

TESCO POLICY

Title: Environment Policy – Food and Non-Food Formulated Sourcing

Version: 1.0

Date Effective: August 2021

Role: Responsible Sourcing – Supplier Integration

Role: Head of Environment

Department: Product Quality

Department: Product Quality

Relevant Product Rule: Rule 4: Sourcing, Buying, Selling and Export

Policy Statement

To provide guidance to Tesco suppliers of Food and Non-Food Formulated products of Tesco’s approach to managing the impact of its operation on the natural environment. The policy will inform suppliers of:

1. The ambitions and on-going approach of Tesco in relation to these impacts
2. The commitments that Tesco have made in relation to these impacts
3. The expectations and requirements that Tesco has of its suppliers in relation to managing these impacts.

Market Of Sale/ Business Unit	Business Area Main Area/Sub Area
United Kingdom	Food: Food General/ Grocery Non-Food
Republic Of Ireland	

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1. Policy Details

1.1 Introduction

This policy applies to all Tesco's Own Brand Food and Own Brand Formulated Non-Food Suppliers¹, supplying into Tesco UK and ROI. It addresses our sourcing requirements for these products. In addition to this policy there are Environmental requirements detailed within section 4 of the Tesco Food Standard (for manufacturers) which must be followed. These will be included in a site's maintenance audit unless a valid certificate to ISO 14001 is held, and the site meets the requirements of 60550 Inclusion of ISO 9001:2015 and ISO 14001.

This policy is to be implemented in parallel with the (60585) Tesco Human Rights Requirements for food and non-food grocery supplier's policy.

There are similarly high standards which apply to the clothing and general merchandise areas of our business, details of which can be found on our website:

<https://www.tescopl.com/sustainability/taking-action/environment/ff-sustainable-fabrics/>

<https://www.tescopl.com/sustainability/taking-action/environment/ff-protecting-the-environment/>

1.2 Supplier requirements

This document is broken down into sections, providing an explanation of the commitments Tesco has made relating to the environment and our expectation of our suppliers to enable us to achieve that commitment.

We expect our suppliers to support us in attaining the commitments we have made. The standards expected within this policy will be familiar to most suppliers. If a supplier has not already met the standard(s) that we require within this policy, we require suppliers to immediately inform us. This will enable us to work collaboratively and openly with that supplier, ensuring the standard is met by the supplier in a timely manner.

In terms of supplier expectations in this policy:

- Section 4 details the core standards required of all suppliers subject to this policy.
- Section 5 details standards we either require or expect of all suppliers subject to this policy whose trade impacts upon the specified natural environment.
- Section 6 provides details examples of the performance data which could demonstrate that standards have been met.

1.3 Our Approach to the Environment – Background to the Policy

As a food business, our long-term success depends on the health of the natural environment and we recognise the impact our industry can have on our surroundings. Our approach to sustainability is core to

¹ Health, Beauty, Wellbeing and Household Suppliers, but excluding Pet.

serving our customers, communities and planet a little better every day. It drives our work across our own operations and our supply chain to reduce our environmental impact and support a healthier way of living, helping to make sustainable products accessible and affordable for all. In order to achieve this, we have prioritised the five natural environments in which our operations and supply chains can have the greatest impact. These are:

- Climate
- Forests
- Marine
- Freshwater and
- Farmlands (Agriculture).

We have committed to taking action to protect and sustain these environments over the long term.

This strategy is to be delivered through our three-pronged approach of Improve, Transform and Advocate:

- Improve – We will drive year-on-year incremental change by working with our suppliers to drive efficiency and other improvements, through our standards and policies, as well as sharing best practice.
- Transform – We will identify and support sustainability innovation that can lead to a step-change for our own supply chain and wider industry.
- Advocate – Through industry groups and policy engagement, we will collaborate with others and encourage all parties to play their part in a way that meets the scale of our current environmental challenge.

For more detail about how we work, please refer to the environment section of our website:

<https://www.tescopl.com/sustainability/sourcing/topics/environment/>

Alternatively, please contact the Tesco Responsible Sourcing team.

1.4 General Core Requirements

Separately and in addition to the requirements relating to the five natural environments (as detailed in section 5 below), we expect all suppliers subject to this policy to observe the core ethical and environmental standards given below.

Tesco core requirements of suppliers:

- Not to trade in recognised endangered or critically endangered species according to IUCN red list of threatened species, sourced from locations lacking credible sustainability governance.
- Not knowingly cause, or risk causing, irreparable eco-system damage.
- Take steps to improve adverse environmental impacts identified by the Tesco team or other credible experts recognised by Tesco.

1.5 Requirements and Expectations related to the five priority natural environments

Tesco has made commitments relating to each of the five priority natural environments in which we operate as outlined in the section below.

Where a supplier's operation impacts upon the natural environment given, we expect that supplier to adopt policies and ways of working as specified below.

1.5.1 Forests

Tesco commitment to forest environments:

Tesco recognises that preventing further deforestation and land conversion is critical to a sustainable future. We endorse the New York Declaration on Forests (NYDF) and support its goals [link https://nydfglobalplatform.org](https://nydfglobalplatform.org).

In addition to the NYDF we have a Tesco specific deforestation commitment to be responsible for zero net deforestation in our sourcing of raw materials from 2020 onwards.

Tesco requirements of suppliers relating to forest environments. The latest documents can be found on TQC:

- All palm oil must be from Roundtable on Sustainable Palm Oil (RSPO) certified sources compliant with Tesco Group Sustainable Palm Oil Supplier Requirements (60399).
- All soymeal used as animal feed, excluding pet foods, must be compliant with the Tesco Zero Deforestation Soymeal Supplier Requirements (60549)

- All wood, paper and pulp must be Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC) certified or recycled compliant with Tesco Responsible Sourcing of Wood and Paper Products Requirements (60284V3).
- All Cocoa used in chocolate must be Rainforest Alliance (RFA) certified, all other cocoa must be produced in accordance with Cocoa Horizons, RFA, Fairtrade or UTZ compliant with Tesco Cocoa Sourcing Requirement (60005)

Furthermore, suppliers must ensure:

- No Brazilian beef products are sourced.
- All black, green and Rooibos tea used in leaf tea or tea bag products is 100% RFA certified.
- All coffee is RFA or Fairtrade certified, including where coffee is used as an ingredient.

Suppliers of products which use the any of the ingredients listed in this section are expected to work with Tesco to develop their own long-term strategies that address the most material deforestation impacts and risks within their operations and value chain.

1.5.2 Marine

Tesco commitment to marine environments:

As part of our approach to sustainability reporting, we are committed to sourcing 100% of our wild seafood sustainably. Our marine sustainability agenda focuses on three key areas

1. [Wild seafood](#):
 - i. Health of target fish stocks
 - ii. Impact on non-target species
 - iii. Health of the marine ecosystem
2. [Farmed seafood](#)
3. [Ocean health](#)

Tesco requirements of suppliers relating to marine environments:

- Only source 100% of wild seafood which is certified to a GSSI (Global Sustainable Seafood Initiative) credible sustainability standard (e.g. Marine Stewardship Council - MSC) or has a clearly defined pathway for certification and evidence of progress.
- We currently do not allow fish caught with Fish Aggregating Devices (FADs)
- Ensure all farmed fish sites meet or exceed the Tesco standards listed in Appendix 1 in addition to criteria set out in the best certification schemes available (such as Aquaculture Stewardship Council).
- Ensure all farmed shrimp is sourced according to the Tesco Farmed Shrimp and Shrimp Feed Responsibility Sourcing Requirements (60518)
- Have measures in place to ensure that illegal, unreported and unregulated (IUU) fishing activities are not taking place within the supply chain.

Suppliers of products which include Seafood are expected to work with Tesco to develop their own long-term strategies that address the most material marine impacts and risks within their operations and value chains.

1.5.3 Freshwater & Farmlands (Agriculture)

Tesco commitment to freshwater & farmlands (agriculture) environments:

The environmental impacts from agriculture can be considerable, with agriculture accounting for over 60% of Tesco's greenhouse gas emissions and 97% of water use. One-third of the soil used for farming globally is already experiencing some level of degradation.

To ensure we are working to address these impacts, Tesco has made the following public commitments as part of our approach to sustainability reporting.

- To improve water and biodiversity impacts in key agricultural regions.
- To improve soil health in key agricultural regions.
- To reduce greenhouse gas emissions from agriculture by 12% by 2025 (2015 baseline).

Tesco requirement of suppliers relating to freshwater & farmlands (agriculture) environments:

- We require our milk, meat, poultry, egg, and farmed fish and shellfish products to meet the environmental requirements of an appropriate industry standard, (refer to document 60481 Approved

Schemes), as well as the environmental requirements of our livestock standards (note: these requirements exclude milk products produced outside the UK).

- We require our fruit and vegetable products to meet the environmental requirements of either the Red Tractor Nurture standard (UK growers), the GLOBALG.A.P. Nurture standard (UK and non-UK growers), or Bord Bia (ROI for ROI)
- We require our produce suppliers to adhere to our pesticide management guidelines which can be found on TQC doc no. 80567.

Tesco expectation of suppliers relating to freshwater & farmlands (agriculture) environments:

We expect our suppliers to work with Tesco to develop their own long-term sustainable agriculture strategies that address the most material impacts and risks related to farming. Supplier strategies must include a range of credible sustainable agriculture initiatives (e.g. sourcing standards, farm-level projects, and landscape governance) that target the following:

- No water pollution (e.g. limiting run-off).
- Measure and address water scarcity (e.g. reducing absolute farm-level water abstraction).
- Improve pollinator health and wider biodiversity (e.g. through better pesticide management and on-farm habitat management / creation).
- Improve soil health (e.g. increased organic matter through cover crops and low-impact tillage).

Where applicable, suppliers are expected to supply evidence of farm environmental management plans proving continuous improvement towards sustainable agricultural practices. Agricultural suppliers who are part of recognised farm environmental schemes are considered to be compliant with the above expectations. (list of recognised schemes in the appendix).

1.5.4 Climate Change Targets

Tesco commitment to the climate:

In 2017 we announced our science-based climate change targets covering both Tesco’s own operations and our supply chains. The target for our own operations was set in line with a 1.5-degree trajectory, as recommended in the Paris Climate Accord, while the targets for our supply chain align with a 2-degree trajectory.

Our science-based climate change commitments are:

Tesco operations to achieve:

- 60% absolute carbon reduction from our operations by 2025 (100% by 2050)

Tesco supply chains to achieve:

- 20% reduction in manufacturing emissions against a 2015 baseline by 2025.
- 12% reduction in agricultural emissions against a 2015 baseline by 2025.

Tesco expectations of suppliers relating to the climate:

Suppliers are expected to adopt policies and ways of working for the reduction of their emissions and be able to demonstrate how these policies will help us to achieve the above supply chain targets.

Suppliers should put in place their own long-term strategies that address the most material climate change impacts and risks within their operations.

1.6 Performance Assessment and Data Provision

To understand the cumulative impact of the Tesco supply chain, to track progress and to assess supplier performance, suppliers will be expected to provide data applicable to their business about their operation to the Tesco team when requested, as exemplified, but not exhaustively listed, below;

Theme	Data Type	Product Type	Data Recipient	Frequency
Climate	Manufacturing carbon emissions	All	Tesco Supplier Network	Annual
Climate	Agriculture carbon emissions from sample farms	Agricultural	Tesco Supplier Network	Annual

Forests	Palm oil certification (RSPO)	All Tesco Own Brand products containing palm oil	Tesco Responsible Sourcing Team or 3 rd party	Annual
Forests	Certification of soy used in animal feed from South America	All Tesco Own Brand animal proteins where soymeal is relevant, excluding Pet Foods	Tesco Responsible Sourcing Team or 3 rd party	Annual
Forests	FSC/PEFC/recycled timber	All Tesco Own Brand wood and paper products	Tesco Responsible Sourcing Team or 3 rd party	Annual
Marine	Marine Stewardship Council certification	All wild seafood used within Tesco Own Brand products	Tesco Responsible Sourcing Team or 3 rd party	Annual
Agriculture	Evidence, including data if relevant, of work to improve on-farm impacts regarding climate, water, soil and pollinators	Agricultural	Tesco Responsible Sourcing Team or 3 rd party	Annual

2. Glossary

Acronym	Definition
Product	Available volume or quantity diminishes through usage; excludes packaging
FAD -Free	Fishing Technique: Fish Aggregate Device - Free
NYDF	New York Declaration on Forests
MSC	Marine Stewardship Council
IUU Fishing activities	Illegal, Unreported and Unregulated Fishing Activities
ROI	Republic of Ireland

3. Associated Documents

Document No.	Document Title
60481	Aquaculture Requirements- Approved Schemes
20595	Tesco Salmonoid Farm Standard
80567	Guidance for Suppliers of Tesco Fresh Produce and Ornamental Horticulture on Plant Protection Product Lists (PPPLs)
60005	Cocoa Horizons, RFA, Fairtrade or UTZ compliant with Tesco Cocoa Sourcing Requirement
60284	Tesco Responsible Sourcing of Wood and Paper Products Requirements
60549	Tesco Zero Deforestation Soymeal Supplier Requirements
60399	Tesco Group Sustainable Palm Oil Supplier Requirements
60463	Responsible Sourcing Wild Fishery Assessment
60516	Own Label Tuna Requirements
10390	Responsible Sourcing Seafood policy
	All farms and supply chains must also adhere to our approved 3 rd party certified schemes, including BAP, GGAP and ASC (ASC farm sites only).

4. Revision History

Date Effective	Version	Document Section	Change Summary
August 2021	1.0	All	New document