

# Farming and nature.

## 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 that's ethically produced, good for the environment and nature, 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 UN 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 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 14 Life Below Water** aims to conserve and sustainably use the oceans, seas and marine resources for sustainable development. Our marine strategy contributes to Target 14.1 with the work we are doing with Global Ghost Gear initiative and Targets 14.2 and 14.4 through our focus on better fisheries management and the adoption of a Seascope approach.



**SDG 15 Life on Land** aims to protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, 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.

Supporting British agriculture through industry challenges, investing in feed cost models and long-term contracts.

All of our 500 UK fruit and vegetable growers are now LEAF Marque certified, and our global roll-out has begun.

Implementing WWF Biodiversity Risk Filter to risk-map our supply chain, supporting early-stage requirements of the Taskforce on Nature Related Financial Disclosures (TNFD) and Science Based Targets for Nature (SBTN).

<sup>1</sup> UN

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

<sup>3</sup> Chatham House

## Our approach.

**Our nature and farming agenda promotes food production that is compatible with protecting the climate, biodiversity, water resources and soil health while also upholding high ethical standards and being economically viable.**

We are a significant partner to the agriculture sector and our farmers and suppliers play a vital role in our business. We work with tens of thousands of farmers and producers globally and aim to be British agriculture's most trusted partner. The sector continues to face significant challenges, including supply chain disruption and increases to input costs. We've taken action in the last year to support our farmers and ensure that long-term contracts give them the confidence to invest and plan for the future.

We believe sustainable food production can only be achieved if commercial and environmental sustainability go hand-in-hand, along with high animal welfare standards. While the impact of the food system on climate change and vice versa has long been established, awareness of both the impact and dependency of the food system on nature is rapidly evolving. Through our partnership with WWF, we are working to accelerate our long-standing programmes of work in this area, driving tangible change on farm, across landscapes and ecosystems. We continue to look at how we can most effectively leverage our scale and our relationships to drive change across the food sector. Our long-term relationships with our farmers and our sustainable farming groups, are key to this work, as we work together to share evolving knowledge and best practice, and build farm-level management plans to improve environmental, economic and animal welfare outcomes.

### Supporting farmers

It is crucial we continue to support our farmers in the current challenging economic environment. Our long running sustainable farming groups underpin much of our work in this area, enabling us to apply consistent and fair cost models, and bring together our farmers to share best practice, learnings and trial innovations. Building confidence in the short-term enables our supplier partners to invest and plan for the future, especially in terms of sustainability and innovation, which are essential for long-term viability of the sector. Our work this year includes:

- **Increasing our payments to farmers** and investing in new sustainable feed cost models, ensuring fair and transparent pricing at a time of volatility. For example, over 2022/23 we invested more than £30 million into the British pig supply chain helping to support with increased on-farm costs such as wheat and soya, and continued to operate our feed cost model for our own brand egg and poultry suppliers, in recognition that feed represents over 70% of their cost of production. Our investment in the UK egg sector alone amounts to £27.5m over the course of 2022/23.
- **Utilising our Sustainable Farming Groups** to convene industry representatives; share knowledge between farmers, suppliers and Tesco colleagues; and trial innovations that can help reduce on-farm emissions and protect biodiversity. These innovations have included the launch of the biggest trial of low carbon fertilisers in the UK with five of our biggest fruit and veg suppliers, with the aim of boosting UK food security and reducing on-farm emissions.
- **Utilising long-term contracts to give our farmers the confidence to plan and invest** in their businesses, such as our contracts with 130 potato farmers, and contracts with key produce suppliers which include sales volumes, pre-planting and costs agreed in advance. In May 2022, we announced new five-year contracts for all our five shell egg suppliers, enabling us to continue to stock 100% British shell eggs.
- **Reviewing pricing models to provide greater flexibility for farmers.** For example, the 463 British dairy farmers that make up the Tesco Sustainable Dairy Group (TSDG) have long been paid on a cost of production+ model for the fresh milk they supply to Tesco, ensuring a consistent fair price. Given the rate of change in costs, in Q1 2022 we updated the model to use three months-worth of cost data as one of the inputs, rather than nine months, in order that our pricing is more reflective of current market conditions.
- **Extending our improved payment terms for 2,000 smaller suppliers.** Originally introduced during the pandemic, we have continued throughout 2022 to pay small suppliers' invoices immediately. Supporting specific sectors in a variety of ways, depending on their particular challenges. For example, in our own brand bread, we jointly risk manage all the wheat used, in partnership with our supplier, helping to address inflationary risk and price volatility, as well as protecting security of supply.



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 of which we can be proud. Animal health is a key component of our wider sustainable farming agenda, interconnected with minimising farm gate losses and net food wastage. We recognise these connections through our 'sustainability scorecards', used by our sustainable farming groups to measure progress and benchmark across a range of key metrics, including production, animal welfare, antibiotic use and the environment. Our requirements and approach in this area include:

- **Tesco Welfare Approved (TWA) standards**, which are species specific and follow the Five Freedoms proposed by the [Farm Animal Welfare Committee](#), aim to 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.](#)

## Nature and biodiversity

There is growing awareness of the food system's impact and high dependency on natural resources, such as land, freshwater and pollinators. While we have a large land footprint within our operations, it is our supply chains that are more vulnerable to biodiversity loss, and which are therefore the focus of our work. This work is challenging, with complex international supply chains, significant variations by sector and geography, and challenges in data capture. However, we also see great opportunities to use our scale and relationships to deliver transformative change and restore ecosystems. Our partnership with WWF is helping us to accelerate our long-standing programmes of work, while also aligning with the developing international frameworks and building out our data and risk mapping capability. Our programmes incorporate many aspects of our environmental agenda, as we continue to understand nature's interdependencies with climate change, deforestation, marine and freshwater. Our activities include:

- **Driving sustainable agriculture on-farm**, such as through the adoption of the global [LEAF Marque Standard amongst our produce growers](#). We achieved our target to have all UK growers certified by the end of 2022, and have started the roll-out to the rest of our global grower base, with the aim of completing the transformation by 2025. In adopting LEAF Marque certification, we can be assured all our growers have a documented landscape and nature conservation audit and enhancement plan, aiming to protect biodiversity on farms.
- **Working with our suppliers and sustainable farming groups to prioritise solutions that tackle both the climate and nature crises**, like trialling feed alternatives to soya, or on-farm interventions that protect soil health.
- **Utilising our sustainable farming groups and Tesco Supplier Network** to capture data, share best practice and support innovations that benefit nature. For example, in 2022 we kicked off a project to install 2,500 nesting boxes for swifts and swallows with farmers in our Tesco Sustainable Dairy Group (TSDG).
- **Transformative work on deforestation**, utilising our convening power across the food sector and our value chain to drive collaborative initiatives on soy, a material and complex commodity. This year, our work has included the launch of the Responsible Commodities Facility to directly finance deforestation and conversion-free soy farming in Brazil, and securing significant new cross-sector commitments to mark the first anniversary of the UK Soy Manifesto. See our [Protecting Forests factsheet](#) for further information.
- **Our Seascope approach to marine sustainability**, addressing the health of whole marine ecosystems, rather than just specific fish stocks, starting with tuna and looking to widen out to other key species. See our [Aquaculture and Fisheries factsheet](#) for further information.

- **Working across the sector and directly with the UK Government to increase the focus on biodiversity and habitat creation** at the heart of new agricultural policies. This includes joining NGOs and other food businesses in December 2022 to call for decisive action from government to raise the ambition of the Environmental Land Management Schemes for England.
- **Continuing to take action to minimise the use of harmful plant protection products (PPPs) in our supply chain by publishing an updated [pesticide policy](#)**. While we acknowledge PPPs can play an important role in protecting crops from damaging pests and diseases, for many years we have encouraged our suppliers to use integrated pest management (IPM) principles instead. Our shift to LEAF Marque certification supports this direction of travel, requiring our growers to have a holistic approach to crop health.



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

Alongside our extensive practical work in these areas, we are working to collate our approach into a comprehensive strategy aligned to the Global Goal for Nature, and supporting the development of the key international frameworks in this area, the Taskforce on Nature-related Financial Disclosures (TNFD) and the Science-Based Targets for Nature (SBTN). The TNFD is based on assessing and reporting on interdependencies on nature, building on the Taskforce on Climate-related Financial Disclosures (TCFD); and the SBTN on setting targets to restore nature in food production. It is critical they are complementary, and that the data required can be consistently sourced within our complex global supply chains. Our involvement with the frameworks is twofold, both to shape their development, and to have the tools and information to sign up as soon as they are ready. Our work includes:

- **Early-stage involvement in working groups and pilots.** For example, we are part of both the TNFD Forum and the SBTN Corporate Engagement Program, have worked on a pilot to test the practical implementation of the TNFD on soy supply chains, and have fed into the SBTN's draft guidance on freshwater, land and high-risk commodities.
- **Testing of the frameworks.** We are involved in the beta testing of the latest TNFD framework, testing if and how the disclosure requirements work for Tesco as a complex organisation highly dependent on nature.
- **Risk mapping our supply chain to fully understand where we are most dependent on nature and where our biggest impacts are,** using the WWF Biodiversity Risk Filter. We were the first retailer to use the Risk Filter, and supported WWF through the piloting and trial phase, including funding the integration of the Biodiversity Risk Filter and the Water Risk Filter into the WWF Risk Filter Suite. We are taking a prioritised approach to mapping our supply chains, as we work through the very substantial data sets required. We are encouraging our suppliers to undertake a similar exercise within their own value chains.



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

## Protecting our freshwater habitats

- **We are a signatory to the Courtauld Water Roadmap**, aiming to source 50% of the UK's fresh food and drink from areas of sustainable water management by 2030. We do this by ensuring our suppliers and growers have water and nutrient management plans, while also mapping our key water risk using the WWF Water Risk Filter to better understand which catchments and supply chains are most vulnerable to drought and changes to water availability.
- **Our Catchment-level work** in key landscapes across the UK and globally is equally as important as supply chain action, ensuring we are achieving longer term environmental improvements. We work in partnership with stakeholders including farmers, NGOs like WWF and WRAP, and local community groups, in a number of our key sourcing regions where we see high water stress or pollution issues. For example, we have been supporting action on water pollution with the Wye & Usk Foundation by supporting the provision of on-farm advice and promoting nature-based solutions. We are also supporting a project to clear 800 hectares of river basin from invasive plant species in South Africa, one of our key produce sourcing regions, the result of which has returned billions of litres of water to the river basin and protected indigenous biodiversity.

## Accelerating action on sustainable agriculture in partnership with WWF

Our partnership with WWF helps us to accelerate this work, especially in supporting trials and collaborative initiatives. Founded in 2018 with a shared goal to halve the environmental impact of the average UK shopping basket by 2030, our partnership with WWF focuses on three key areas: helping customers eat more sustainably, restoring nature in food production, and eliminating waste. Supporting trials and collaborative initiatives is key to delivering these ambitions. Our activities include:

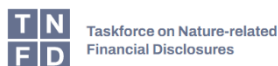
- **Our pledge to the [WWF Retailers' Commitment for Nature](#)**, through which we share our data to enable WWF to track industry progress towards the goal of halving the environmental impact of the average UK shopping basket by 2030. Launched in 2021, the WWF Basket was originally developed through the Tesco WWF Partnership and incorporates the learnings from the previous Tesco-WWF Sustainable Basket Metric. WWF's first annual report on the progress of the UK grocery sector towards halving the environmental impact of UK baskets can be found [here](#).
- **Investing in innovations to support on-farm biodiversity tracking and monitoring**, including new bioacoustics technologies – ChirrupAI and Agrisound – to measure and monitor farmland birds, pollinators and pests. Our joint Innovation Connections project has paired innovators with established Tesco suppliers, enabling the devices to be installed on farms across the UK and Spain, for analysis of the results in the coming year.
- **Working with our suppliers to protect and regenerate soil structure and reduce erosion** with soil-friendly on-farm practices, such as cover cropping and herbal leys, a soil enriching grass mix used as feed for dairy cows. In summer 2021 we launched an innovative trial through which 14 dairy farmers were given an 80% subsidy to plant herbal leys covering 182 acres. Following its success, in 2022 we rolled it out to 24 farms over 822 acres, covering lamb and beef as well as dairy.

Since 2021, Tesco Central Europe (CE) has been working in partnership with WWF Central Europe, with the aim of creating a more sustainable and affordable everyday shopping basket for CE customers. The three key pillars of this partnership are:

- engagement with customers and colleagues;
- advocacy on sustainability across the food sector; and
- transforming supply chains to support more sustainable agricultural production.

## Memberships and partnerships.

Here are some examples of our key collaborations on farming and nature:



## 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	2022/23
<b>Sustainably source our agricultural products</b>	Percentage of fresh produce growers certified through LEAF Marque	This is a new KPI which we have begun reporting against in 2022/23				100%
<b>Treat all animals in our supply chain humanely at all life stages</b>	Percentage of audited sites which meet Tesco animal welfare standards	UK: 86%	UK: 85%	UK&ROI: 87%	UK&ROI: 85%	UK&ROI: 82% <sup>(a)</sup>
	Percentage of key suppliers reporting animal health and welfare outcome measures	N/A	UK: 88%	UK: 92%	UK&ROI: 99%	UK&ROI: 96% <sup>(b)</sup>
	Percentage of cage-free shell eggs	N/A	UK: 82%	UK: 83%	UK&ROI: 86%	Group: 73% <sup>(c)</sup> UK: 82% ROI: 68% Booker: 72% CE:33%
	Percentage of cage-free ingredient eggs	N/A	N/A	N/A	N/A	UK: 39%

(a) Our 2022/23 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, 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 be at a Group level and to include branded shell eggs as well as own brand in 2022/23. This year we have amended our methodology for calculating the percentage of cage free shell egg to widen its scope and ensure it is most accurate. This includes using 'eggs' rather than 'units/packs' as the volume metric to remove the variation in pack sizes which may skew the data. We continue to report by volume rather than revenue to ensure there is no skew towards our premium ranges. If we were to hold our methodology consistent with 2021/22, we would report an improvement in the percentage of cage free shell eggs.

(c) We have also made a commitment to use 100% cage free ingredient egg in our own brand products for Tesco UK (excluding Booker) by 2025.



## Looking ahead.

We continue to 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, especially in the current challenging environment. We will continue to prioritise on-farm sustainability in these broad and connected terms. Alongside this, we will continue our systematic approach to develop our nature strategy, with a particular focus on the challenges of data and metrics and on our biodiversity risk mapping. We seek to be ready to sign up to the international initiatives as soon as they are ready, after which we will be able to share more on our nature strategy.

### Commitments and targets

- 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.
- 100% of key suppliers reporting animal health and welfare outcome measures.
- 100% of shell eggs will be sourced from cage-free hens by 2025.
- 100% of ingredient eggs for Tesco UK (excluding Booker) will be sourced from cage-free hens by 2025.

## Methodologies.

### How we measure our progress

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

This is a new KPI which we are beginning to report 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.

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

As defined by the percentage of Tesco Welfare Approved sourcing sites supplying Tesco UK&ROI that received a 'green rating' or better Alltech audits (see below), or two or better LRQA audits 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 the 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 and branded shell eggs sold in Tesco UK, ROI, Booker and CE stores that are sourced from cage-free hens.

Results for these KPI's are rounded, using standard calculation practices

## Read more about our approach

### Policies

[Our approach to farming and sustainable agriculture](#)

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