

# Protecting Forests.

## Why It Matters.

Forests contain the overwhelming majority of life on Earth, including 80% of the planet’s terrestrial species<sup>1</sup>. They also play a critical role in helping to regulate temperature and humidity<sup>2</sup> and absorb huge amounts of carbon – 7.6 billion metric tonnes of CO<sub>2</sub> per year, 1.5 times more carbon than the United States emits annually<sup>3</sup>. On top of all that, forests also provide livelihoods for 1.6 billion people<sup>4</sup>. For all these reasons and more, Tesco is committed to protecting forests and working towards sourcing only from verified zero deforestation areas.

## Relevant Sustainable Development Goals (SDGs).



**SDG 13 Climate Action** calls for urgent action to combat climate change and its impacts. About 8% of global emissions currently come from tree cover loss in tropical forests, but these same forests can provide 23% of the cost-effective climate mitigation needed before 2030<sup>5</sup>. Our efforts to achieve zero deforestation from our sourcing will contribute to our net zero climate ambitions.



**SDG 15 Life on Land** aims to protect, restore and promote sustainable use of terrestrial ecosystems, including sustainably managing forests, reversing land degradation and halting biodiversity loss. Our Forest strategy is focused on tackling deforestation and advocating for better forest governance.



**SDG 17 Partnership for the Goals** recognises the importance of collaboration. Our Forest strategy has been developed with the input from our suppliers and NGO partners, including our work with WWF to help restore nature in food production with the WWF’s Retailers Commitment for Nature and as part of the Consumer Goods Forum (CGF) Forest Positive Coalition aimed at tackling deforestation in food production systems.

## Highlights.

100% of annual soy volumes used in our supply chain meet our UK Zero Deforestation Soy Transition Plan.

100% palm oil RSPO physically certified or covered by RSPO Independent Smallholder Credits which support small-scale producer cooperatives.

100% of paper/wood Own Brand products FSC/PEFC certified or from a recycled source.

£5 million committed to support Brazilian farmers who grow soy without deforestation or conversion.

<sup>1</sup> Fauna and Flora International

<sup>2</sup> Global Environmental Facility

<sup>3</sup> World Resources Institute (WRI)

<sup>4</sup> IUCN

<sup>5</sup> WRI

# Our Approach.

Tesco is committed to the sustainable sourcing of all commodities in its supply chain, even those that are indirectly supplied to us. For our key forest risk commodities, we are committed to eliminating deforestation and ecosystem conversion in the sourcing of soy, palm and timber.

In particular, we are focusing intense effort on our most significant commodity footprint, soy. Soy is a key source of protein and soybean meal is widely used in animal feed. With rising global demand, the expansion of soy production has led to deforestation and habitat conversion in many important ecosystems. We are aiming to source all the soy in our supply chains from whole regions that are verified as deforestation-free by 2025. Industry leading innovation and collaboration are central to this work, which requires transformational industry change, and we are simultaneously learning more about what solutions may work for other commodities as we progress along this journey.

As the UK's largest retailer, we have a responsibility to play our part on the issue of deforestation. We are committed to protecting vital tropical forests, and we work with our suppliers and partners to take direct action. Through a combination of industry collaboration, financial contributions, and [supply chain transparency](#) we are making good progress, but we know we can't do this alone. To reach our ambitions, our Forests strategy seeks to 'Improve, Transform and Advocate' to create lasting change for a sustainable future.

## Transform

Achieving zero deforestation and conversion in forest risk commodities will require transformational change in sourcing and forest governance, among many other factors. This requires that we act in our own supply chains and with wider industry to provide effective solutions. We are:

- **Providing £5m investment in the Responsible Commodities Facility**, a pilot financial facility that will make low interest loans available to Brazilian soy farmers who agree to growing soy without deforestation or conversion.
- **Raising our expectations of Tesco suppliers via our updated Zero Deforestation Soymeal Supplier Requirements** updated in July 2021. These stipulate

that all suppliers using soy, namely as part of animal feed in meat, fish, poultry, eggs and dairy, need to develop and share detailed roadmaps on how they will comply with our 2025 zero deforestation and conversion free soy sourcing target.

- **Implementing the UK Soy Manifesto.** Tesco, alongside WWF, Efeca, Earthworm and Mighty Earth spearheaded the development of the UK Soy Manifesto, which was launched by Tesco CEO Ken Murphy in November 2021 during COP26. The Manifesto sets out requirements to deliver deforestation and conversion free soy to the UK by 2025. Manifesto signatories currently represent close to 60% of soy used in the UK.



[Read more about our work with WWF here.](#)

## Improve

We are determined to tackle deforestation and improve existing strategies, leading by example. To achieve this, we are:

- **Committed to eliminating deforestation and conversion when sourcing raw materials** such as [palm oil](#), [soy](#), [timber](#) and [beef](#) for our Own Brand products.
- **Driving incremental change through certification** by sourcing certified sustainable products and commodities. 100% of our Own Brand products use certified Roundtable on Sustainable Palm Oil (RSPO) sustainable palm oil, and 100% of our assessed Own Brand products use wood and paper that's certified by Forest Stewardship Council (FSC)/Programme of Forest Certification (PEFC) or from recycled sources.
- **Setting our UK Zero Deforestation Soy Transition Plan** to ensure we are taking effective action on our highest impact raw material. Our three-phase approach began in 2018 with a focus on soy credit schemes and has evolved to focus on establishing greater visibility along the supply chain by using increasingly rigorous certification methodologies such as Cefetra Area Mass Balance or RTRS Regional Credits. We are now focused on delivering the third phase of the plan before 2025, as we look to align our soy ambitions around sourcing from verified zero deforestation areas.
- **Participating in industry initiatives to improve commodity supply chain transparency**, including the Palm Oil Transparency Coalition, Soy Transparency Coalition, and Retail Soy Group



[Read more about our UK Zero Deforestation Soy Transition Plan here.](#)

## Advocate

We recognise that effective forest governance is essential to successfully reverse deforestation. To achieve this, we need to collaborate to deliver a shared mandate, for example:

- **Working with WWF and other retailers** to restore nature in food production with the WWF's Retailers Commitment for Nature, building on the work we initiated with WWF to halve the environmental impact of the average UK shopping basket.
- **Using our voice**, through forums such as the Global Reporting Initiative (GRI) Taskforce, to call for robust, coordinated public policy implementation which supports the delivery of our deforestation commitments, including emerging UK and EU due diligence legislation.

**Collaborating with industry** to drive meaningful change and rethink how we work together across commodity production systems. For instance, through our roles as Chair of the SoS Steering Group, and Co-Lead of the Consumer Goods Forum (CGF) Forest Positive Coalition's Productive Landscapes Working Group and Soy Working Group.

## Awards and benchmarks.

### CDP Forests

Tesco participates in the annual CDP survey relating to forests. In the latest 2021 assessment, we achieved a 'B' rating for palm oil, 'B-' for timber and soy and 'D' for cattle. We have engaged with the CDP following our latest results to understand how this scoring is consistent with our industry-leading action in this area, such as becoming the first UK supermarket to remove Brazilian beef from sale in 2018. We expect to see an improvement in our scores in the coming year.



### Mighty Earth Beef Scorecard

The environmental non-profit, Mighty Earth, has launched a new scorecard to evaluate the beef sourcing practices of 15 of the world's largest grocery and fast-food companies that have pledged to end deforestation across their supply chains. Tesco was ranked **first** on their Beef Scorecard with 65/100.



### WWF Palm Oil Buyers Scorecard

WWF's Palm Oil Buyers Scorecard assesses major retailers, consumer goods manufacturers and food service companies from around the world on their performances, actions and commitments toward responsible purchasing of palm oil. In the 2021 scorecard, we ranked 4th out of 39 UK companies assessed, and within the 'well on the path' category.



# Performance.

Commitment	KPIs	2018/19	2019/20	2020/21	2021/22
Achieve zero deforestation	Percentage volume of palm oil physically certified to Roundtable on Sustainable Palm Oil (RSPO) standard	100% <sup>(a)</sup>	100% <sup>(a)</sup>	Group: 100% Identity preserved: 0%, Segregated: 65%, Mass-balance: 32%, Credits: 2%, Uncertified: <0.1%	Group: 100% Identity preserved: 0%, Segregated: 73%, Mass-balance: 23%, Independent Smallholder Credits: 4%, Uncertified: 0%
	Percentage of paper/wood products certified to Forest Stewardship Council (FSC), Programme for the Endorsement of Forest Certification (PEFC) or from a recycled scheme	UK/ROI: 87%	UK/ROI: 93% CE: 94%	UK/ROI: 100% CE: 98%	UK/ROI/CE: 100%
	Percentage of soy used in animal feed that meets our UK Zero Deforestation Soy Transition Plan requirements	N/A	100%	100%	100%

(a) Figures exclude Booker

In 2021/22, across the Group we have overseen significant progress in suppliers moving from Mass Balance to Segregated and progressing to a higher integrity certification standard, compared to the previous year. This is a particularly strong result at a time of multiple supply chain challenges and disruptions.

# Methodologies.

## How we measure our progress

To track our progress in achieving our commitment to eliminating deforestation and conversion within our forest risk commodity supply chains, our three KPIs track progress across different product categories which may be linked to deforestation. We rely on the expertise and guidance of external frameworks and methodologies to set these KPIs. This includes working with NGOs and established frameworks such as the Roundtable on Sustainable Palm Oil (RSPO) and the Forest Stewardship Council (FSC) Programme.

### Percentage volume palm oil physically certified to Roundtable on Sustainable Palm Oil standard.

As defined by certified sourced palm oil used within Tesco Own Brand products. As part of this process, we report to four levels of RSPO certification:

- **Identity preserved:** The amount of RSPO certified palm oil that is uniquely identifiable to a single RSPO certified mill and its certified supply base.
- **Segregated (SG):** The amount of RSPO certified palm oil from different certified sources kept separate from 'ordinary palm oil' (palm oil from a non-certified source) throughout the supply chain.
- **Mass Balance (MB):** The amount of RSPO certified palm oil mixed with 'ordinary palm oil' throughout the supply chain.
- **Independent Smallholder RSPO Credit:** Proof that one tonne of certified palm oil was produced by an RSPO-certified independent producer or cooperative of producers and has entered the global palm oil supply chain.

An annual palm oil survey is conducted by third-party specialist, 3Keel, to assess supplier adherence. All suppliers are required to submit their response to a secure online portal which is collated, analysed and verified before being reported externally.

### Percentage of paper/wood products certified to Forest Stewardship Council (FSC), Programme for the Endorsement of Forest Certification (PEFC) or from a recycled source.

As defined by percentage volume of Tesco Own Brand paper and wood products from assessed lines sold which are FSC or PEFC certified or from a recycled source. Assessed lines come from our General Merchandise division and relate to products including toys, nursery and recreation, home and seasonal and paper and stationary products. These lines fall under the scope of our Responsible Sourcing of Wood & Paper Products Policy.

Data from UK, ROI and CE is collated four times a year and is then aggregated for a full year. To obtain the data, our international sourcing hub require suppliers to complete an assessment process. Our technical managers are then responsible for completing the appropriate due diligence.

### Percentage of soy used in animal feed that meets our UK Zero Deforestation Soy Transition Plan requirements.

As defined by all soy used within the Tesco supply chain – the majority of which is indirect use as soymeal in animal feed. The scope includes all suppliers who provide Tesco UK Own Brand products containing animal protein. This scope is in line with tiers 2, 3, 4a and 4b of the Consumer Goods Forum soy ladder.

Our approved third-party certification standards (prioritised in order of preference) include:

#### **1) Physically certified to feed mill:**

ISCC Plus  
Proterra (MB or SG)  
RTRS (MB or SG)

#### **2) Physically certified to UK (chain of custody system does not extend beyond point of import):**

ADM v2  
Cargill Triple S

#### **3) Farms are certified in connected supply chain sourcing region to Tesco, but no chain of custody is present:**

RTRS Regional Credits  
CRS Area Mass Balance

Currently, our approved verified zero deforestation soy sourcing areas are all areas in the Amazon that grow soy in compliance with the Amazon Soy Moratorium. Data is collated at the beginning of each calendar year via an online portal, collated by third-party specialist 3Keel. Certifications fall into three categories: Area mass balance, Mass balance and Segregation, corresponding to increasing levels of traceability.

# Looking ahead.

We are committed to tackling deforestation, we are making progress and we know there is more we can do. We will continue to drive action, both within our own sourcing policies and by working in collaboration with wider industry to advocate for better forest governance. During 2022 we will lead the supporter campaign and invest £5m directly in the Responsible Commodities Facility which will offer cheap finance to farmers who agree to grow soy without deforestation or conversion.

## Commitments and targets

- 100% of UK soy sourced from Verified Deforestation and Conversion Free Sourcing Areas by 2025.
- Financing the creation of Verified Deforestation and Conversion Free Sourcing Areas and creating the market demand for the soy they produce through the UK Soy Manifesto and direct engagement with our suppliers.
- 100% sustainably certified soy in all animal protein products.
- 100% of palm oil certified to Roundtable on Sustainable Palm Oil (RSPO).
- Increasing the proportion of Segregated Oil in our supply chain and supporting small-scale producers by purchasing their credits.
- 100% of assessed lines of paper/wood products to be FSC/PEFC or from a recycled source.

## Read more about our approach

### More Information

[Our approach to tackling deforestation](#)

[Exploring our commitment to prevent Amazon deforestation](#)

### Reports

[Tesco UK Zero Deforestation Soy Transition Plan](#)

[Tesco Group Palm Oil and Soy Transparency Mapping 2021](#)

### Policies

[Beef Policy](#)

[Palm Oil Policy](#)

[Soy Policy](#)

[Timber Policy](#)

[Sustainable Palm Oil Supplier Requirements](#)

[Zero Deforestation Soymeal Supplier Requirements](#)

# Highlights of our journey to date.

