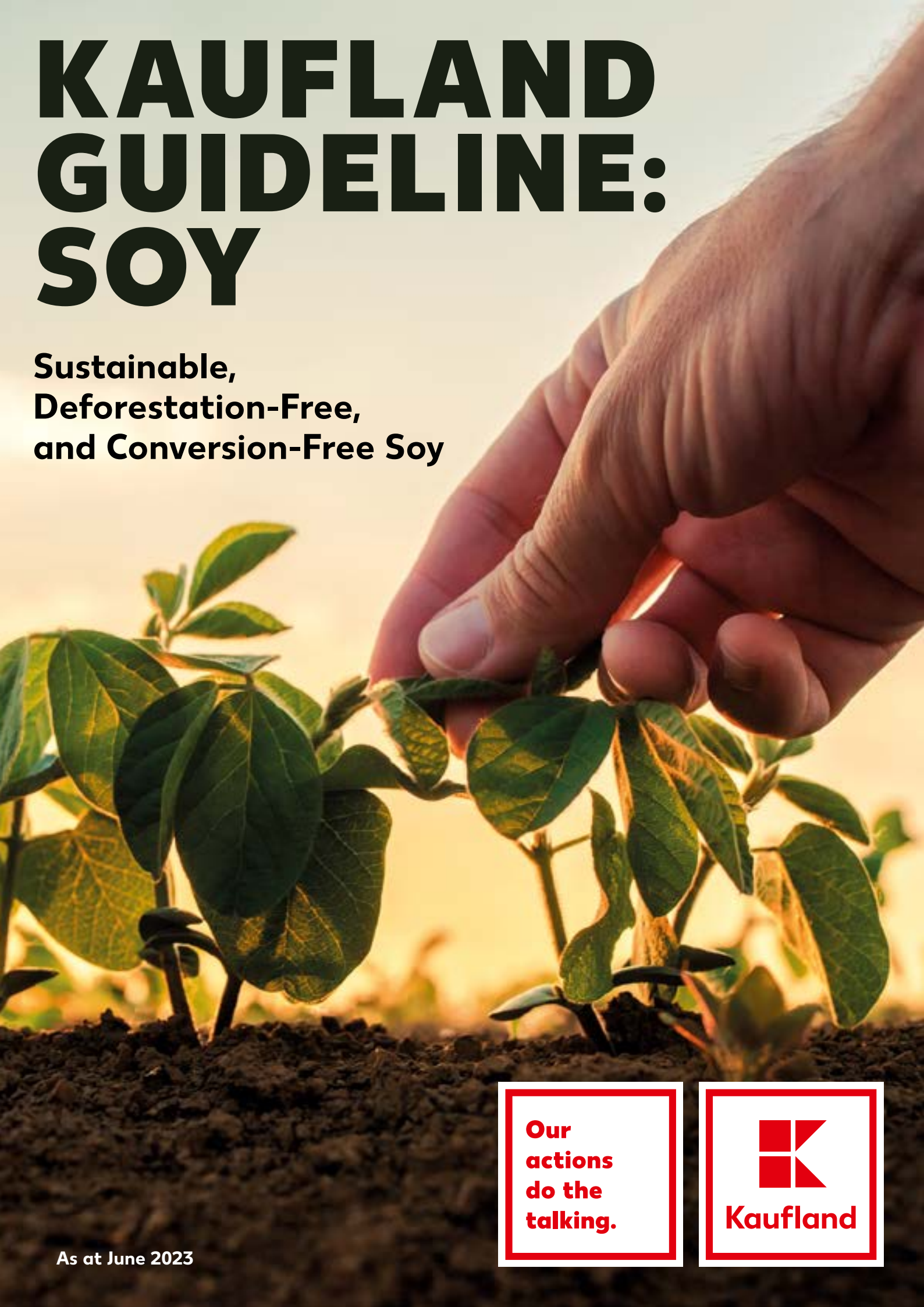


KAUFLAND GUIDELINE: SOY

**Sustainable,
Deforestation-Free,
and Conversion-Free Soy**



**Our
actions
do the
talking.**



Kaufland

As at June 2023



The Challenge of Climate Change

Climate change poses enormous challenges for our society and demands action at all levels of society. Global deforestation is one of the main causes of climate change, as our forests and ecosystems store CO₂ and also regulate water cycles and the microclimate.¹ They filter pollutants, improve air quality and also serve as a habitat for people and animals. Sustainable, deforestation-free, and conversion-free cultivation of soy is therefore closely linked to the protection of our environment. Following the decision made by the UN Climate Conference in November 2021, more than 100 countries committed to end deforestation by 2030. The German parliament had already agreed guidance for the promotion of deforestation-free supply chains for agricultural commodities back in April 2020. The EU Commission also presented a proposal for a regulation against deforestation in November 2021. This includes binding due diligence requirements relating to deforestation and forest degradation. This also affects soy.

Under the proposed regulation, from December 31, 2020, the commodities and products in question must not come from deforested land or degraded areas of forest and must have been produced in accordance with the laws of the country of origin. The geographic coordinates of the area where they were grown must be recorded to ensure traceability. Benchmarking systems should also be used in future which classify countries based on the risk they present in terms of deforestation and forest degradation.

¹ WWF launch event / Working group for deforestation-free soy supply chains (Event 11/17/2021)

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Background

Thematic Classification

In 2019, approx. 34 million tons of soybeans and soy meal were consumed in the European Union. Around 31 million tons of the total quantity came from North or South America. Brazil is the largest supplier of soy products to the EU, Switzerland, and Norway by a long way, followed by the USA

and Argentina.¹ Alongside other agricultural products, it is primarily the cultivation of soy in South America that is responsible for the deforestation and conversion of large swathes of land for use as arable land.

Soja Importe in die EU



13,7 MMT
Brasil

7,6 MMT
USA

7,6 MMT
Argentina

8,1 MMT
Other countries

¹ <https://www.idhsustainabletrade.com/uploaded/2021/06/2019-IDH-European-Soy-Monitor-report.pdf>

Accountability Framework Initiative (AFI)

The AFI is an association of individual organizations that are collectively striving to establish and develop ethical supply chains for agricultural and forest-based products, an effort that we fully support. Led by a diverse, global coalition of environmental and human rights organizations, the AFI is working hard to create a "new normal" where natural ecosystems and human rights are completely protected in the production and trade of raw materials. To achieve this aim, the coalition helps companies and other stakeholders to set strong supply chain goals, implement effective measures, and track progress in order to establish clear responsibilities and encourage rapid improvement.

AFI definition of deforestation

The loss of natural forest as a result of

- conversion to agriculture or other non-forest land use;
- conversion to a plantation; or
- severe or sustained degradation.

Loss of natural forest that meets this definition is considered to be deforestation regardless of whether or not it is legal.

AFI definition of conversion

Change of a natural ecosystem to another land use or profound change in the natural ecosystem's species composition, structure, or function. (Deforestation is a form of conversion [conversion of natural forests]. Conversion includes severe degradation or the introduction of management practices that result in substantial or sustained change in the ecosystem's former species composition, structure, or function. Conversion of natural ecosystems that meets this definition is considered to be conversion regardless of whether or not it is legal.)



What We* Want to Achieve

*The companies of Kaufland Group have set up this report as joint guideline soy of all companies of Kaufland Group. The words „we“, „our“ e.g. mean the entirety of these companies.

Our demands

As part of the Schwarz Group, we are intent on minimizing the impact of climate change and steadily reducing greenhouse gas emissions. To achieve this, we are committed to the following three principles:

1. We prevent the generation of greenhouse gas emissions wherever possible.

2. We reduce those greenhouse gas emissions which are unavoidable.

3. We compensate, based on internationally recognized standards, for operational greenhouse gas emissions (Scope 1 and 2) that we can neither avoid nor reduce.

As part of the Schwarz Group, we have set ourselves SBT-compliant climate targets (SBTi: Science Based Targets initiative) that support the Companies of Schwarz Group's joint elaborated climate targets within the scope of the jointly operated Group-wide climate strategy of the Companies of Schwarz Group.

In order to reduce our emissions from our downstream and upstream value chain (Scope 3), we are requiring suppliers that are responsible for 80% of product-related emissions to set their own climate targets based on the methodology of the SBTi by 2026. We are supporting and empowering our business partners to do this. We are also committed to reducing our absolute Scope 3 emissions, which relate to the use of sold fuels, by 27.5% by 2030 compared to 2019 levels.

Following the publication of the SBTi's FLAG Guidance (FLAG – Forest, Land and Agriculture), our targets are currently being developed with these guidelines in mind. Potential changes in land use and thus the elimination of deforestation and conversion is a key area where there is potential for reductions to be made. Our aim is therefore to work more closely with suppliers and establish cross-industry alliances.



Use of Genetically Modified Soy Plants

Since 2004, any food and animal feed that contains, consists of or is made from genetically modified organisms (GMO) has to be labeled within the EU in line with European genetic engineering legislation. Currently, products derived from animals that have been fed with genetically modified food do not have to be labeled as such in the EU² Most of the soy meal imported into the EU comes from genetically modified soybeans. The genetically modified plants are largely resistant to herbicides like glyphosate. Studies in South America have shown

that the use of herbicides like glyphosate has harmful effects on the people living in the local area, as well as the surrounding environment.³ That is why we support GMO-free soy production.

² <https://www.bmel.de/DE/themen/ernaehrung/lebensmittel-kennzeichnung/freiwillige-angaben-und-label/kennzeichnungspflicht-gvo.html> (accessed 12/28/2021)

³ <https://www.bpb.de/gesellschaft/umwelt/bioethik/33750/gvo> (accessed 12/28/2021)

What We Want to Achieve

Against the background indicated above, we want to help to increase sustainability by making the use of soy as animal feed more transparent and by helping to gradually and sustainably reduce the impacts mentioned above. **With regard to the value chains for our own-brand products of animal origin, we are committed to eliminating the potential deforestation or conversion of valuable ecosystems for soy by 2025.⁴**

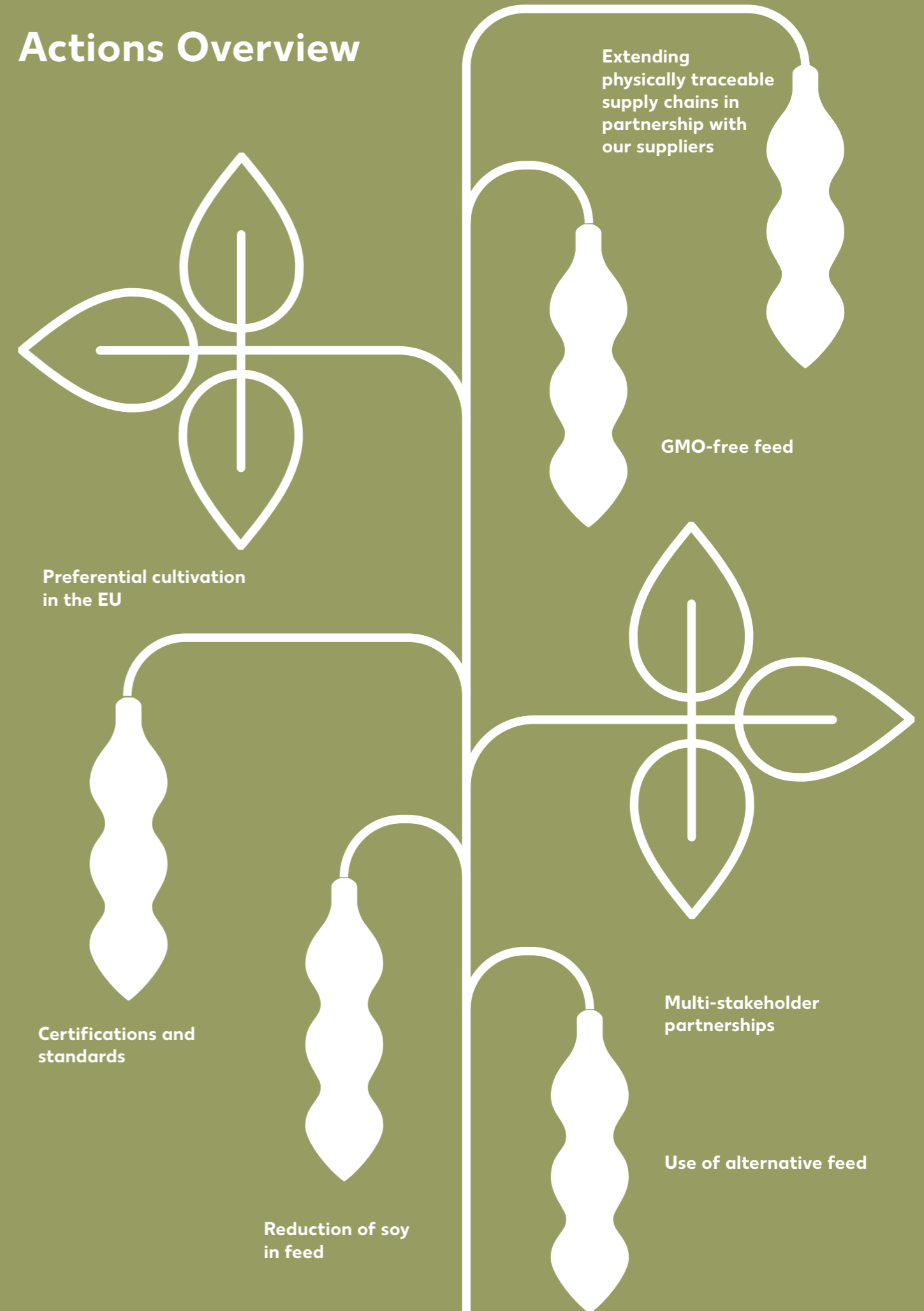
We refer to the Accountability Framework Initiative's (AFI) definitions with respect to freedom from deforestation and conversion and will not accept any cut-off date after 2020.⁵ The deforestation, conversion, or clearing of natural forest is not permitted after this date. Likewise, natural ecosystems are not permitted to be deforested or converted after this date.



⁴ This includes the following own brand segments: meat, beef, poultry, sausage, dairy products, eggs, cheese, delicatessen, frozen goods, packaged baked goods, tinned foods and convenience foods, baby food, confectionery, and pet food.

⁵ Cutoff Dates | Accountability Framework ([accountability-framework.org](https://www.accountability-framework.org))

Actions Overview



Our Measures



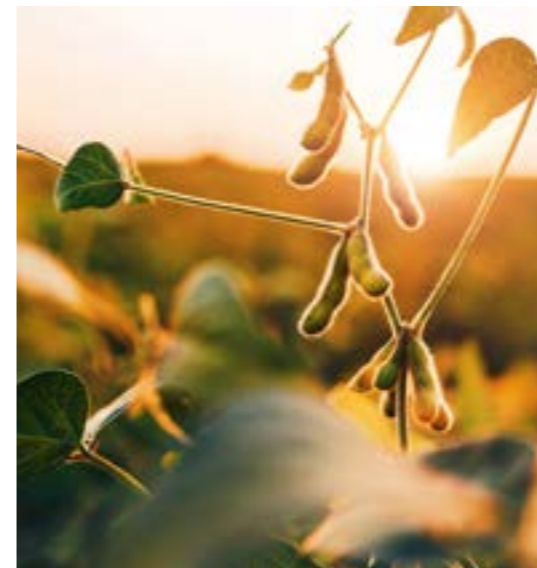
Our Measures and Implementation in the Assortment

As part of a responsible purchasing policy, our initial aim is to reduce the use of soy as animal feed in our own-brand products of animal origin, while also using alternative protein feed crops and increasing the proportion of sustainably and domestically grown soy. One of the ways we do this is by using certification to promote sustainable cultivation. We are aiming to establish physical traceability in our supply chains and only

use models such as credits on a temporary basis. We support European soy Donau Soja/Europe Soya as our first source of supply. Should it be necessary to import soy as animal feed, we will use the ProTerra or Round Table of Responsible Soy (RTRS NON-GMO) certification systems.

Certification and Standards

The use of international certifications, which include specifications for more sustainable, environmentally friendly cultivation, as well as GMO-free and deforestation-free soy, help to reduce the negative environmental impact of growing soy. The internationally recognized certifications that we use include standards for land conversion, restrictions on the use of pesticides, and requirements for the protection of biodiversity to increase soil fertility as well as environmentally friendly water and energy management. They are checked by independent certification bodies. These certifications also include essential social criteria that are also checked.



The coverage of soy animal feed with certifications that also permit models like credits are just the first step in our efforts to support sustainable supply chains. Credits support sustainable soy cultivation locally. To achieve our aim of having deforestation-free and conversion-free soy supply chains by 2025, however, models that do not permit the physical traceability of soy are considered to be an interim solution only and will gradually be adapted.

Since January 1, 2022, we have been using exclusively certified soy animal feed to produce our animal-based own-brand products, ideally from physically traceable supply chains.

Only certified feed is used in the production of private label products.



Review 2022

In 2022, we covered 80% of our soy animal feed requirements for the production of our animal-based own brand products via **Donau Soja/ Europe Soy Protein Partnerships**. By doing this, we are supporting the production of sustainable, GM-free soy from Europe. Over the past year, we have supported soybean farmers in Ukraine via the partnership program, helping them to **produce over 100,000 tons of certified, sustainable, GM-free soybeans**.

Protein Partnerships also involve:

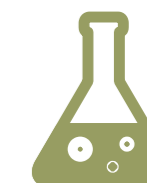
Sharing knowledge and experience with farmers to help improve cultivation practices and thereby close enormous yield gaps.



Audits and certifications on site as proof and documentation of sustainable cultivation methods



Laboratory analyses to ensure product quality with regard to GM technology and pesticides.



These measures play a key role in the strengthening of the European supply of sustainable, certified deforestation-free and GM-free soy that then enters the value chains for animal feed and food products, thereby supporting responsible consumption and climate protection. When compared with soy procured from regions like the Amazon or Cerrado, where soy cultivation is associated with land conversion and a high level of CO₂ emissions, among other issues, a study conducted by Blonk Consultants in 2021 found that the carbon footprint of soy from those regions is around 10 times higher than that of Donau Soja/Europe Soya certified European feed.

20% of our soy animal feed requirements were covered by **ProTerra's** monitoring and verification project:

Kaufland Stiftung & Co. KG lent its support to a new monitoring, reporting, and verification (MRV) system set up by the ProTerra Foundation. The aim is to develop sustainable soy supply chains and increase the quantity of sustainable, deforestation-free, verified soy available. This means that, within the scope of the project, we can guarantee that no deforestation takes place and no human rights are violated in connection with the cultivation of soy in Brazil.

Forecast 2023

In 2023, all our soy animal feed requirements will be supported by Protein Partnerships with Donau Soja soy farmers in Ukraine. We will also continue to do this in Germany for QS-certified products in the relevant poultry, meat, and beef segments with the QS Soja^{Plus} add-on module from January 1, 2024, in order to promote freedom from GMO (among other things).



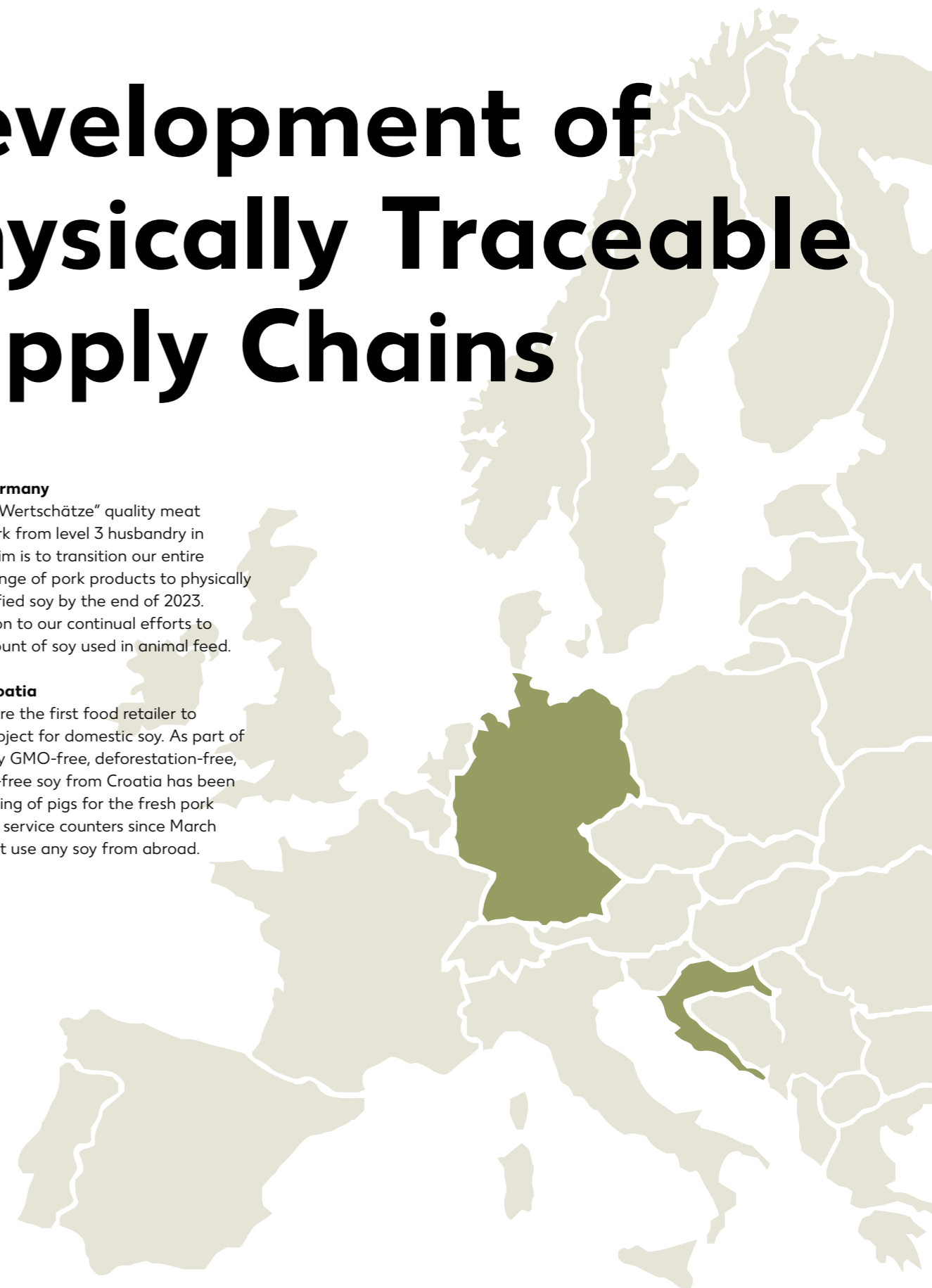
Development of Physically Traceable Supply Chains

Kaufland in Germany

As part of our "Wertschätze" quality meat program for pork from level 3 husbandry in Germany, our aim is to transition our entire Wertschätze range of pork products to physically traceable, certified soy by the end of 2023. This is in addition to our continual efforts to reduce the amount of soy used in animal feed.

Kaufland in Croatia

In Croatia, we are the first food retailer to implement a project for domestic soy. As part of this project, only GMO-free, deforestation-free, and conversion-free soy from Croatia has been used in the rearing of pigs for the fresh pork products at our service counters since March 2020. We do not use any soy from abroad.



Transparency in the Supply Chain

Annual soy mapping

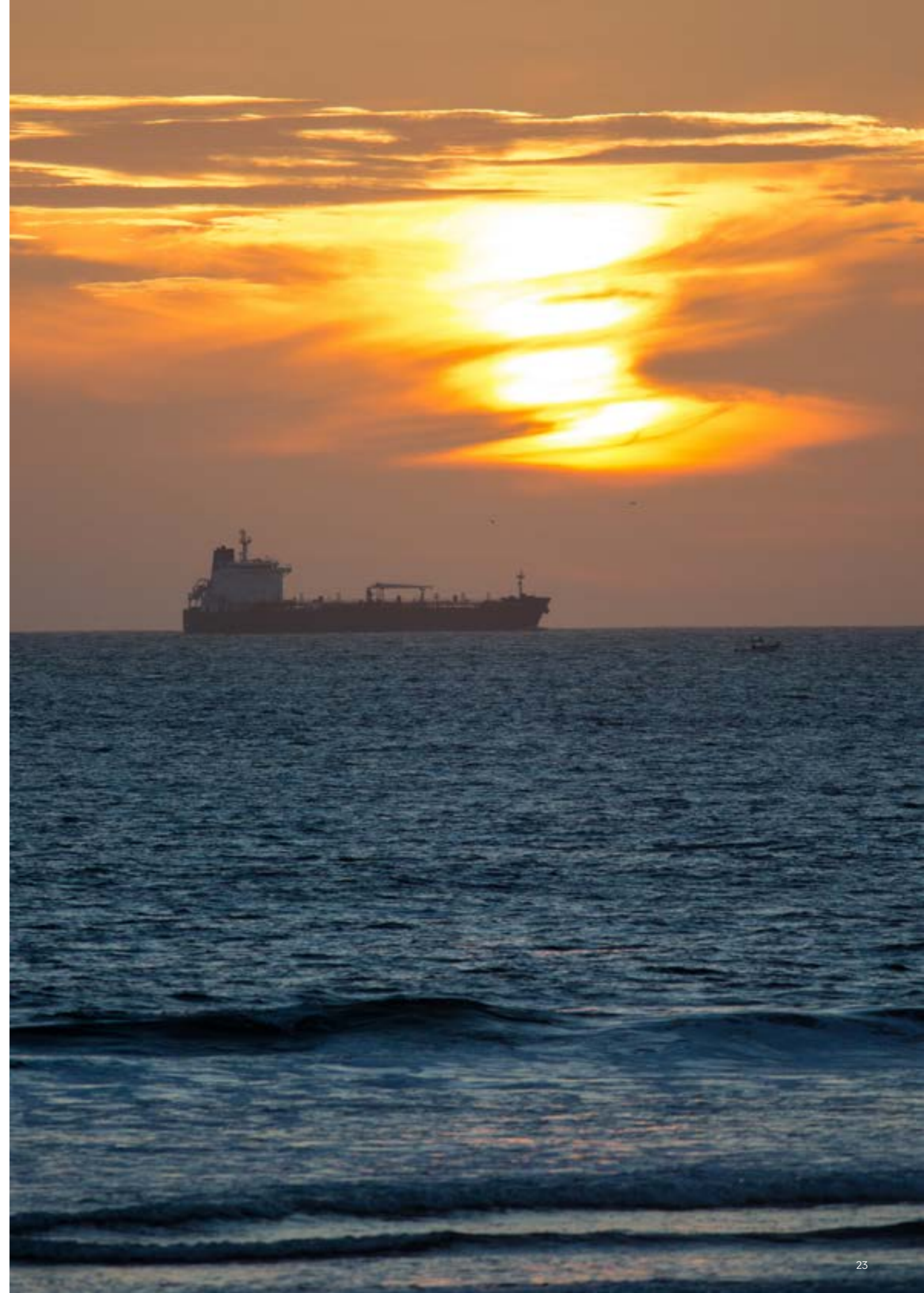
In 2021, we launched a soy mapping system to enable us to identify, quantify, and evaluate the relevant quantities of soy in the supply chains for our own-brand products of animal origin, a process that we complete annually. This provides transparency about the origin, quantity and certification status of the soy that is being used to produce our own-brand animal-based products. In addition, we are in constant dialogue with our suppliers about the future expansion of our physical and certified supply chains.



Risk analysis

In 2022, we completed a risk analysis of soy and palm oil feed to identify the risks that are relevant to Kaufland, the animal-based product types and suppliers that pose the greatest risk, and the main cross-sectional risks that we need to focus on. An additional risk analysis of our global supply chains enables us to prioritize the risks and to approach our suppliers in order to derive and develop appropriate measures together.

These could be projects in growing regions which support local farmers, for example. Milestones for completion by 2025 have been developed based on the risk analysis.





Cooperation with Our Suppliers

The Companies of the Schwarz Group recognizes the importance of ensuring social and environmental sustainability in collaboration with its business partners, as well as parties throughout the supply chain. The principles laid down in the joint Code of Conduct of the Companies of Schwarz Group.



The code is based on the following international guidelines and principles: the Universal Declaration of Human Rights, the United National Global Compact, the UN Guiding Principles on Business and Human Rights, the UN Convention on the Rights of the Child, the UN Convention on the Elimination of All Forms of Discrimination against Women, the OECD Guidelines for Multinational Enterprises, the ILO Declaration on Fundamental Principles and Rights at Work, and the Paris Agreement

Development of Our Product Portfolio



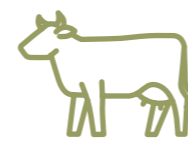
Expansion of the vegetarian and vegan assortment (meat and milk substitutes)

An increasing number of people are making a conscious decision to exclude meat or animal-based products from their diet. Our extensive range of own-brand vegetarian and vegan products offers variety instead of deprivation. Our "K-take it veggie" own-brand range alone includes 80 products that have been climate-neutral⁶ since June 2021. Another 1,000 brand items offer an additional choice of vegetarian and vegan products. We also offer an extensive range of over 200 varieties of fruit and vegetables. We are constantly expanding our product range.



Expansion of local and organic products

Another measure that we are taking in terms of our assortment is to expand the selection of local and organic products. The soy animal feed used for our domestic livestock, which supplies us with meat, milk, cheese, and eggs, comes largely from Brazil.⁷ To protect our environment, we are constantly expanding our range of organic products as well as our network of local farmers.



Exclusion of beef from Brazil

Kaufland International: Kaufland International does not purchase beef from Brazil.



Soy (food)

For the production of our private label products with soy as the basic ingredient, our suppliers source the soy as an ingredient exclusively from within the EU. Again, this is GMO-free.

⁶ Climate-neutral means: Residual operational greenhouse gas emissions are offset by certified climate protection projects in third countries.

⁷ <https://www.idhsustainabletrade.com/uploaded/2021/06/2019-IDH-European-Soy-Monitor-report.pdf>

A close-up photograph of a hand holding a small, fuzzy caterpillar. The caterpillar is light brown with darker brown bands and a fine, white, hair-like texture. The hand is positioned on the right side of the frame, with the thumb and index finger gently holding the caterpillar. The background is a soft, warm, golden-yellow gradient, suggesting a bright, sunny environment. The overall mood is gentle and focused.

Where we get involved

We participate

We get involved in discussions on various platforms and make our position clear:

1. Dialog forum for more sustainable protein animal feed

We take part in the dialog forum for more sustainable protein animal feed, with the aim of working with other participants from commerce, agriculture,

2. BVLH position on the strategic development of protein feed for livestock

We are committed to promoting the use of more sustainable protein feed. Since 2015, together with other commercial participants in the Bundesverband des Deutschen Lebensmitteleinzelhandels (BVLH – Federal Association of German Food Retailers), we have adopted a declaration of intent in the form of a “Position on the strategic development of protein feed for livestock.”

3. Position paper on tackling deforestation

2019, as a member of EuroCommerce, we signed a position paper on tackling deforestation. You will find the position paper [here](#).

4. Signing of the Cerrado Manifesto

By signing the Cerrado Manifesto, we are underlining our commitment not to source products from land converted since 2020. You will find the Cerrado Manifesto [here](#).



5. Participation in multi-stakeholder processes

We participate in collaborations that enable us to take a holistic approach and provide us with an effective way to address the causes and systemic conditions which facilitate deforestation and the destruction of natural ecosystems. Only by working with private and public stakeholders can deforestation be controlled and degraded areas of forest be successfully replanted.

From 2022, we will also be participating in a working group as part of the FONEI Forum to get specifically involved in cross-industry discussions about deforestation-free soy supply chains. We will be discussing the challenges presented by deforestation-free supply chains and developing potential solutions together.

Kaufland Stiftung & Co. KG is also an active one of five companies participating in a pilot project to establish deforestation-free and conversion-free soy supply chains. The goal is to implement the Deforestation and Conversion Free (DCF) toolkit and to work on transforming one or more supply chains according to the Accountability Framework (AFI). With this aim in mind, companies exchange experience in a monthly

project group organized by WWF Germany on the implementation of DCF supply chains. With the support of Nextra Consulting, the participating companies apply the DCF toolkit in order to develop a strategy for implementing deforestation-free and conversion-free supply chains.

Kaufland is also an active member of the working group for deforestation-free soy supply chains as part of the Forum for More Sustainable Protein Feed (FONEI). In this working group, relevant stakeholders from business, politics, and civil society come together to discuss the issue and experts share their knowledge on how to implement deforestation-free supply chains on a practical level.



Legislation

We will also be seeking stronger legislation and greater regulation in order to protect forests and create a uniform legal framework. We have issued a company statement calling for a number of measures, including that “other wooded areas” such as tree-poor areas and scrubland be included in the future EU regulation on deforestation and deforestation-free products. “Other wooded areas” are not classed as forest based on the definition of the UN Food and Agriculture Organization (FAO). If the scope of the regulation were expanded to include tree-poor areas and scrubland, 82% of the Cerrado could be protected.⁸

⁸ WWF press release: Susanne Winter, WWF Forest Program Director, dated 12/04/2022





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**Our
actions
do the
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Kaufland