

# Farming and sustainable agriculture.

## Why It Matters.

A sustainable agricultural supply chain needs to be economically viable, socially responsible and ecologically sound. The global food sector is responsible for over one third of greenhouse gas (GHG) emissions<sup>1</sup>, requires 70% of our freshwater resources<sup>2</sup>, contributes to the pollution of waterways and is responsible for over 60% of global biodiversity loss<sup>3</sup>. Ensuring everyone has access to a healthy, nutritious diet in a way that's ethically produced, good to the environment, and economically sustainable is one of the greatest challenges facing the farming sector. Through sustainable farming, our supply chains can be part of the solution.

## Relevant Sustainable Development Goals (SDGs).



**SDG 2 Zero Hunger** promotes sustainable agriculture. Target 2.4 aims to ensure sustainable food production systems and implement resilient agricultural practices that increase productivity while helping maintain ecosystems, strengthening capacity for adaptation to climate change and improving land and soil quality.



**SDG 6 Clean Water and Sanitation** aims to ensure the availability and sustainable management of water and sanitation for all. Target 6.4 focuses on increasing water efficiency and ensuring sustainable water withdrawals to address water scarcity. It is vital that across our operations and supply chain we safeguard water for the future.



**SDG 12 Responsible Production and Consumption** focuses on achieving the sustainable management and efficient use of natural resources and reducing waste and associated environmental damage. Our sustainable agriculture agenda promotes sustainable production, efficiency and waste minimisation.



**SDG 15 Life on Land** aims to protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss. We are committed to promoting a food production system that is compatible with ecosystem and biodiversity protection.



**SDG 17 Partnership for the Goals** recognises the importance of collaboration. Our policies, strategies and commitments in relation to sustainable agriculture, responsible farming and animal welfare have been developed with the input, knowledge and expertise of our colleagues, farmers, suppliers and NGO partners.

## Highlights.

Began the roll out of LEAF Marque certification scheme across entire global produce supply chain supplying the UK.

Expanded Group net zero target to include full value chain (Scope 1,2 and 3), aligned to 1.5C trajectory.

Number 1 retailer, and 7<sup>th</sup> overall, within the 2021 World Benchmarking Alliance Food & Agriculture Benchmark.

<sup>1</sup> UN

<sup>2</sup> Our World in Data

<sup>3</sup> Chatham House

# Our Approach.

**Our sustainable agriculture and responsible farming agenda promotes food production that is compatible with protecting the climate, biodiversity, water resources and soil health while also being ethical and economically sustainable.**

We expect all our largest suppliers to have their own sustainable agriculture strategies which address their most material farm-level impacts and risks, and we work with them to share best practice and build farm-level management plans to improve environmental, economic and welfare outcomes.

Knowledge in the area of sustainable agriculture and responsible farming is constantly developing, with growing awareness of the relevant factors, inter-dependencies and trade-offs. Tesco works to navigate these complexities, looking to determine the most valuable role we can play in transforming the food production system to work with the environment, whilst ensuring high animal welfare standards and supporting farmers commercially.

We are taking action to promote sustainable agriculture, animal welfare and protect nature by:

## Supporting farmers

Our aim is to be British agriculture's most trusted partner, to secure the future of farming, food and fisheries. We work with tens of thousands of suppliers and producers to offer quality, healthy and sustainable products at affordable prices, including:

- **Promoting sustainable production** through the Tesco Sustainable Farming Groups (TSFG) and Agriculture Produce Forums by sharing best practice, coordinating trials, supporting with data collection and benchmarking and supporting the cost of new innovations.
- **Supporting farmers and suppliers** to help to protect our supply chains from the headwinds we're currently experiencing and build confidence in the short-term so that our supplier partners can invest and plan for the future. This is especially important when it comes to sustainability and innovation – two key ingredients for long-term growth in the food sector. For example, in May we [announced £10m in extra funding](#) for UK pig farmers as the industry continues to face challenges related to increases in on-farm costs including feed such as wheat and soya. We've also set up a fair and transparent feed cost model for our own brand egg and poultry suppliers which adjusts to price changes

in the market and provides suppliers with the protection and security they need when buying feed.

- **Fostering collaboration and knowledge sharing through our TSFGs** by designing 'sustainability scorecards' which our farmers use to measure progress and benchmark across a range of key metrics, including production, animal welfare, antibiotic use and the environment.
- **Encouraging innovation, research and development** by supporting some of the most promising early-stage agri-tech innovators through the [Tesco Agri-T Jam](#) and pairing pioneering start-ups with Tesco suppliers through [Innovations Connections](#).
- **Communicating and connecting with suppliers through the Tesco Supplier Network**, an online community that enables suppliers to discuss sustainable practices.



See how we are supporting farmers to improve sustainable practices [here](#).

## Ensuring high animal welfare standards

Rearing livestock well and ensuring that high welfare standards apply throughout the animal's life are vital to ensuring high quality products we can be proud of. We also recognise the importance of animal health as part of an overall approach to minimising farm gate losses and net food wastage.

- **Tesco Welfare Approved (TWA) livestock requirements**, which are species specific and follow the Five Freedoms proposed by the [Farm Animal Welfare Committee](#), ensure transparency across our supply chains and are designed and regularly reviewed to drive improvement.
- **All farms must comply with a recognised farm assurance scheme**, such as Red Tractor, in addition to meeting our TWA requirements.
- We are committed to the **reduction in antibiotic usage** as part of the Food Industry Initiative on Antimicrobials (FIIA) and publicly [report progress](#).
- **We do not support, commission or carry out animal testing** on any of our products or the ingredients they contain, and nor do our suppliers on our behalf.



Read about our approach to animal welfare [here](#).

## Protecting nature and regenerating our soils

Tesco is committed to protecting and restoring nature as we strive to tackle both the climate and nature crises. Through habitat creation and regenerative farming practices, both biodiversity and soil health can be improved, both of which are critical for food production, security and resilience. To support the transition to regenerative practices we are:

- **Strengthening the environmental standards for our products** with the adoption of the global [LEAF Marque Standard](#). Implementation of the LEAF Marque is currently being rolled out across our entire global produce supply chain, with all UK growers to be certified by the end of 2022 and the rest of our global grower base from 2023, with the aim of completing the transformation by 2025.
- **Collaborating to transform the industry** by supporting on-farm tools like [the Sustainable Food Trust's Global Farm Metric](#), working with the [Taskforce on Nature-Related Financial Disclosures \(TNFD\)](#) and [Science-Based Targets for Nature initiative](#) to ensure businesses around the world can accurately report and account for nature loss in our supply chains.
- **Working with WWF and the retail sector** to halve the environmental impact of the average UK shopping basket by spearheading WWF's Sustainable Basket Metric, promoting industry-wide change across our agricultural supply chains.
- **Helping our agricultural suppliers improve their impact measurement** through tools such as the [Cool Farm Tool](#), funding farmers from our Tesco Sustainable Lamb Group (TSLG) and Tesco Sustainable Beef Group (TSBG) to calculate their carbon footprint with [Agrecalc](#) and the carbon assessment consultancy we provide for our [Tesco Sustainable Dairy Group \(TSDG\)](#).
- **Working with our suppliers to protect and regenerate soil structure and reduce erosion** with soil-friendly on-farm practices, such as cover cropping. As an example, we have worked with our biggest potato supplier in the UK, Branston, to subsidise cover crops for farmers across 420 hectares of potato fields.
- **Driving collective industry action** to protect our waterways and riparian habitats, including through [Courtauld 2030 Commitment](#).



[Read about our approach to tackling deforestation here.](#)

### Working collaboratively to protect global water sources

As a key signatory to the [Courtauld 2030 Commitment](#), we are aiming for 50% of all fresh food in the UK to be sourced from areas of sustainable water management by 2030. In support of this ambition we:

- **Support WWF and the Rivers Trusts** in catchment scale action in key landscapes across the UK and globally. For example, we work with the [Wye & Usk Foundation](#) to support action on water pollution in the region.
- **Use the [WWF Water Risk filter](#)** to increase resilience to flood and drought across our global supply base.

- **Support our suppliers** to deploy nature-based solutions to prevent water pollution, including riparian tree planting, constructed wetlands and buffer zones.

### Taking action on climate change

Agriculture and food production accounts for around 30% of Tesco's carbon footprint, although measuring the impact at an individual farm level is complex. To take action to reduce the global GHG emissions associated with agriculture, we:

- **Set science-based targets in line with a 1.5°C trajectory** and will shortly be publishing our end-to-end roadmap to net zero, detailing the key actions that we will take to achieve our ambition.
- **Ask our first-tier suppliers to measure and report their carbon footprint**, commit to net-zero, set science-based targets, and switch to renewable electricity sourcing for their own operations. In 2021 we partnered with WWF to release [Emission Possible](#), a guide to help make it simpler for any business to understand and improve its climate impact.
- **Work collaboratively with industry** on issues that require collective, scalable action, including through initiatives like Meat in a Net Zero World.
- **Investigate and support trials** to reduce methane emissions – a potent greenhouse gas emitted by cattle and sheep – by working with suppliers and universities to understand the market readiness of methane-inhibiting technology.



[Read more about our commitment to tackling climate change here.](#)

# Awards and Benchmarks.

## World Benchmarking Alliance

The Food and Agriculture Benchmark produced by the WBA assesses 350 keystone companies across the entirety of the food system, from farm to fork. It covers three dimensions where transformation is needed: nutrition, environment and social inclusion. In the 2021 Benchmark we ranked 7<sup>th</sup> overall and first of the food retailers assessed.



## Business Benchmark on Farm Animal Welfare

The BBFAW is the leading global measure of farm animal welfare management, policy commitment, performance and disclosure in food companies. In 2021 Tesco retained the Tier 2 band, indicating how integral farm animal welfare is to our business strategy.



# Performance.

Commitment	KPIs	2018/19	2019/20	2020/21	2021/22
Treat all animals in our supply chain humanely at all life stages	Percentage of audited sites which meet Tesco animal welfare standards	UK: 86%	UK: 85%	UK/ROI: 87%	UK/ROI: 85% <sup>(a)</sup>
	Percentage of key suppliers reporting animal health and welfare outcome measures	N/A	UK: 88%	UK: 92%	UK/ROI: 99%
	Percentage of cage-free eggs <sup>(c)</sup>	N/A	UK: 82%	UK: 83%	UK/ROI: 86% <sup>(b)</sup>
Sustainably source our agricultural products	Percentage of fresh produce growers certified through LEAF Marque	This is a new KPI which we will begin reporting against in 2022/23			

(a) Our 2021/22 UK/ROI performance declined slightly from the previous year as we targeted our audits on sites that typically have more welfare challenges, e.g. poultry, to help drive up standards. We work with our independent auditors to ensure that where sites don't fully meet the Tesco Welfare Approved Standards, that plans are put in place to address challenges and prevent reoccurrence of any issues. This is reviewed on an ongoing basis. Where improvement requirements are not met, we stop sourcing from that site.

(b) We have extended our reporting of the percentage of eggs that come from cage-free hens to UK/ROI in 2021/22. Despite the increase in reporting scope, we have continued to improve the percentage of shell eggs that come from cage-free hens against our ambition to be 100% by 2025.

## Retired KPIs.

In 2021 Tesco announced that we will only be sourcing fresh produce from farms that are LEAF Marque certified – a robust, independently audited and highly respected global environmental standard for agriculture. In moving toward third-party certification, we can be assured that our farmers are meeting our high standards thereby meeting or exceeding our previous KPIs. We are working closely with other certification schemes and advocating for robust environmental standards for livestock. This will ensure our entire supply base is delivering measurable action across our key indicators: climate, water, biodiversity, and soil. In light of this, we have chosen to retire three of our existing KPIs relating to the percentage of key suppliers with robust on farm biodiversity, water management and soil health plans. We will continue to monitor and track these activities but will focus on the roll-out of LEAF Marque certification throughout our global Produce supply chains.

Alongside the development of our KPIs, we are working closely with our suppliers as we develop our decarbonisation pathways in support of our net zero climate ambitions and are developing a Tesco Nature Strategy to ensure we are working towards the Global Goals for Nature.

# Methodologies.

## How we measure our progress

### Percentage of audited sites which meet Tesco animal welfare standards

As defined by percentage of Tesco Welfare Approved sourcing sites supplying Tesco UK/ROI that received a 'green rating' or better in their independent audit against our animal welfare standards. Two independent audit providers are responsible for auditing our sites to ensure adherence to our animal welfare standards:

- LRQA cover all animal protein sectors except dairy. A risk-based sample of sites are audited against our Tesco specific requirements each year. Outcomes are held by our external data provider, Foods Connected.

- Alltech cover UK dairy. All Tesco Sustainable Dairy Group and Tesco Cheese Group farms are audited annually as part of this process.

### Percentage of key suppliers reporting animal health and welfare outcome measures

As defined by percentage of Tesco Welfare Approved UK/ROI suppliers that submit animal health and welfare outcome measure data as requested.

Our suppliers are asked to submit welfare outcome measure data through our external data provider, Foods Connected, biannually (trout and salmon) or monthly (all other species). We closely monitor the data and work in collaboration with our suppliers to identify opportunities for improvement.

### Percentage of cage-free eggs

This KPI refers to the percentage of Tesco Own Brand shell eggs sold in Tesco UK (excluding OneStop) and ROI stores that are sourced from cage-free hens.

### Percentage of fresh produce growers certified through LEAF Marque

This KPI will be reported against in 2022/23.

The data is provided at least annually by the LEAF Marque standard, a third-party certification scheme. The data is based on farm audits by trained environmental auditors measuring against at least 10 environmental indicators including climate, soil, water and biodiversity.

# Looking Ahead.

We know our customers are concerned about how their food is produced and whilst we are proud of the standards we work to; we always strive to do better. We recognise the important role we can play in transforming the food production system to work with the environment and ensure high animal welfare standards while also supporting farmers commercially. Tesco can play an important role in tackling both the climate and nature crises, and we are developing ambitious strategies for both. Our plan for climate will tackle our Scope 3 emissions, working towards our target of net zero across our value chain by 2050, aligned to 1.5-degrees, while our upcoming nature strategy will look to ensure we are playing our part in tackling biodiversity loss. As international initiatives like the Taskforce on Nature-related Financial Disclosures (TNFD) and Science-Based Targets for Nature gear up to publish guidance for businesses on reporting on nature loss, Tesco is working to ensure we have the tools and information to sign up as soon as they are ready.

## Commitments and Targets:

- 100% of key suppliers reporting animal health and welfare outcome measures.
- 100% of eggs will be sourced from cage-free hens by 2025.
- Entire global grower base supplying the UK to be LEAF Marque certified by 2025.
- Net zero across our value chain by 2050.
- 50% of all fresh food to be sourced from areas of sustainable water management by 2030 in support of Courtauld 2030.

## Read more about our approach

Our approach to farming and sustainable agriculture

Sustainable Basket Metric

# Highlights of our journey to date.

