

# 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<sup>3</sup>. Forests also provide livelihoods for 1.6 billion people<sup>4</sup>. For all these reasons and more, Tesco is working to protect forests and source 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 sourcing approach is focused on tackling deforestation and land conversion and advocating for better forest governance.



**SDG 17 Partnership for the Goals** recognises the importance of collaboration. Through our sourcing approach we work with our suppliers and NGO partners to address forest related risks, including our work with the Consumer Goods Forum (CGF) Forest Positive Coalition aimed at tackling deforestation in food production systems.

## Highlights.

**Founding member of the UK Soy Manifesto**, committed to ensuring all imported soy is deforestation and conversion-free by 2025, supported by landmark collective actions.

**£5 million** committed to support Brazilian farmers who grow soy without deforestation or conversion through the Responsible Commodities Facility.

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

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

<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.

**We endeavour to sustainably source all commodities in our supply chain. For our key forest risk commodities, we are committed to eliminating deforestation and ecosystem conversion in the sourcing of soy, palm and timber. For beef, we moved our sourcing away from high-risk deforestation areas back in 2018. We work to identify areas at risk of deforestation related to the forest risk commodities we source and build sourcing strategies accordingly. For our key forest risk commodities such as soy, we are working towards sourcing only from verified zero deforestation and conversion free areas.**

We approach the sourcing of forest related commodities at a commodity-based level. Activity is prioritised to key forest risk commodities where there is likely most significant impact by virtue of volume and origin, and also where we believe we have the greatest opportunity to influence and drive meaningful change in the supply chain. Key forest risk commodities include soy, palm oil, timber and beef. Beyond these, other raw materials such as cocoa and coffee are typically used in smaller amounts, and we utilise certification programmes in these cases.

Certification programmes are an important component of our sourcing strategies and help drive demand for deforestation-free supply chains. Alongside the use of certification for commodities such as palm oil and timber, we also carefully choose our sourcing regions. For example, in beef we moved our sourcing away from high-risk deforestation areas such as Brazil back in 2018.

## Soy

Soy is a key source of protein and is widely used in animal feed. It is our most significant commodity footprint, with 514k tonnes sourced through our supply chain for our Own Brand products in 2021. It represents a particularly complex supply chain, including farmers, processors, traders and importers. Almost all of our soy usage is indirect (less than 1% is direct soy), and the vast majority of this - around 99% - is present via animal feed that is used to produce the livestock-based products we sell, such as chicken and cheese.

Through our [UK Zero Deforestation Soy Transition Plan](#), we began our three-phase approach to soy transition in 2018 with a focus on soy credit schemes, before evolving 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 (more information in methodologies section on page 6). However, certification continues to represent only a very small proportion of global soy - only ~3% - and whilst we have achieved 100% certified soy in our supply chain since 2020, our work in this space is now much more focused on the third phase of the plan to 2025, on how we can drive transformational change to tackle deforestation on a wider scale.

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. Our key actions on soy include:

- **Implementing the UK Soy Manifesto commitments.** 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. Manifesto signatories currently represent close to 60% of soy used in the UK, enabling us to act with a collective industry voice; and the Manifesto sets out requirements to deliver deforestation- and conversion-free soy to the UK by 2025. On the first anniversary of the Manifesto, a series of landmark agreements were announced to help the signatories to deliver on the commitments, including on data and risk tracking, governance and practical standards for DCF soy. More information about how we're delivering against the Manifesto commitments can be found [here](#).
- **Raising our expectations of Tesco suppliers via our Zero Deforestation Soybean Supplier Requirements**, updated in July 2021. These [requirements](#) 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.
- **Investing in the trial phase of the Responsible Commodities Facility (RCF)**, a new system of financial incentives for farmers in Brazil who commit to deforestation and conversion-free soy cultivation. The US\$11m RCF, co-funded by Tesco, Sainsbury's and Waitrose, is providing low interest loans to 36 farms producing 75,000 tonnes of soy/year, with the capital raised through dollar-

denominated green bonds. The farms comply with eligibility criteria and commit to zero deforestation of native vegetation, over and above their legal reserves. It is hoped that the initial 12-month trial phase will provide insight into how the mechanism works in practice on farms and will inspire other organisations and businesses to lend their support, in order that the RCF can then be scaled up to include hundreds of farmers, helping to protect vast tracts of native Cerrado vegetation.

## Palm Oil

Palm oil is the world's most widely traded and versatile vegetable oil, however the expansion of palm oil plantations continues to threaten native tropical forest and peatlands. Whilst our palm oil footprint is many times smaller than our soy footprint, it is significant in certain product categories, such as Dairy & Bakery, Impulse (e.g. confectionery) and Prepared Foods.

Since 2018, **100% of our Own Brand products have used certified Roundtable on Sustainable Palm Oil (RSPO) sustainable palm oil.** We continue to work with our suppliers to increase the proportion of our palm oil sourced through the most robust and credible of the certification methods, such as segregated palm oil. We, however, recognise that this risks leaving smallholders out of certified supply chains. We are therefore going beyond certification by supporting activities to increase smallholder integration into our extended supply chain through capacity building and training.



[Read more about our Sustainable Palm Oil Supplier Requirements here.](#)

In addition to the certification of the palm oil used in our supply chain, we are committed to working with others to help remove deforestation and exploitation from the palm oil production sector - No Deforestation, Peat or Exploitation (NDPE):

- **We are a founding member of the Palm Oil Transparency Coalition (POTC)** which provides an annual ranking of the zero deforestation performance of palm oil companies. This enables members of the coalition, like us, to ensure that our suppliers are sourcing palm oil from companies that are making progress on their zero deforestation commitments. Whilst Tesco does not publicly disclose the performance of upstream suppliers/ traders, we do, through the POTC scorecard, internally ensure that suppliers are in line with our sourcing requirements.
- **Tesco is also an active member of the Retail Palm Oil Group (RPOG).** RPOG utilises a collaborative space (in compliance with competition law) to assist the RSPO in driving the uptake of sustainable palm oil across members' supply chains.

## Timber

As part of the Consumer Goods Forum (CGF), we achieved a number of deforestation commitments on timber in 2020, and continually since then: achieving zero-net deforestation in our sourcing of wood and paper products and, specifically, that all of our Tesco Own Brand wood and paper products are either FSC/PEFC certified or from a recycled source.

Beyond General Merchandise wood and paper products, man-made cellulosic fibres (MMCF) are also derived from natural plant materials, most commonly wood pulp. The wood pulp is processed and turned into different types of MMCF such as Viscose. These MMCF are used in a wide range of products including clothing and textiles. Since 2016, Tesco has been participating in the [CanopyStyle](#) initiative, which aims to eliminate the sourcing of MMCF from ancient or endangered forests. Producers in our MMCF supply chain are required to complete an annual CanopyStyle audit to verify their sourcing practice and we only source MMCF from producers who are ranked green and considered low risk in [Canopy's annual Hot Button report.](#)

## Beef

After several years of seeking to improve industry standards, we became the first UK supermarket to withdraw from Brazilian beef due to deforestation concerns in 2018, and Tesco UK and ROI only sell Own Brand fresh beef sourced from British and Irish cattle.

## Other forest risk commodities

We also take steps to minimise forest risk across a wide array of other commodities, which we source in much smaller volumes than the four priority commodities described above. Further information is available in our [forest commodity policies.](#)

## Collaborating with others

As the UK's largest retailer, we are committed to protecting vital tropical forests, and working with our suppliers and partners to take action on deforestation. With complex global supply chains associated with each of our forest risk commodities, a collective industry voice and governance is essential to achieve impact at scale. Through a combination of industry collaboration, financial contributions, and [supply chain transparency](#) we are making progress, but there is still more to do. Examples of our collaboration in this space include:

- **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 Co-Chair of the Consumer Goods Forum (CGF) Forest Positive Coalition's Productive Landscapes Working Group and Soy Working Group.



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

## Memberships and Partnerships.

Here are some examples of our key collaborations related to protecting forests:



UK Roundtable on Sustainable Soya

UK Roundtable on Sourcing Sustainable Palm Oil



## Awards and benchmarks.

### CDP Forests

Tesco participates in the annual CDP survey relating to forests. In the latest 2022 assessment, we achieved a 'B-' rating for palm oil, soy and timber and 'C' rating for cattle.



### 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 4<sup>th</sup> out of 39 UK companies assessed, and within the 'well on the path' category.



# Performance.

As a retailer, we are dependent on thousands of intermediaries to implement our sustainability policies. Our KPIs are a helpful indicator of progress against our commitments and currently focus on certification of key forest-risk commodities. However, as set out in Our Approach, certification is only one piece of the jigsaw when it comes to driving change and achieving deforestation- and conversion-free supply chains and, particularly in soy, we are focusing much more on driving transformative change across the industry, which in its early stages, is not necessarily easy to capture in specific performance metrics.

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. Our focus is on Own Brand products given the very substantial majority of our exposure to forest risk commodities is through our Own Brand rather than Branded products, most materially through soy, for which virtually all of our footprint is indirectly through animal feed.

### 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 in the Amazon that grow soy are 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 remain committed to tackling deforestation. We will continue to drive action – within our own sourcing policies, by convening others to drive transformational change, and by working in collaboration with wider industry to advocate for better forest governance.

The initial trial phase of the Responsible Commodities Facility (RCF) has seen very strong demand with the funding available being significantly oversubscribed. RCF is now actively profiling a much larger group of farmers to include in a significantly expanded second round.

## Commitments and targets

- 100% of soy in our supply chain sourced from Verified Deforestation and Conversion Free Sourcing Areas by 2025.
- 100% of palm oil certified to Roundtable on Sustainable Palm Oil (RSPO).
- Increasing the proportion of Segregated Palm Oil in our supply chain and supporting small-scale producers
- 100% of assessed lines of paper/wood products to be FSC/PEFC or from a recycled source.

## Read more about our approach

### Reports

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

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

### Factsheets

Our full suite of factsheets is available on our [Reporting Hub](#). Those with close links to our Forest programme include:

[Farming & Sustainable Agriculture Factsheet](#)

[Climate change Factsheet](#)

[Human rights Factsheet](#)

### 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.

