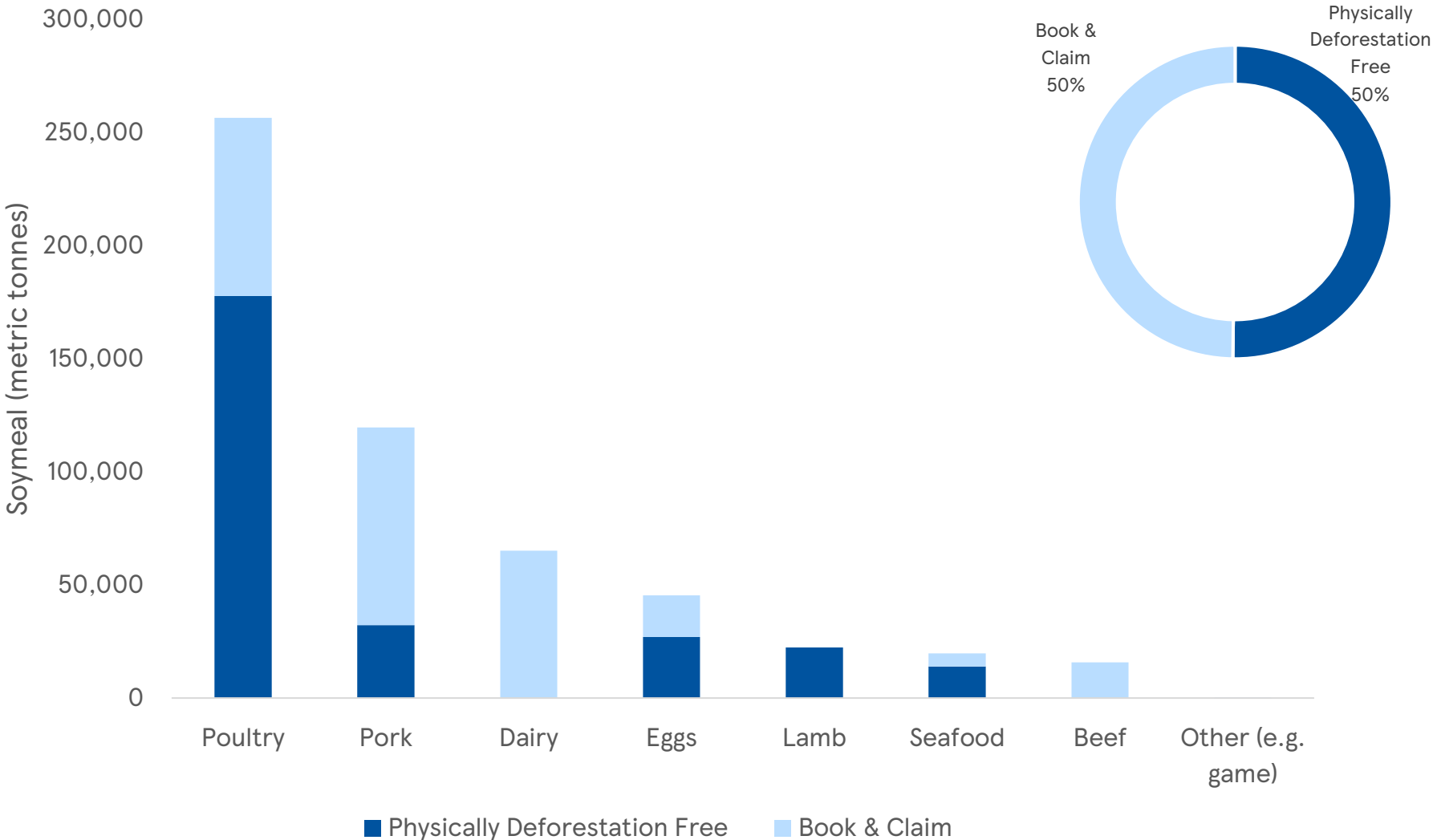
\*Not yet attributable = Volumes not currently attributable to a specific importer and/or origin.

POTC = The [Palm Oil Transparency Coalition](#) provides an annual ranking of the zero deforestation performance of palm oil importers across their entire operations to enable members of the coalition, like ourselves, to ensure that our suppliers are sourcing palm oil from companies that are making progress on their zero deforestation commitments beyond the RSPO certified palm oil supplied to us.

# Where our Group soymeal comes from



# Where soymeal is used as animal feed (Tesco Group)



## Tesco Group Soy Use

- Almost all soy used in our products is indirectly present within animal feed.
- Poultry and pork contribute to 69% of our total footprint.
- Physically deforestation free means our supply chain is using a Tesco-compliant deforestation free standard that is mass balance, area mass balance, or segregated within the supply chain to livestock production.





# Group Soy – Mapping Results Overview

Volume (tonnes)	Country of Origin	Sub-National Origin (where known)	Importers
95,519	Brazil, Argentina, Paraguay	Multiple	Cargill
44,094	Brazil	Not yet attributable	Cefetra
14,860	Brazil, Argentina, Paraguay	Multiple	ADM
806	Brazil	Mato Grosso, Goias	Caramaru
53,486	Multi-origin	Not yet attributable	Various low volume importers
336,137	Not yet attributable	Not yet attributable	Not yet attributable

\*Not yet attributable = Volumes not currently attributable to a specific importer and/or origin.

# Group Soy – Importer Assessments

Known Importers (% share)	Public Transparency	Link to Transparency	Status of Action
Cargill (18%)	High risk sourcing area disclosure	<a href="#">Published sourcing from high-risk areas in Brazil</a>	STC engagement, direct requests for adoption of a cut-off date for legal and illegal conversion across their group operations
Cefetra (8%)	None	<a href="#">Sourcing predictions/Annual Progress Report</a>	Majority of soy from Cefetra is being supplied with an area mass balance certification to their Certified Responsible Soy (CRS) standard. STC engagement.
ADM (3%)	High risk sourcing area disclosure	<a href="#">Published sourcing areas</a>	STC engagement, direct requests for adoption of a cut-off date for legal and illegal conversion across their group operations
Caramaru (<1%)	None	None	STC engagement, direct requests for adoption of a cut-off date for legal and illegal conversion across their group operations
Various low volume importers (8%)	None	None	
Not yet attributable (62%)	None	None	Supplier engagement to map non-attributable volumes

\*Not yet attributable = Volumes not currently attributable to a specific importer and/or origin.

STC = The [Soy Transparency Coalition](#) is a pre-competitive coalition that aims to help supply chain companies and investors overcome transparency challenges in the soy sector to deliver a sustainable production system.

# Pulp, paper and fibre-based packaging

Tesco has made a public commitment that all paper and board used will be 100% sustainable by 2025

**Our KPI is: Percentage of paper and board packaging that is certified sustainably sourced or from recycled materials**

We are committed to sourcing sustainable paper and board used in our packaging however industry-collected data on paper and board remains insufficiently robust to publish.

We are working closely with our compliance partner Valpak to improve this so we can report in future years.

For more information on our progress in sustainable packaging please follow the links here: [Tesco Policies](#)

# Accounting method

Each year we engage all our direct suppliers on commodity reporting for soy and palm oil through a collective approach with other retailers. This process is conducted by an independent 3<sup>rd</sup> party – 3Keel LLP – where the following information is collected and validated for our reporting for each commodity:

## Palm Oil

- All suppliers of products directly containing palm oil, palm kernel oil, palm kernel expeller, or any derivatives and fractions, must report annually on their use.
  - Consistent with RSPO reporting rules, processing aids are not included in these figures.
- RSPO certification claims are made by the supplier and are validated against the RSPO Chain of Custody certificate database to ensure that the final manufacturing site is able to pass on this claim to our company. This check includes ensuring that only suppliers with relevant levels of Chain of Custody certification may pass on these claims to us.
- Evidence of the purchase of certified material consistent with the claim being made are reviewed.
- Trader disclosure is requested for first European importer.
- RSPO Credits are used to cover any volumes where the supplier is unable to provide sufficient evidence to us.

## Soy

- All suppliers of livestock-based products (e.g. dairy, chicken) are required to report on their annual supply to our company in one of two ways:
  - Livestock producers – use of soy in animal feed for our production (direct soy volume)
  - Manufacturers – volume of livestock-based products supplied to our company. Where the amount of soy used is not known, we apply relevant conversion factors to estimate our soy use based on the country of production.
- Origin and deforestation free certification claims are assessed against our Soy Roadmap to validate supplier declarations.
- For RTRS, we require that suppliers transfer the use of RTRS Credits to the Tesco account.