



Tesco and Society Report 2014



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Tesco is a global retailer operating in 12 markets across Asia and Europe. We employ over 500,000 colleagues and work with suppliers in over 70 countries. In store and online we enable over 85 million shopping trips each week.

In May 2013 we set out our new corporate responsibility strategy. We committed to using our scale and capabilities as a global, multichannel retailer to create greater value for society.

This report sets out how we have started to tackle three urgent issues facing society – food waste, health and youth unemployment. It also shows how we are strengthening our work in the four essential areas – trading responsibly, reducing our impact on the environment, being a great employer and supporting local communities – which are fundamental to the way we do business.

This year has been about examining the issues in depth in order to develop clear and focused plans of action.

There's a lot more content online:



To find out more about our scale for good strategy and activities visit www.tescopl.com/society

To read our Annual Report visit www.tescopl.com/ar2014

Chairman's foreword



“By continuing down this path we can make a genuinely positive difference and make what matters better for society as a whole.”

This is the second **Tesco and Society Report**, marking the first full year of our programme to re-orientate Tesco's place in society that I wrote about here last year.

This is not a short or quick process with snap targets and early results. It is a re-casting of the business's relationship with the societies in which it operates.

This work does not replace what we call the essentials, the basic requirements of any business in the modern world to act ethically and responsibly in terms of the environment, its employees, its suppliers and generally to be a responsible citizen. What we are seeking to do now is to recognise that when you are large and have a material impact on the lives of many, it behoves you to consider how actively to use that scale for good. This is why we have set ourselves the goal of making a meaningful difference in the areas of food waste, health and youth unemployment. These are not small ambitions and as such we will need to apply sustained effort over many years. While each year we will move closer towards our goals we also need to recognise that it may take up to a decade to see lasting change. This reflects the scale of the task. Success depends in part on realism, as well as thoughtfulness and resources.

So having set ourselves this new direction, this has been a year of research, capacity building, solution development and of first steps, not one of targets and delivery at scale. It has also been a year of consulting with others.

The broad nature of these issues means that it is more helpful to update on initiatives and outcomes in real time rather than having a single annual big bang. Consequently, this report is a progress update which needs to be read in the light of our half year report and our regular online updates.

One point on which we are very clear is that we do not have a monopoly of wisdom in this area. An important step therefore over the past year has been to assemble an Advisory Panel of leading experts in the specific fields on which we have chosen to focus.

We have also thought long and hard about how to measure progress in a meaningful way. The measures we have selected are set out in our 'Scale for Good Scorecard'.

I am proud of the energy shown by the executive team over the last year and they have demonstrated a resolve to make a long-term difference. The changes we have started, from publishing our own food waste data to launching our food education campaign 'Eat Happy', may not in themselves solve the problems we are facing, but they do lay the foundations for significant, strategic and far-reaching change.

By continuing down this path we can make a genuinely positive difference and make what matters better for society as a whole.

Finally, after Chairing the Corporate Responsibility Committee for the last two years, my Board colleague Jacqueline Tammenoms Bakker has agreed to take over as Chair from the beginning of this year and will bring you this report next year. Jacqueline's experience and expertise in this area make her the ideal successor as we carry forward our plans set out in this report.


Sir Richard Broadbent

Chief Executive's introduction



“If we are to succeed in the future, we need to become a sustainable retailer in every sense of the word. We need to make what matters better for society as a whole. Quite simply – better is better.”

The last three years at Tesco have been all about one thing: making Tesco better for everyone in society – our customers, colleagues, shareholders, suppliers and the communities we serve.

We have been working to build a better Tesco, improving our offer for customers across the whole shopping trip by focusing on what matters most.

In the UK, by far our largest business, we have been strengthening our foundations – investing in the shopping experience and improving our range, quality and service. We are pleased to say that many of our customers are now seeing the difference and that over the next three years we will bring the new Tesco to each and every one of our UK stores. My team is excited about the prospect.

We have also been pioneering in the new era of retailing. As the world steps deeper into the digital age, we will lead the industry by providing the most compelling multichannel offer for our customers.

But building a better Tesco is about more than providing a great shopping trip.

As I wrote in our first Tesco and Society Report a year ago, the world's expectations of business are undergoing a profound transformation. More and more people want to know: are you part of the problem or part of the solution? Do you use your skills and capabilities in a responsible way? Customers want to feel good about shopping with us: they want to build a relationship that goes beyond the transactional.

In other words, what matters to people is changing – so we too are changing.

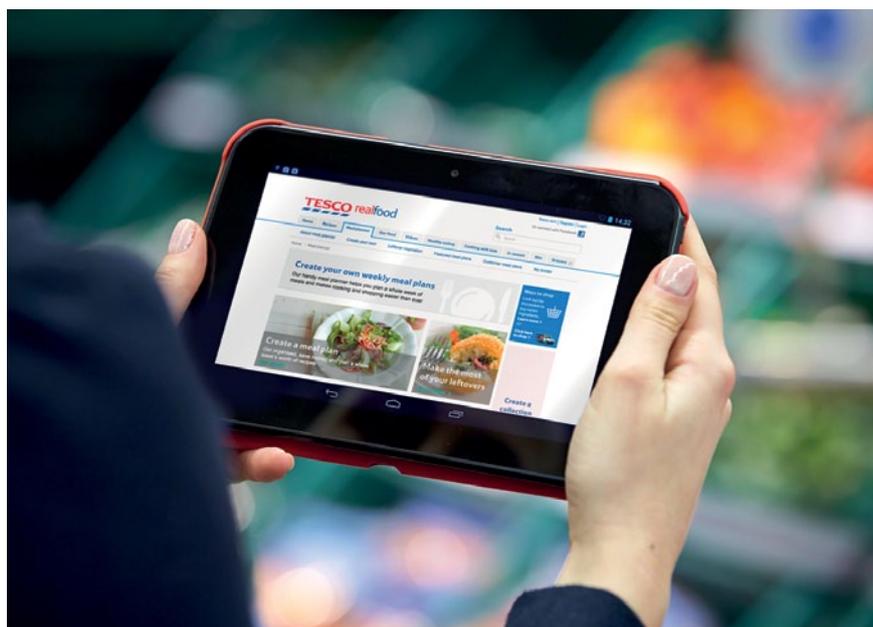
I have devoted my forty-year working life to Tesco and I believe fundamentally that at the core of our work lies the creation of social value. This is intrinsic to our long-term commercial success and to the creation of shareholder value. Today, through our stores and other channels tens of millions of people have access to high quality, affordable products on a daily basis.

Thanks in no small part to our skill and to our scale, many communities around the world enjoy a selection of fresh fruit, vegetables, meat and fish at prices they can afford for the first time because of Tesco. It's one of the things I am most proud of.

I am a realist and I recognise that in this new world biggest isn't necessarily considered best. There are long-term challenges that have the potential to impact our business seriously. There are global challenges which, because of our core skills and capabilities, we can help to address.

If we are to succeed in the future, we need to become a sustainable retailer in every sense of the word. We need to make what matters better for society as a whole. Quite simply – better is better.

That's why last year we announced our new value: we use our scale for good. It's based on the recognition that if we harness the breadth of our skills, scale and the can-do spirit of our colleagues, and work together with our partners in the supply chain, we can make a major contribution to some of the biggest challenges of our time.



“The focus of this year has been gathering the best possible insights to set long-term direction.”

As a signal of this new intent, we chose to take a lead in tackling three challenges where we can make a contribution – reducing food waste globally, improving health and providing opportunities for millions of young people.

These three ambitions, together with our essential responsibilities as a good corporate citizen – in terms of trading responsibly, reducing our impact on the environment, being a great employer and supporting local communities – make us a better business, one which can lead in the new era of retail.

During the last twelve months more of our colleagues have got behind our ambition and our new value has already proved a powerful motivating force. It's the first phase of a journey and we have still only achieved a fraction of the change we ultimately want to see.

One of the biggest improvements we have made over the last year is in the scale of our engagement. We were determined to seek out the best advice and support for all of our ambitions, which meant joining the global conversation around each of these issues.

We have held meetings with campaigners and experts. We have held roundtable discussions on a range of subjects including health, young people, food waste and food sourcing. Representatives from across the business have participated in key conferences. I was pleased to speak at the Global Green Growth Forum in Copenhagen. By sharing these platforms, we have helped to raise awareness of these challenges and boosted, in particular, the profile of food waste as a social and environmental concern.

We have also worked hard to move to a more open, transparent conversation. We are starting to share details of our activities, progress and challenges on our different channels throughout the year.

But the most important change we have made has been in the way we have approached our ambitions. In each case, we want to make significant, lasting changes – not launch short-term superficial initiatives.

That's why the focus of this year has been gathering the best possible insights to set long-term direction, whether it's research on the specific challenges facing young people, our 'Healthy Little Differences Tracker' to measure the nutritional profile of shopping trips, or producing detailed food waste profiles for our most popular products – together with action plans to reduce waste at each part of the value chain.

This insight-to-action approach holds the key to our success for the future. It's the theme of this year's Tesco and Society Report. As we continue down this path over the coming years, we can use our scale for good across society and make what matters better, together.

Philip Clarke

Our scale for good strategy

We introduced our third value – we use our scale for good – in recognition of the fact that we can make a wider contribution to society by drawing on our operational skills and our scale. This new value stands alongside two other corporate values: no one tries harder for customers and we treat everyone how we like to be treated.



Rebecca Shelley
Group Corporate Affairs Director

Over

500,000

colleagues around the world

Over

85 million

shopping trips a week

Suppliers in over

70

countries

Taken together, our values set out the kind of business we want to be and help us to deliver our core purpose – we make what matters better, together.

Significantly, our values do not sit in isolation from our business strategy. They reinforce and underpin it.

The world is changing. Many of the most pressing social and environmental issues can only be solved if businesses work alongside communities, governments, experts and charitable organisations to tackle them.

We want to be a leader in tackling these challenges because they are relevant and because there is value in doing so. In the new era of retail, we believe that customers will increasingly reward companies that they trust and that make a wider contribution to society.

That is why over the past year we set out on a journey to help tackle three long-term challenges which are relevant to us as a global retailer and which matter to society. These challenges are represented in our three big ambitions:

- Leading in the global fight against food waste
- Helping customers and colleagues live healthier lives
- Creating opportunities for millions of young people

These issues also matter to the future of Tesco. For example:

- Reducing food waste helps to address the long-term concern about food security as well as helping to make us more efficient

- Health and obesity are issues that our customers really care about and are driving demand for healthy products
- Attracting and retaining people with the right skills is important for developing a pipeline of future talent – young people are our customers and colleagues of the future

At the same time, we have continued to strengthen the work we do around our essential commitments – those areas of responsibility which are fundamental to the way we do business every day: trading responsibly; reducing our impact on the environment; being a great employer and supporting local communities.

We started by mapping the problems and developing strategies which will enable us to make the biggest difference for the future. Insight-to-action has been the basis for all our work this year.

We have also taken action in key areas. For example, we have calculated and shared food waste data in our own operations and across the value chain. We have launched The Tesco Eat Happy Project to help improve the next generation's relationship with food and we have carried out new research on the challenges young people are facing.

In many cases, using our scale for good means being more collaborative, including helping to connect and coordinate different partners in different countries and across a global supply chain. As this report shows, we have already been able to build partnerships and collaborate across a range of areas this year. Our aim for next year will be to move from insight-to-action towards an approach which uses action to achieve long-term impact.

Using our scale for good

Our role in society is an extension of our core purpose: we make what matters better, together.

Our values are: no one tries harder for customers; we treat everyone how we like to be treated; and we use our scale for good.

Our three big ambitions and our four essentials show how we will use our scale for good.

Our three big ambitions

To lead in **reducing food waste** globally

Reducing food waste
page 12

To **improve health** and through this help to tackle the global obesity crisis

Improving health
page 16

To create **new opportunities** for millions of young people around the world

Creating opportunities
page 20

The essentials

We trade responsibly by putting our customers first and building strong partnerships to provide high quality products

Trading responsibly
page 26

We are reducing our impact on the environment by aiming to be a zero-carbon business by 2050 and using scarce resources responsibly, including in our supply chain

Reducing our impact on the environment
page 28

We are a great employer – creating opportunities that make our colleagues happy and proud of what they do

Being a great employer
page 30

We support our local communities by being a good neighbour and running our business to the highest standards

Supporting local communities
page 32

Our conversations

We've learned a great deal by listening to customers, experts, campaigners, investors and suppliers. We've also joined the debate and taken to public platforms to share our point of view.

We have hosted a series of roundtables on food waste, supply chains and health. We have established Young People's Panels in Europe and the UK and we have brought together an advisory panel of international experts to work directly with our Chief Executive to advise on our scale for good strategy. We've also set up an independent supply chain advisory panel.

Through our conversations with investors we know that they recognise the importance of our strategy for our long-term commercial success. In addition, we listen to and work with our suppliers across the countries we source from and we engage with our customers in a variety of ways, in order to understand what matters and how we can help.

We've spoken at a number of conferences across the world. These include: The National Farmers Union Annual Conference; the third Green Growth Forum; WWF's Livewell for Life and WRAP's Annual Conference.

We're helping to raise the profile of these issues so that we can work together with others to find solutions. [More information on page 38](#)



Speaking at The National Farmers Union Annual Conference, our Group Commercial Director Kevin Grace said:

"We are all united in the food chain and only when we find common interest will we be able to use the strength of the whole chain to serve the clearest and most important common interest of all: giving customers what they want; engaging them to buy more of farming's production and increasing production capacity to meet the demand for quality, affordable food."



"The biggest challenge when starting my career was to actually start it...which places to go to, who to speak to and what equipment I needed."

"Businesses have a big role – they should be able to take us on, help us and develop us so we can enter that environment as professional as we can be."

What young people told us during a research programme with youth engagement agency Livity.



Rebecca Shelley, our Corporate Affairs Director, speaking with the UK Secretary of State for Environment, Food and Rural Affairs, Owen Paterson MP at "A Better Retailing Climate" event hosted by the British Retail Consortium.

Key activities this year

Building on our experience and expertise, and the insights and advice we gained from experts, we have enhanced our understanding of the issues we are tackling.

We have started to take action and make a difference. This page sets out some of our priority areas.

We've also set out focused plans and established a benchmark of our performance in our Scale for Good Scorecard.



Scale for Good Scorecard page 34



Opportunities for young people

We've provided opportunities for over 150,000 young people in our operating markets through a range of activities including schools outreach and skills development. To help us do more, we've created Young People's Panels in Europe and the UK and carried out research to understand the support that young people need. [More information on page 20](#)



Health checks

Through our partnership with Diabetes UK we've helped carry out 70,000 Type 2 diabetes risk assessments online and in Tesco pharmacies. [More information on page 19](#)

Food waste data

This year, for the first time, we have published externally assured food waste data for our own UK operations. We've also identified where food waste arises across the value chain for 25 of our most commonly purchased products. These products represent over 20% of our fresh UK food sales.

[More information on page 14](#)

| % FOOD WASTED ACROSS VALUE CHAIN | |
|----------------------------------|-----|
| APPLES | 27% |
| BANANAS | 19% |
| BAKERY | 34% |
| GRAPES | 20% |

Food donations

This year a total of 8.5 million meals' worth of food was donated to people in need through our food collections across Europe. Poland and the UK have led the way on donating surplus food from our stores and distribution centres respectively. We will be rolling out a food surplus blueprint across our markets.

[More information on pages 15 and 33](#)



Supply chain experts

Our team of experts in the countries we source from work with our suppliers to ensure the best products are available for our customers whenever they want them. Our online networks connect suppliers so that they can share best practice. Our Producer Network now has over 2,000 members with representatives from 47 countries. [More information on page 27](#)

The Tesco Eat Happy Project

The Tesco Eat Happy Project is our long-term commitment to help children and young people grow up with a happier and healthier relationship with food. In the UK our first initiative is Farm to Fork where we will take one million UK primary school pupils on Farm to Fork Trails. In Hungary we have launched our pilot TeenChef healthy cooking competition. We are rolling out Eat Happy across our operating markets. [More information on page 19](#)

Our three big ambitions

Our three big ambitions are:

- To lead in reducing food waste globally
- To improve health and through this help to tackle the global obesity crisis
- To create new opportunities for millions of young people around the world

All three ambitions reflect real and pressing concerns in society. They are also issues which are relevant to us as a large global retailer and to which we can apply our skills and our scale to make a positive difference.

Our goal in each case is to deliver significant, long-term change.

Our three big ambitions

Reducing food waste



It is unacceptable that around a third of the world's food is being wasted each year. As one of the world's largest food retailers, we want to make a positive difference, using our scale and reach.

We do not just want to reduce food waste in our own operations. We have a shared responsibility to reduce food waste across the value chain wherever it occurs – in fields, farms, distribution networks and in our homes.

To do that effectively, we need the best possible insights into precisely where food is wasted and why.

That is why we have published new data, including externally assured statistics on waste within our own operations. By sharing this information we have added important evidence to the debate on how to tackle food waste. We are now taking action to tackle hotspots across the value chain and are donating surplus food to those in need.

Improving health



We are facing an overwhelming body of evidence which points to the long-term health and social costs of an unhealthy relationship with food. As a global retailer we can provide customers with the information and choices they need and help them to live healthier lives.

The key to improving health is discovering what is driving health choices and habits in all our markets.

Our 'Healthy Little Differences Tracker' is central to our approach. This tracker, which measures the nutritional content of our customers' shopping baskets, will help us to understand what is driving healthy and unhealthy shopping trends – and to design solutions to encourage people to buy more healthily.

We have already removed three billion calories from our soft drinks and through The Tesco Eat Happy Project we are making our contribution to help improve the next generation's relationship with food.

Creating opportunities



73 million young people are unemployed globally and 120 million potential new young workers enter the global labour market each year. Against this backdrop young people are facing great challenges in getting started in their careers and face growing concerns about future skills.

We want to help take on this challenge and our ambition is to create opportunities for millions of young people around the world.

To achieve this, we need to focus on the specific challenges young people are facing. That is why we have been listening to young people through research, focus groups and by establishing Young People's Panels. In addition, we have introduced a range of programmes. For example, in Thailand we have launched a new vocational training programme to give students on-the-job training. We want to make a lasting impact and help break the cycle – no job, no experience, no experience, no job.

Reducing food waste

Expert perspective

Since WRAP published its ground-breaking food waste research and launched Love Food Hate Waste, the UK has cut avoidable food waste by nearly a quarter.

Public awareness of food waste is at an all-time high, thanks largely to our effective partnerships with local authorities, community groups and retailers like Tesco. The work Tesco has done to put reducing food waste at the heart of its strategy is helping us and the wider industry to make a difference. A major combined effort from retailers, brands, governments and consumers could, I believe, not only halve UK household food waste by 2025 but also provide a good practice model to help other countries to prevent unnecessary food waste.

Dr Liz Goodwin
CEO, WRAP

Reducing food waste

In recent years, the world has grown increasingly concerned about the volume of food which is wasted. As research by the UN has shown, enormous amounts of food are being lost and wasted globally – at least 1.3 billion tonnes each year.



Matt Simister
Commercial Director
– Group Food

Aside from the unnecessary pressure this puts on land and natural resources, together with the associated emission of greenhouse gases, this waste costs our customers vast sums of money. For example, according to the UK's Waste Resource Action Programme (WRAP), the average British family with children throws away £700 worth of food per year.

For these reasons we committed to take a lead in reducing food waste globally.

We have a shared responsibility for food waste across the value chain – from farm to fork – and we have made clear that we want to do more than reduce waste within our own stores and distribution centres. The key to delivering real reductions is to identify where most waste occurs and design tailored solutions to tackling these hotspots.

That is why, using our unique viewpoint in the food value chain, we have been working to develop new insights into food waste, including waste profiles for 25 of our most frequently purchased food products. We have also been sharing data on food waste within our UK operations.

Reducing food waste is a systemic challenge and we cannot tackle it on our own. That is why we have engaged leading national and international bodies by sharing our insight and ideas and by collaborating on programmes, for example the World Resource Institute's Food Loss and Waste Protocol. Our Chief Executive, Philip Clarke, announced that we would participate in the development of this protocol at the Global Green Growth Summit in Copenhagen.

We have engaged closely with the United Nations Environment Programme, we are working alongside the campaign Think.Eat.Save and we have recently signed up to the European Fusions project. We also engage with campaigners, including Tristram Stuart, who are working hard to keep food waste on the public agenda and challenge stakeholders to do more.

Drawing on this expertise and our own insights, we have developed targeted approaches to tackling food waste. These initiatives are tailored to the food waste challenges identified for each of our operating markets.

We know that this is going to be a long journey. The key to success will be about building strong partnerships with our suppliers and finding engaging ways of helping our customers to reduce waste and save money in a way which delivers more sustainable consumption.

“Reducing food waste is a systemic challenge and we cannot tackle it on our own. That is why we have engaged leading national and international bodies.”

1.3 billion

Around 1.3 billion tonnes of food are lost or wasted each year globally

£700

UK families are throwing away the equivalent of around £700 worth of food per year
Source: WRAP

56,580^Δ

tonnes of food were wasted within our UK operations in 2013/14

^Δ Within the scope of KPMG LLP's limited assurance opinion – see page 42 for more details.

Reducing food waste

Analysing our own operations

The first step to long-term change is greater transparency. That is why we are publishing for the first time data on food waste within our own UK operations for a full financial year.

KPMG have independently assured our food waste data. This shows that during 2013/14, 56,580^A tonnes of food were wasted in Tesco stores and distribution centres in the UK.

This represents less than 1%[†] of the number of food products sold in our stores over this period. We have worked hard to reduce waste to this level – reducing waste makes commercial sense. The challenge now is to innovate to reduce this figure further and share best practice across all our operating markets.

We are rolling out a blueprint of best practice worldwide. This provides clear guidance on handling produce, store ordering and other waste reduction procedures.

In specific areas where the waste figures are high we have targeted action plans. For example we have re-designed our in-store bakeries so that less bread is displayed at any one time and is replenished more frequently when demand is high.

Targeting food waste hotspots

We have developed food waste profiles for 25 of our most frequently purchased food products. These profiles highlight the percentage of total food production wasted at every stage of the value chain.

Below is a selection of these profiles and a summary of how we are tackling the food waste hotspots. Visit www.tescopl.com/society/foodwaste to see all 25 hotspots.*

Potatoes

To reduce losses in the field and processing we are:

- Reviewing waste alongside customer preferences when selecting different potato varieties
- Using satellite and aerial mapping technology to identify specific trends in field losses
- Introducing new technology to remove stones earlier in processing to reduce damage

To help customers reduce food waste in the home we are reviewing opportunities for modified atmosphere packaging which could help the potatoes to last longer.



Cheese

To help reduce the amount of cheese our customers waste at home we have:

- Introduced re-sealable packaging on all British cheddars
- Standardised the on-pack shelf life information so that customers know, for example, that all soft and blue cheeses should be used within three days of opening
- Added recipes on our Real Food website to provide ways for customers to use up any leftover cheese



Lamb

To reduce waste in processing we are trialling innovative ways of storing and transporting lamb to improve product quality and freshness.

To increase shelf life for customers we are rolling out specialised packaging. This technology has been successfully introduced for beef, giving customers up to an extra five days to consume the product, and we hope it will have a similar impact for lamb.



^{A†} Within the scope of KPMG LLP's limited assurance opinion – see page 42 for more details. * Since we published our first five food waste profiles in October 2013, WRAP has published revised household food waste data which have been incorporated into our 25 food waste profiles.

Grapes



By establishing waste profiles for grapes this year, we know that 20% of grape production is wasted at various points in the value chain. Of that waste, around a third is lost in fields and almost two thirds is wasted in customers' homes.

In order to help reduce this waste we are shortening the supply chain. This reduces the scope for grapes to be left to rot in fields or to go to waste in customers' homes.

[Watch the video here](http://www.tescopl.com/society/grapesvideo)
www.tescopl.com/society/grapesvideo

There are two parts to our work:

1. We have guaranteed in advance that we will buy at least 80% of grapes from our suppliers. This means that suppliers are better able to forecast demand and are less likely to end up with unsold grapes.
2. As a result of this change, we have been able to cut out a stage in our distribution chain and reduce the time grapes take to arrive in the UK. This means that the code life on the product is increased, and in some cases we are giving customers an extra 10 days of freshness.

We are significantly increasing the volume of products moving through our supply chain in this way, from five million cases two years ago to 14 million cases this year. In addition to grapes this includes products such as apples, pears, tomatoes and mushrooms.

The Produce Revolution

To make a positive difference for the long term, we have to make it easier for customers to reduce food waste.

We have been working to significantly improve the variety, quality and value of the fresh fruit and vegetables we offer our customers.

A key aspect of this is to make it much easier for customers to reduce food waste in their own homes, which according to WRAP data is as high as 15% of food produced.

As part of the programme we are:

- Re-designing produce packaging to include facts around food waste on key packs, as well as tips about reducing waste. These will be aligned with WRAP's Love Food, Hate Waste Campaign
- Introducing new in-store greengrocers to assist customers and training for all colleagues working in produce on the correct storage advice for fruit and vegetables in the home and tips about leftover usage

What's next

Extending our food surplus work

The nature of our business means that there is some surplus food that we have stocked but have not been able to sell. In the UK, we use the following hierarchy to manage surplus food and prevent it from going to landfill.

1. We try to minimise surplus – for example by reducing to clear foods close to their expiry date
2. If food cannot be sold, we offer it where possible to those in need by donating to charities

3. We send all bakery waste to be converted into animal feed for livestock and our chicken fat and cooking oil is converted into biodiesel
4. If these options are not available, we recover energy from food waste through anaerobic digestion or incineration

We have made significant progress on managing our surplus food. Our team in Poland have been donating surplus food from 31 stores to those in need. They donated 80 tonnes in the first 100 days.

In the UK we are donating surplus food from our grocery home shopping stores and from our fresh food distribution centres. In Ireland we have been trialling donating surplus food from our stores to local food surplus charities using a dedicated mobile phone app. In South Korea we have so far donated over 430,000 bags of bakery (equivalent to 151 tonnes) to those in need in the local community.

Putting surplus food to good use is a key focus for our teams across our operating markets in the coming year.

Improving health

Expert perspective

To tackle the growing global threat of non-communicable diseases over the long term, we need to ensure that we create the environment for children to make good health choices and ensure that we can properly support children who become overweight.

This requires focused public-private partnerships at community and national level, as well as collaborative action to share programmes and research findings internationally.

Businesses have a key role to play and I am interested to see how The Tesco Eat Happy Project can help children make better food choices.

Professor Paul Gately

Professor of Exercise and Obesity, Leeds Metropolitan University



Improving health

Improving health is one of the world's biggest – and growing – challenges. The World Health Organisation estimates that non-communicable diseases (NCDs) kill more than 36 million people each year. We want to develop strategies which improve health for the long term.



Leonie Foster
Brand Marketing Director

<1 in 10

Fewer than one in ten 11-18 year olds in the UK are eating their recommended five portions of fruit and veg per day

1 million

We want to help engage children with food by taking 1 million UK primary school pupils on Farm to Fork Trails, aligned with the new education curriculum

3 billion

Over the last two years we have reduced the number of calories sold in our soft drinks by 3 billion

As one of the world's largest food providers we can play a major role in addressing this problem. We can provide customers and wider society with the information and choices they need to make it easier to live healthier lives.

Health is an increasingly emotional issue for our customers – two thirds worry about their own health or that of their family. Food dominates customers' thoughts and feelings around how healthy their lifestyles are.

That's why the cornerstone of our plan is how we use our data. This includes the development of our 'Healthy Little Differences Tracker' to measure the nutritional profile of the food our customers buy. In time our customers will be able to use their own data to understand the nutritional profile of their shopping, helping them to improve it year after year. We are piloting these tools now and are convinced that they can make a unique difference to how we support healthy lifestyles, first in the UK and then in every country in which we operate.

We have also launched The Tesco Eat Happy Project – our long-term commitment to improve the next generation's relationship with food. The first phase is our Farm to Fork Trails to help children understand where their food comes from. Tens of thousands of children have already taken part in a Farm to Fork Trail.

Alongside Eat Happy we have taken significant action to help our colleagues and customers. We have:

- Launched new products such as our Healthy Living brand in the UK and VitaKids in Slovakia
- Launched a new free Health and Wellbeing app and website in the UK and Ireland and continued to develop 'Healthy Appetites' in Poland
- Extended the use of QR codes on products in Thailand so that customers can find out where their food has come from, see nutritional information and get recipe ideas

We have taken some important steps this year; however, we recognise that we still have a long way to go. This is just the start of our journey to encourage customers and colleagues to live more healthily.

“We can provide customers and wider society with the information and choices they need to make it easier to live healthier lives.”

Improving health

Our approach

Our ambition is to help improve health for our customers, colleagues and wider society. We want the nutritional profile of shopping trips around the world to get healthier, year after year.

We are taking an insight and data-led approach so that we make effective, sustainable use of all levers at our disposal – in stores, online, as well as awareness and education programmes in wider society.

By doing this we can act directly in our stores and own operations, encourage healthier choices with our customers and galvanise change across society.



Achieving our ambition: where we can make a difference

Improving our operations

- Introducing healthier products such as our new Healthy Living brand in the UK and VitaKids in Slovakia
- Giving a balanced choice of products in store and online
- Reformulating our products to improve their health profile – we have made most progress in our soft drinks category
- Strengthening our health and wellbeing programmes for colleagues

Helping customers

- Using our product and customer data to provide personalised recommendations
- Raising awareness of diabetes risk factors and carrying out risk assessments in store and online
- Providing broader health and wellbeing support through www.tescohealthandwellbeing.com and by extending our 'Healthy Appetites' programme in Poland

Engaging society

- Through The Tesco Eat Happy Project and our Farm to Fork initiative we can help the next generation to have a healthier and happier relationship with food
- Our well established Get Active Campaigns such as aerobics in Thailand, Run for Life in Slovakia and Race for Life in the UK provide much needed opportunities for our communities to get moving and have fun at the same time

Healthier product choices

Through reformulation, new product development and promotional and layout changes we can make it easier for our customers to make healthier choices.

“We have already removed three billion calories from our soft drinks and identified ten key areas where we can go further, working with the soft drinks industry to ensure our customers have a range of choices available.”

David Beardmore
Category Buying Manager, Soft Drinks

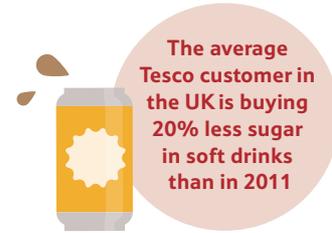
We have made most progress in our soft drinks category and have committed to go further. Here are a few examples of how:

1. We will reduce sugar by 25% on the remaining Tesco Brand carbonates
2. 60% of all new product development will focus on low or no calorie products
3. We will use new technology to remove between 20% and 30% of sugar without using artificial sweeteners

We plan to extend this reformulation work into other product areas and will be targeting added sugar during 2014/15.

Our product reformulation is guided by our healthy little differences tracker analysis. For more information on our tracker and how we use it visit

www.tescopl.com/society/health



Source: Dunhumbly Clubcard data, 7 weeks ending 24 February 2013 vs same period 2011.

The Tesco Eat Happy Project

There is a serious gap in children’s understanding of food and what is healthy, with 10% of 7-14 year olds thinking that tomato ketchup counts as one of their five-a-day. We know that eating habits are formed early so food education is critical to changing behaviours.



To help address this need, we developed the Tesco Eat Happy Project. The first initiative is our Farm to Fork Trails. We have trained over 700 colleagues and selected suppliers to run trails for school children. We want to take one million primary school pupils on trails across the UK. And through Farm to Fork Online Field Trips, children will be transported to far off places to find out how their food is grown. In addition, we are helping kids learn to cook by holding cooking lessons with the Children’s Food Trust in some stores over the summer.

Educating children about healthy eating and cooking has also been the flagship programme of Tesco Hungary through our TeenChef initiative. Over one hundred 8-14 year olds took part in the pilot competition by cooking their favourite healthy meals and sharing the videos or photos online.

Through our Eat Happy Project we have made a long-term commitment to improve the next generation’s relationship with food across our operating markets.

www.eathappyproject.com

Partnering with Diabetes UK

70,000

Diabetes health checks in store and online



Our National Charity Partner in the UK is Diabetes UK. This year we helped to run the biggest Type 2 diabetes awareness campaign in UK history, reaching millions of people with posters and adverts. We have already helped to run over 70,000 Type 2 diabetes risk assessments in Tesco pharmacies and online and we have

distributed information about diabetes to over a million customers.

For more information about our national charity partnership see page 32.

What’s next

Our Healthy Little Differences Tracker

Our key focus in the coming year is to establish our Healthy Little Differences Tracker across all our markets. We recognise the challenge involved in combining nutritional data for over 100,000 products with our sales and customer data.

We need to establish processes to ensure the data collection is sustainable.

We will use the insight from the tracker to inform our work on reformulation and to identify other ways we can help customers to make healthier choices for themselves and their families – for example by building tools that offer personalised recommendations and advice.

We will also continue to look for opportunities to use our data for social good by sharing our customer insight (on a purely opt-in basis) to help inform new medical research.

Creating opportunities

Young person's perspective

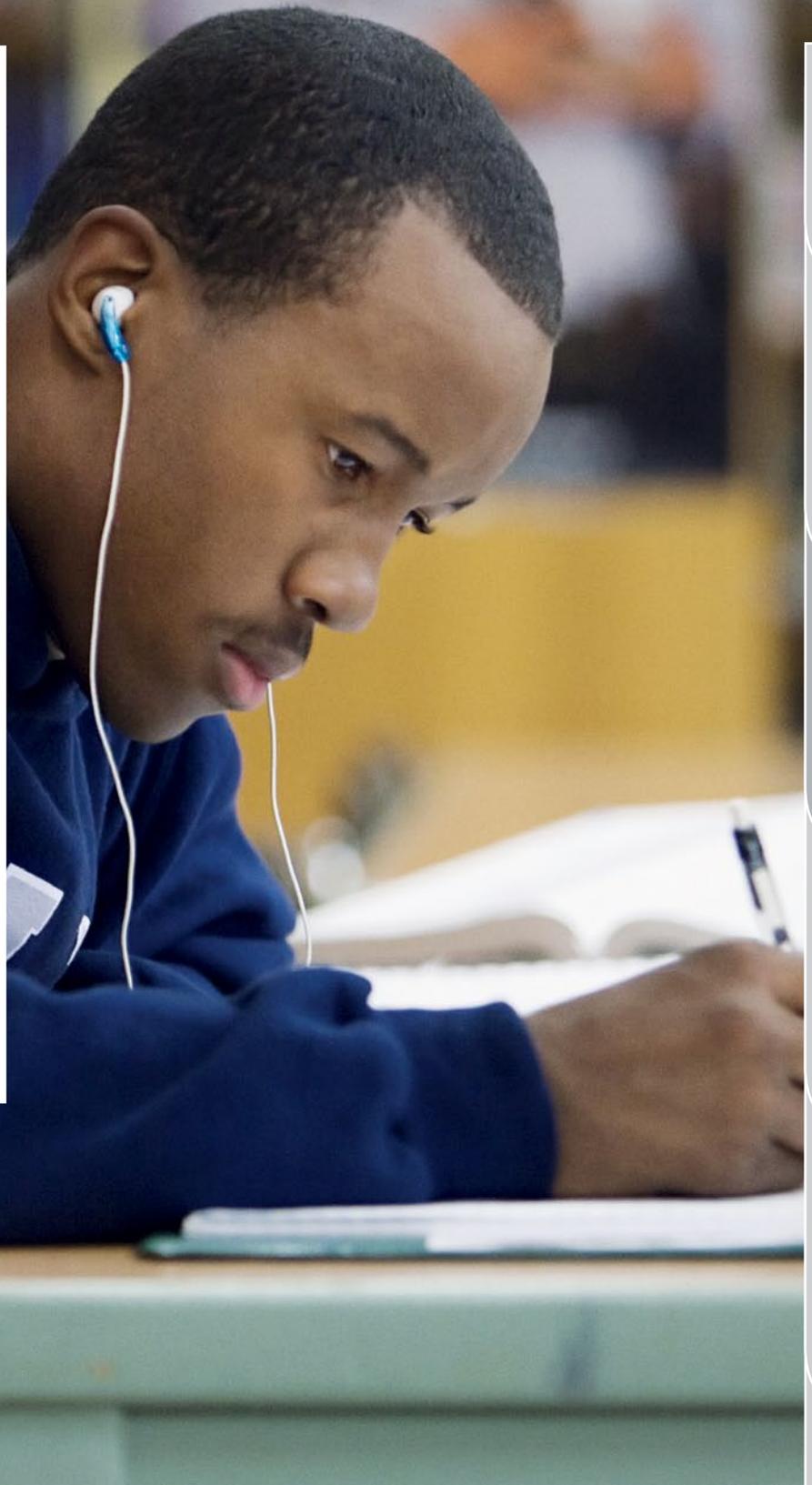
The progress of our societies is based, among other elements, on our capacity to involve young men and women in building and designing the future.

Young people have aspirations for the future. They are eager to participate in the lives of their societies and are key agents for technological innovation.

Yet they also face an uncertain future. Tackling high levels of youth unemployment is a critical challenge for society. The Young People's Panel is a great indication that Tesco is aware of the power that young people bring to business and wants to listen to us.

Merve Atalay (24 years old)

Non-Food Group Manager, Tesco Kipa
Member of Tesco's European Young People's Panel



Creating opportunities

Creating opportunities for young people remains a critical challenge. Youth unemployment is at crisis levels across Europe. Developing future skills is a global concern. That's why we are determined to be part of the solution and to create opportunities for millions of young people around the world.



Judith Nelson
UK Personnel Director

73 million

young people are unemployed globally

64%

of young people in the UK believe businesses do not do enough to help them

We employ over

100,000

young people

Our approach is based on three core ideas.

First, with over half a million colleagues across the Group in a wide variety of roles, we are in the business of forging new paths and providing new opportunities. It is that expertise which we want to bring to this issue.

Second, while we employ over one hundred thousand young people, we want to do more than simply create new opportunities within our own operations. We want to help equip young people with the key employability skills that will help them in whatever career they decide to pursue.

Finally, just as we are doing with Health and Food Waste, our goal is to achieve a sustainable impact – and to do that we need the best possible insights to guide action. We need to listen to what really matters to young people and understand the barriers they face and how we can help.

That is why we have carried out extensive research on the problems facing young people, including:

- Research in partnership with youth engagement agency Livity on the challenges young people in the UK are facing
- Focus groups with young people and parents across Europe

- We have also established Young People's Panels in Europe and the UK. These panels are made up of young colleagues from across our business, who bring a diverse range of perspectives and new ideas on how we can support young people. They will advise us on how to prioritise key activities and ensure our plans make a real difference to young people

While the findings from this research are extensive it is clear that young people need help to build the right skills for the world of work and find it difficult to get a job without experience. Our goal is to help break the cycle – no job, no experience, no experience, no job.

We have already introduced a range of new programmes to address some of the challenges and opportunities identified by our research. For example, in Thailand we have launched a new vocational training programme to give students access to on-the-job learning during their studies, in Turkey we are using our Family Clubs to offer young people free skills training and in the Czech Republic we are providing young people with project management skills as part of our ExtraClass initiative. Together, programmes like these are helping us to make a significant difference to young people's lives.

Creating opportunities

Our approach

Creating opportunities sits at the core of our business. But achieving our ambition means doing more than simply enabling more young people to enter the retail industry.

We want to help inspire, equip and enable young people across society to start successful careers.

In total
we have created
158,000
opportunities for
young people in
2013/14 across
the Group

Shown below
are some key
activities that
have contributed
to this total



Understanding the challenges young people face

Earlier this year, we commissioned the youth engagement agency Livity to survey over a thousand young people across the UK and ask them about the challenges they are facing when trying to get started on a rewarding and inspiring career.

The insights from this research have proved an important guide to our strategy. They have highlighted that while young people are ambitious and determined, they are looking for support from employers, educators and government to give them the best chance of fulfilling their aspirations.

The research found that:

- 50% of young people are worried about the lack of opportunities available
- Young people lack role models: 31% have never met a person who has a job they would like to do
- Young people are looking for better careers advice at an early age. Most turn to parents or careers advisors for help, but feel the jobs market has changed so much their advice is no longer relevant

- 64% say that businesses do not do enough to help them get the best start to their careers

Despite these findings, 65% of young people remain optimistic about their futures. In addition, 76% say they want to work for profit-making businesses that give back to society.

Alongside this research, we held a series of focus groups, both in the UK and Central Europe, to hear in more detail about the support young people need from businesses. One point which was particularly clear was the need to build stronger and closer links between schools and employers to help prepare young people for the world of work. This is a key priority for us over the coming year.

Supporting those who are most in need



Irish Government Minister for Social Protection Joan Burton at the Tesco-Positive2Work graduation ceremony with some of the students.

We already provide a range of opportunities to support young people, from our graduate and school leaver programmes to advice on CV writing and interview skills. But with youth unemployment rates in many of the countries where we operate at crisis levels, we know that there is a significant group of young people who need our support urgently: those who are not in education, employment or training. We cannot solve this problem alone and so have been working in partnership with others to launch a range of initiatives to help these young people.

In Ireland, we have launched the Positive2Work programme in partnership with the Irish Government. This six-week employability programme, leading to a nationally recognised qualification, gives unemployed young people the skills and experience they need to get started in the retail industry. So far, 64 young people have benefited from this programme,

with over 50% of students gaining full-time employment on completion. The 2014 programme will enable 100 young people to benefit from classroom training and work experience in our stores across Ireland.

In the UK we are founding members in a new coalition of UK businesses which have made a commitment to create opportunities for thousands of unemployed young people through the Movement to Work initiative. Working with The Prince's Trust we will be offering a structured vocational training scheme to help prepare young people not in education, employment or training. We will be offering 500 places on this scheme over the next two years.

Our focus will be on areas of high deprivation or unemployment and will reinforce the work we have been doing to help long-term unemployed people through our Regeneration Partnership stores.

What's next

The Tesco Youth Academy

This year we will be launching a global academy through which we will share our expertise in training and development to support young people to develop key skills for life and work. Based on the training in core skills and leadership behaviours that we offer to Tesco colleagues, the Academy will cover themes such as how to be at your

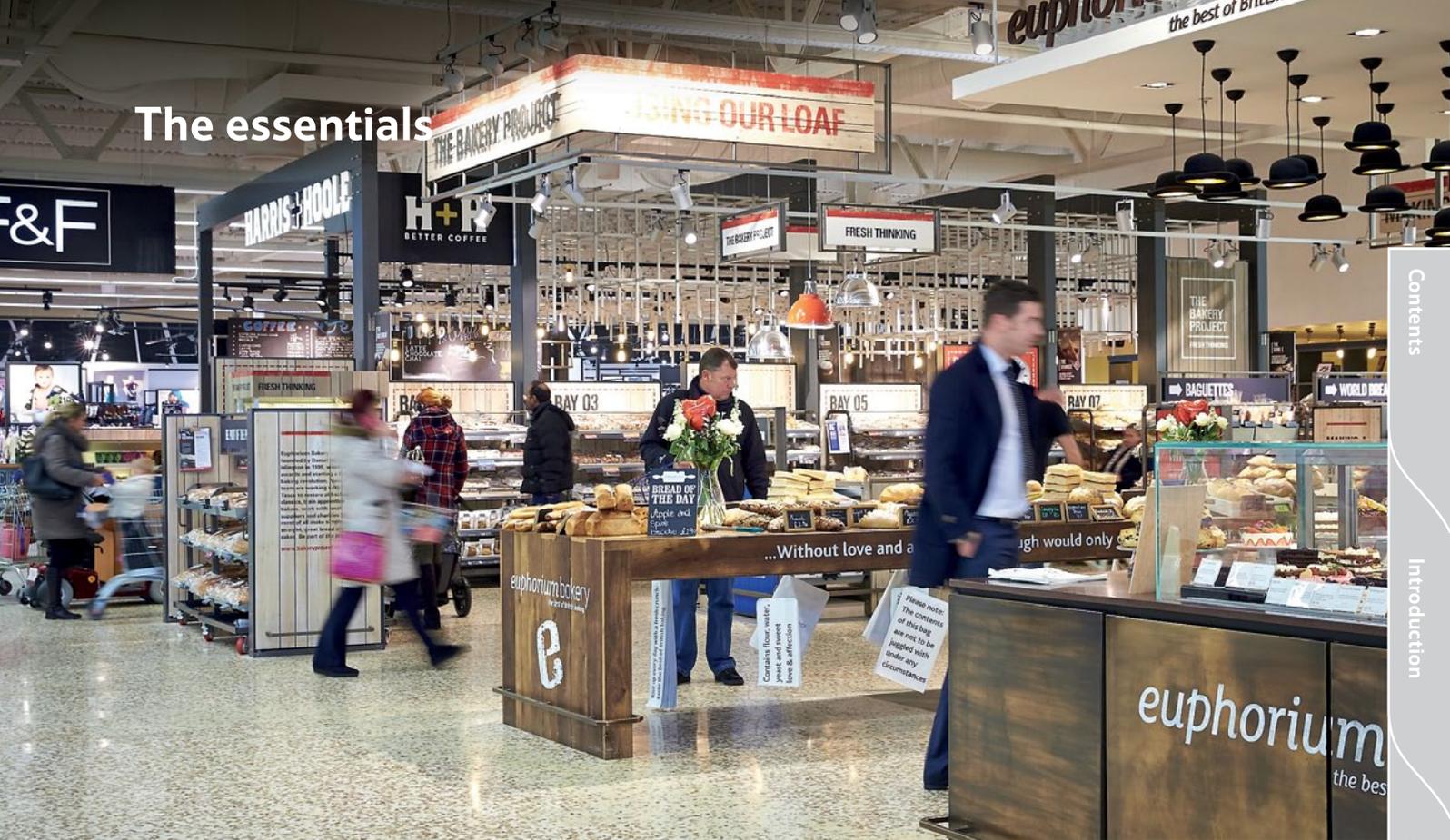
best, how to work well in a team and how to use creative thinking.

It will make learning materials available to teachers that are adapted to the needs of each country's education system, and enable young people to access this information online. We will also be mobilising our colleagues through

school outreach programmes that will bring these skills to life in the classroom.

In the future we hope that through the Tesco Youth Academy we will be able to offer more information to young people about different careers in which these skills are valuable, and how they can use them when searching for a job.

The essentials



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Josh Hardie
Group Corporate Responsibility
Director

“To help define the wider role we can play in society, we set out our essential commitments. Delivering in these areas is a fundamental part of how business must operate and of our role in society.”

When we set out our vision to use our scale for good, we made clear that it must apply across the business. As one of the world’s largest retailers, it is essential that we create a positive impact wherever we operate and whatever we do.

To help define the wider role we can play in society, we set out our essential commitments. Delivering in these areas is a fundamental part of how business must operate and of our role in society. They cover:

- **Trading responsibly:** instilling trust in every customer transaction and building strong supplier partnerships
- **Reducing our impact on the environment:** continuing to lead on fighting climate change and sustainability issues
- **Being a great employer:** creating opportunities that make our colleagues happy and proud of what they do
- **Supporting local communities:** being a good neighbour and acting on the issues and causes that matter

Each one of these areas is critical to our business and to society.

- Given the growing concerns about food security, it is vital that we work closely with our suppliers to build long-term relationships so that we can provide affordable products that our customers trust. We can only do this by working in partnership to address issues such as sustainability and labour standards.

- We have been clear for many years that climate change is the biggest environmental threat the world faces. We are helping to fight it by becoming a zero-carbon business and acting across the supply chain. Unless we take bold steps our business will not be able to operate successfully in the future.
- Social mobility and inequality are major concerns in many countries. We want to help create opportunities within our business and give everyone the chance to get on and get ahead. This will help us to attract and retain the best people, to make them proud advocates of our business and to improve customer service.
- As a business which has a presence in thousands of local communities, we rely on thriving neighbourhoods and we want to support all parts of society to prosper and succeed. We will only succeed by being part of these communities, not separate from them.

Our aim is to have a positive impact in each one of these essential areas by working in collaboration with customers, colleagues and wider society. Just as with our three big ambitions, we are committed to being transparent about our progress and we have developed a scorecard to measure how we are performing against our key commitments.

Trading responsibly



Trust is integral to our success: our customers want to buy high quality safe products that are sourced responsibly; they want to know that we have fair, accurate and honest pricing policies; and it's vitally important that customers trust us to handle their information sensitively.

Meanwhile, as we work in a climate of growing food insecurity, we need strong, lasting and trusted relationships with all our suppliers. Our success as a business – and as a society – depends on whether we can work together to source high quality goods affordably.

Reducing our impact on the environment



Without concerted action, climate change will have a critical impact on the way we all live – adversely affecting ecosystems, increasing water scarcity and creating a growing number of extreme weather events.

We have continued to lead the way with our climate change strategy. We are progressing towards our ambition of being a zero-carbon business by 2050. We have consistently improved our energy efficiency and reduced our relative carbon emissions. We are also working to improve resource efficiency and address sustainability risks across our supply chain.

Being a great employer



At Tesco, we want to be both a great place to work and an employer that provides opportunities for colleagues to get on and get ahead. We pride ourselves that 77% of our managers, directors and business leaders have worked their way up within the company and are encouraged that in our UK business there is no significant pay gap between men and women.

We want to keep moving our culture forward to help deliver our business strategy. Our aim is to create a culture which is happy, healthy, high performing and committed to our customers, products and services. To help achieve this we have invested in training and re-launched our colleague engagement survey to ensure that we fully listen to and understand what matters to colleagues.

Supporting local communities



It is essential that every community we operate in can thrive and be successful. We know that our business can only be vibrant if those communities are vibrant – and we work hard to support local communities in a variety of ways.

Significantly, what matters about our approach is that alongside the support we provide to local and national charities, we also use our skills and scale in order to help tackle local problems and address urgent challenges.

Trading responsibly



We are building strong partnerships with trusted suppliers so that we can deliver high quality, safe products that are responsibly produced for our customers at an affordable price.

A community of trading partners

We operate in a competitive, dynamic industry which is changing at a faster pace than ever before. Building strong partnerships with suppliers and managing our supply chains effectively are crucial if we are to recognise and respond to these changes.

In February we published a report which outlined the changes that we have been making to our trading relationships in the UK and internationally, such as simplifying our meat supply chains, establishing direct relationships with banana growers and collaborating to improve conditions across the garment industry. This report can be read online at www.tescopl.com/society/tradingresponsibly.

As the report sets out, we have a team of experts working on the ground in the countries we source from. They find great products and use their expertise to innovate in partnership with our suppliers.

We are a founding member of the Ethical Trading Initiative. We monitor compliance through supplier audits (2,600 were carried out in 2013/14). While audits are important, they are only part of our programme to ensure strong labour standards. Identification of key risk areas and collaboration across the industry are essential to drive improvements.

In addition, our pioneering online supplier communities have continued to grow. They provide a free network for suppliers to talk to us, share advice and learn best practice. We are particularly encouraged that our Producer Network now has 2,000 members with representatives from 47 countries.

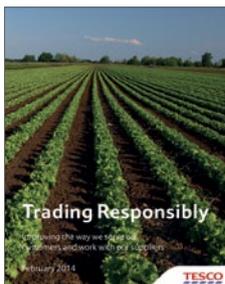
Customer trust

Customers of course want to know that the products they buy are great quality and fairly priced.

To help build customer trust in our food we are simplifying our supply chains and ensuring traceability. For example, we carried out a stringent review of our meat supply chain and published the results of extensive authenticity tests.

We are making our pricing and promotions simple, consistent and easy to understand. Over the past year, we have seen improvements across all our price perception measures in the UK and errors are at their lowest level. In February 2014 we announced that we would invest £200 million in lower pricing in the UK which will continue to build customer trust.

As more and more customers choose to shop online, data security has never been more important. That's why we are planning to release a more comprehensive Customer Data Charter later this year which will reflect our multichannel vision and reassure customers that we handle their data responsibly.



Our trading responsibly report can be read online at www.tescopl.com/society/tradingresponsibly

Our team of supply chain experts

We have invested in local expertise in the countries we source from, ranging from Italy and Spain to South Africa and Chile. These colleagues have expert local knowledge of the industry, including many years of growing experience themselves. Through regular visits they develop strong relationships with our suppliers, helping to provide the best quality products and supporting local communities.



For example, Daniel Pacheco is our Technical Manager for bananas in South America. Daniel is from Costa Rica and has worked as a banana grower for more than 10 years. He understands how important bananas are to the local economy and knows what training growers need, from farming techniques to food hygiene and safety processes. He works closely with growers to ensure we meet high standards and that we do not waste crop, for example bananas not sold on the market can be transformed into compost and used in the field like fertiliser.



We have experts based across the world providing tangible help for growers, sharing knowledge and resolving issues



Watch the video here
realfood.tesco.com/videos-and-tips/banana-farming-in-costa-rica.html

Listening and responding to concerns

To help build trust and strong partnerships with our suppliers we have independent and anonymous feedback channels.

Our suppliers have been providing us with anonymous feedback for a decade. This year we carried out our most comprehensive partner viewpoint survey yet, giving us a global view of supplier satisfaction.

Our established 'protector line' is primarily used by colleagues and contractors to report suspected breaches of our code of business conduct or internal company policies.



We invited almost twice as many suppliers to give feedback as last year and increased the number of languages available for participants from 9 to 12. The greater granularity of the report means that we can identify relative areas of strength and internally benchmark our markets and categories with consistent measures. We will use this feedback to help build strong long-term relationships with our partners.

In the coming year we are launching an independent 'protector line' service for use by any of our suppliers. Their employees will be able to raise confidentially concerns of wrongdoing in the provision of either goods or services for or on behalf of Tesco. Issues will be recorded, investigated and where necessary action will be taken.

What's next

We will continue to develop the strong long-term partnerships we need to source high quality goods sustainably for our customers.

Some of our focus areas are:

- Continuing to build supplier relationships to help producers to deal with volatility and uncertainty and give suppliers the confidence to invest in innovation
- Investing in expertise and skills to support the development of our supply chains

- Enhancing and expanding our Producer Network and Knowledge Hub
- Investing in pricing and simplifying promotions for customers
- Launching an updated Customer Data Charter to align with our multichannel vision and to reassure customers that we handle their data responsibly

Reducing our impact on the environment



We are committed to reducing our impact on the environment – including the climate, marine environments, forests, farmlands and other natural systems.

Understanding our impacts and addressing them is integral to our long-term success as a business. It enables us to make a positive contribution to wider society and respond to increasing concerns around long-term food security and short-term price volatility. This work starts in our own operations, but as a global retailer sourcing products from around the world, we also have a responsibility to safeguard the environments we source from.

Tackling climate change

We want to be a zero-carbon business by 2050. We have medium-term targets for carbon emissions reduction, in our own operations and in the products we sell and this year we achieved our carbon targets. We are improving the energy efficiency of our stores and distribution centres, reducing the leakage of refrigerant gases and continuing to pioneer the use of natural refrigeration. These translate into significant reductions in carbon and other greenhouse gases from our own estate. Through the energy efficiency measures we have taken across the Group since 2006, we are saving over £280 million in energy costs per year. We have once again been recognised by CDP as one of the leading FTSE companies for our carbon disclosure.

In addition to reducing the carbon impact of our operations, we are committed to working with suppliers to do the same for the products we sell. Our first step was to conduct a carbon hotspots analysis to identify the total carbon footprints of our products. We are now able to see which of our product categories and lifecycle stages have the highest carbon intensity. This has enabled us to focus our work on the areas of highest carbon intensity, for example agriculture and manufacturing.

Using scarce resources responsibly

We know that our environmental impacts go beyond cutting emissions. We have accelerated our work with expert stakeholders inside and outside our business to improve our understanding of these impacts and to help us do more. In particular, we are now looking in more detail at the broader impacts of agriculture, for example its effects on food systems and land use.

But we know that it takes critical mass to effect real change and that we have a bigger responsibility than just improving the sustainability of our own supply chains, so we are also looking for opportunities to make a contribution to the broader industry, for example by working with colleagues in the Consumer Goods Forum towards zero net deforestation.

Sustainable sourcing in forests...

Forests are home to some of the most complex ecosystems and play an important role in regulating the earth's climate.

According to WWF, tropical forests are home to over 300 million people around the world and 1.6 billion people depend on these forests for their livelihoods. They are also home to 80% of the terrestrial biodiversity on the planet. We have committed, through our work with the Consumer Goods Forum, to achieve zero net deforestation by 2020. In line with this, we have prioritised four key commodities that are globally recognised as driving deforestation: palm oil; cattle products; soy and timber products (including paper, pulp and packaging).

For each commodity we are mapping our value chain to help us develop sustainable sourcing options and drive action at both a company and industry level. There are major challenges in achieving this target and so it is important that we work in partnership with other retailers, brands and our suppliers.

...and in marine environments

Marine environments are integral to human societies, providing food and playing an important role in regulating the climate.

Worldwide fish stocks are being depleted as a result of overfishing. In addition, some fishing practices cause damage to the physical marine environment or result in by-catch – that is, marine species unintentionally caught in fishing nets.

Over the last year, significant concerns have been raised over the way that some fish are caught. Through our responsible seafood sourcing strategy, we are working with the Sustainable Fisheries Partnership – a fisheries expert NGO – to assess the sustainability of all our fisheries. This will help to ensure that our sourcing practices do not contribute to overuse or destruction of the marine environment.

Reducing emissions in our distribution network

7.8%

reduction in carbon emissions per case of goods delivered vs 2011

This year, we have made strong progress in reducing carbon emissions per case delivered and remain on track towards our 2020 reduction target of 25% compared with 2011.

Our distribution team continues to drive innovation in fuel efficiency and emissions reduction across our operating markets. By purchasing our own freight fleet in Malaysia, we can now use larger and more efficient lorries. This will enable us to reduce the number of trips we make by over 8,000 a year.

In Thailand, we are opening new distribution centres so that we can transport products to our customers more efficiently. Our new

Khon Kaen regional distribution centre alone will allow us to reduce the distance driven by our trucks by 400,000 kilometres each week.

In Europe we are utilising different modes of transport to maximise efficiency. For example, the products we source from Poland are now shipped directly to the UK, rather than travelling by road. Similarly, for products from Turkey we are using sea and rail transport to help bring them to the UK. These improvements to our European freight network are helping us to save 4.3 million kilometres per year.

What's next

We will continue to challenge ourselves to remain at the cutting edge of emissions reduction.

This year we launched our LED buying club, an innovative business model which helps our suppliers invest in energy efficient lighting technology. Over the coming year, we will look at similar ways to leverage our scale to help our suppliers improve their sustainability performance.

In our own operations, we have already made excellent progress in moving away from using emission-intensive refrigerant gases to lower-emission alternatives. We have been at the forefront of introducing natural refrigeration and will increase the number of natural refrigerant systems we have across our operating markets in the coming year.

Finally, we will be building on our sustainable sourcing work by strengthening our existing policies and sharing best practice. We have already prioritised four agricultural raw materials that are globally recognised as driving deforestation. These are palm oil, cattle products, soy and timber products and we will now identify the next 5 to 10 to which we are most exposed.



Being a great employer



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Our colleagues serve our customers and distribute our products every day. It really matters that we give them the greatest possible support to do their work and develop as individuals.

We want all our colleagues to be proud of what they achieve and feel supported to put customers first in everything they do.

Opportunities to get on

As the diagram on the next page shows, we help our colleagues to develop at every stage of their careers. To maintain and create more opportunities for colleagues, we have been further investing in training and skills:

- **Leaders at Tesco:** To equip our colleagues for a new era of retailing, we have set up a leadership skills training programme. 2,500 colleagues have already participated in this three-day Leaders at Tesco programme.
- **Women in Leadership:** We have a strong record as an equal opportunity employer. To enable more women to fulfil their potential, our 'Women in Leadership' programme supports talented women to build on their strengths and develop their careers.
- **Tesco Academy:** To make learning and training as flexible as possible, we support our Group training programmes with an extensive offer of online resources, from short animated videos on Leadership and Management topics, to access to the world's largest library of business book summaries. This year, access to our Academy Online has doubled, from 20,000 users to 40,000.
- **Fresh food expertise:** We have been connecting our store colleagues with our supply chain, to improve customer service and to ignite our colleagues' passion for the products that we sell. This includes taking our fishmongers to see how our fish is caught.

A responsive and collaborative culture

We want to connect better with our colleagues. This means finding new ways to listen and asking relevant questions that encourage our colleagues to talk to us freely and honestly. To build this culture across the Group, we have a team dedicated to developing new listening initiatives to help us identify opportunities for change and improvement.

- **Colleague engagement:** We are continuously listening to our colleagues to find out what matters to them and working to make it better. This year, we trialled a new survey with 90,000 of our colleagues called 'What Matters To You?', something which all colleagues will have the opportunity to complete in 2014. We are also exploring social engagement tools, for example the UK has trialled 'Your Voice Matters', a quarterly online temperature check.
- **Tesco Angels:** In Slovakia, colleagues have been contributing to Tesco Angels, a scheme to support colleagues in times of hardship. This year we raised £16,710 and Tesco topped up donations by 100%. Almost 50 colleagues have already been helped through the programme.

Opportunities at Tesco

We work to create opportunities at every stage of an individual's career so that they can achieve their aspirations. We are introducing a new People Plan across our markets for 2014/15 to ensure that all colleagues are empowered to do their best in a happy, healthy, high-performing team.

Advanced career

Across the world there are serious concerns about economic mobility and inequality – for example, almost half of FTSE 100 CEOs were educated at independent schools. At Tesco we have a strong record of enabling people to rise to the boardroom from the shop floor and 77% of our managers, directors and business leaders have worked their way up within the business.



Starting a career

Finding a job is a major concern across many of our markets – particularly for young people. We are proud of our record in creating new opportunities and we offer a huge range of paths into different careers. Across our operating markets, we employ over 100,000 young people and we have a range of entry programmes to fit different qualifications and aspirations.



Retirement

An issue in many of our markets is how to support ageing societies. At Tesco, we offer flexible retirement so people can continue to work after national retirement age. In addition, we believe in lifelong learning – our oldest apprentice was 71.



Mid-career

In the new global economy it matters more than ever that our colleagues can develop new skills and grow as professionals at every stage of their careers. That is why we pride ourselves on our development and training programmes. This year 6.2% of our colleagues took part in one of our formal development training programmes to help them move to the next level.



Supporting local communities



One of the most significant responsibilities we have as a global retailer is to the local communities we serve. Our success as a business and the vibrancy of local communities are interlinked.

We want to use all our capabilities as a retailer to deliver positive impacts in local communities.

Charities

A key part of this is about supporting charities and good causes. Each year, we set a target for donating at least 1% of pre-tax profit to charity. We meet this in a range of ways – from direct donations to cause-related marketing. This year we contributed over £50 million, equivalent to 2.3% of our pre-tax profits. More details can be found on page 36.

Our colleagues and customers have raised over £10 million for Diabetes UK – our National Charity Partner. This includes our donations from the sale of certain products, for example flower bouquets. The money is funding the charity's biggest ever research programme into a vaccine for Type 1 Diabetes as well as education and awareness campaigns.

In total, customers and colleagues across all our markets have raised over £22 million through Tesco facilitated events and activities this year.

We also support communities through our products. For example, every year F&F offers a range of Back to School uniforms as part of the 'Buy One, Give One' programme. When a Tesco customer buys one product from the range, F&F donates an entire school uniform to a child in the area in which the clothing is made.

With the help of our customers, F&F has donated more than 200,000 school uniforms to children in Kenya, Sri Lanka and Bangladesh since 2009.

Partnerships

We bring together different partners to help tackle problems in communities. In Turkey we have joined forces with the Turkish Education Volunteers Foundation and launched a three-year programme to provide over 100,000 children with personal development, healthy nutrition, physical activity and sports training. In Scotland Tesco Bank has an established partnership with The Reading Agency and each year runs a summer reading challenge to get thousands of children across Scotland reading through their summer holidays.

On the following page, we show how our work with food poverty charities across Europe is helping to feed people in need and how we responded to the devastating flooding in the UK and Malaysia by working in partnership with colleagues, customers, suppliers and the emergency services.

Colleagues

In the UK we have over 300 centrally funded Community Champions. They work with their local communities to coordinate our support for local initiatives and events.

Processes

It is essential that all our efforts to act as a good corporate citizen, locally and globally, are underpinned by a strong framework of corporate governance. We work hard to meet every relevant regulation at local and national levels and we apply the highest standards of corporate governance to everything that we do. This is a vital part of our licence to operate in society.

Flood relief in the UK...

In February 2014, thousands of communities across the UK were hit by severe and unprecedented levels of flooding.

The flooding forced hundreds of families in the South West and around the Thames to abandon their homes. We worked hard to help mitigate the problems communities faced, drawing on our reach and our scale:

- Our delivery fleet transported over 1,500 bales of hay to farms in the South West in order to feed thousands of displaced animals
- Our distribution team worked with Thames Valley Police to move 2,500 tonnes of sand to affected areas

We launched a major clean-up operation to help communities recover over the long term. This includes making 5,000 hours of our colleagues' time available to help repair the damage done by the flooding. We have also donated and delivered 30 new home starter kits to Somerset County Council to help those who were uninsured, delivered four lorry loads of furniture and collected £100,000 in fundraising events.

...and in Malaysia

In December 2013, the east coast of Malaysia suffered the worst flooding for 40 years.

Thousands of people throughout the Terengganu region had to be evacuated and many more face the challenge of cleaning up homes and communities clogged by mud and silt.

As well as putting collection boxes on every checkout, our Malaysian business helped to provide flood relief to over 1,000 families in the hardest hit areas.

There was an exceptional effort from our team of volunteers to reach 12 families in Kampung Meragih Kuantan who had been completely cut off from all relief centres. The aid we delivered was the first to reach them in over a week.

Food collections

8.5 million

meals donated across five countries

A key focus of this year has been helping to feed people in need. We have run food collections in partnership with food poverty charities across Europe.

In the UK, where one in four people experienced some form of food poverty in 2013, we partnered with the Trussell Trust and Fareshare to hold two Neighbourhood Food Collections – in July and in the run-up to Christmas. During the collections, customers were asked to donate non-perishable food items such as long-life milk, cereals and tinned vegetables and fruit. We topped up customer donations by 30% and together we donated the equivalent of 8 million meals this year.

In our four central European markets we collected a total of 210 tonnes of food in partnership with The European Federation of Food Banks, equating to 500,000 meals.



In-store food collections in Poland.

Measurement and performance

When we launched our scale for good strategy we highlighted the importance of monitoring our progress and disclosing our performance. Through accurate measurement and clear reporting we can share our performance against our strategy with our stakeholders.

We focus on the issues that are most relevant and material to our strategy and our business. These measures are outlined below in our 'Scale for Good Scorecard'. This year's data will act as a benchmark for future years as we make progress against our plans.

Our three big ambitions

Reducing food waste

Food waste in our own operations (UK)

56,580^Δ tonnes

This figure includes food that has been wasted in Tesco stores and distribution centres in 2013/14, which is equivalent to 0.9%[†] of the number of food products we sold in our stores over the same period.

^{Δ,†} Within the scope of KPMG LLP's limited assurance opinion – see page 42 for more details.

Tesco UK food waste by category Percentage breakdown of total tonnage value

| | | | |
|----------------------|-----|------------------------|----|
| Bakery | 41% | Grocery | 4% |
| Produce | 21% | Counters | 2% |
| Convenience | 8% | Frozen | 2% |
| Dairy | 8% | Beers, wines & spirits | 2% |
| Impulse | 6% | World foods | 1% |
| Meat, fish & poultry | 5% | | |

Hotspot analysis (UK)

Through our farm to fork metric we have identified food waste hotspots across the value chain for 25 of the most frequently purchased products in the UK. We have worked with WRAP, our suppliers and an independent consultancy Best Foot Forward to calculate and validate this information. For more information see page 14.

Improving health

Comparison of most and least healthy customer shops by product category (UK)

| Category | Most healthy 5% | Least healthy 5% |
|-------------------------------------|-----------------|------------------|
| Produce e.g. fruit & veg | 46.7% | 7.7% |
| Grocery 2 e.g. rice & tinned veg | 11.3% | 9.1% |
| Meat, fish & poultry | 6.0% | 5.3% |
| Frozen | 3.8% | 5.6% |
| Convenience e.g. ready meals | 4.4% | 10.6% |
| Bakery | 5.0% | 9.6% |
| Dairy | 10.1% | 13.3% |
| Grocery 1 e.g. cereals & hot drinks | 4.8% | 7.1% |
| Impulse e.g. snacks & soft drinks | 6.6% | 30.5% |

We have used our Clubcard data to establish the nutritional profile of typical Tesco shopping baskets in the UK.

The table to the left shows how the most healthy and least healthy baskets differ at a product level. We can see that the healthiest baskets have a much higher proportion of fruit and vegetables and the least healthy baskets have a higher proportion of snacks and soft drinks.

This analysis is important in helping us to focus our work where we can make the biggest difference to the health of our customers.

Our current analysis is based on two thirds of the items going through our tills in the UK. Achieving 100% coverage is a priority for the coming year. It is based on a sample of 2.15 million real customer baskets (year ending July 2013). It excludes baskets with less than 15 distinct products.

Over the coming year we will start to carry out this analysis for our international markets.

Creating opportunities

Number of opportunities for young people created across the Group

158,000

At Tesco: 76,500
Hard to reach groups: 1,500
Preparing for work: 80,000

This measure consolidates the number of opportunities for young people created across all our operating markets. We define a young person as anyone under the age of 25.

The initiatives that we run in our different operating markets to help young people get started in a career are tailored to local needs. To qualify as an opportunity the activity must:

- Involve active participation e.g. through career taster days, schools outreach programmes or mentoring
- Provide support that will help improve the young person's future career prospects e.g. through scholarships or training
- Be an opportunity that would not have existed without our involvement e.g. learning through our core skills training that has been developed by our training experts

The essentials

Trading responsibly

Putting our customers first

Image tracker – our survey which tracks the views of customers in all markets in which we operate.

Tesco is a company I can trust

60%

Our teams across our markets are working to improve trust across key customer metrics. This year, for example, we have seen improvements across all our price perception measures in the UK. We hope that through our 'Trust in Food' work and colleague training programmes we will improve on this baseline in coming years.

Tesco treats its suppliers fairly

33.5%

This figure is far lower than we would like it to be. We are working to understand our customers' views and improve trust across key customer metrics. When our suppliers were asked this question in partner viewpoint (see below) 59% agreed. Our efforts to build stronger relationships with our suppliers should improve these scores over time.

Percentage of new own brand products our customers approve before launch

98%

We aim to ensure that 100% of own brand products are approved by customers before we launch them, and are pleased with our 98% attainment. The remaining 2%, which we missed due to launch timings, were addressed through our routine testing and have since been approved by customers.

Building strong partnerships with our suppliers to provide high quality products

Partner viewpoint – this year we fulfilled our commitment to improve our anonymous partner viewpoint survey by making it more comprehensive and ensuring it reaches more suppliers.

Supplier response rate

39%

This year we sent our questionnaire to over 15,000 suppliers in 45 different countries (up from 8,000 in previous year). We are pleased that the level of respondents increased by 6%. However, our response rate is lower than we would like at 39%. We are working hard to share our results and improvement plans with our teams and suppliers, which will help to increase future engagement levels.

Percentage of positive responses to the question 'I am treated with respect'

67%

Our improved partner viewpoint is helping us to understand more about how our supplier partners are feeling, and allows us to focus on the categories and countries where we need to work harder to ensure we always treat our partners with respect. We are committed to building longer-term strong strategic relationships, and our teams are very focused on improving this score.

Percentage of ethical improvement plans completed on time

87%

An ethical improvement plan is drawn up by internal experts or ethical auditors to address any concerns identified about working conditions including anything found which does not comply with either local law or the Ethical Trading Initiative's Base Code. Timelines for achieving improvement vary according to the severity of the issue and the complexity required to ensure improvement can be sustainable.

Reducing our impact on the environment

Aiming to be a zero-carbon business by 2050 and using scarce resources responsibly

Reduction in CO₂e emissions per square foot of our stores and distribution centres across the Group against a 2006/7 baseline

34.7%

We calculate our carbon emissions according to the WRI/WBCSD Greenhouse Gas (GHG) Protocol.

We have achieved our target of reducing CO₂e emissions across all of our stores and distribution centres against a 2006/7 baseline by 34%. Our performance continues to be driven by our strong focus on reducing refrigerant gas leakage and using less harmful alternatives, including natural refrigerants.

Reduction in CO₂e emissions per case of goods delivered across the Group against a 2011/12 baseline

7.8%

We have exceeded our target of reducing our carbon emissions per case of goods delivered in transporting products from our distribution centres to our stores by 2.5% vs 2011/12. Our teams in Thailand and Malaysia have performed particularly well. Thailand continues to benefit from introducing new distribution hubs while Malaysia has launched its own freight fleet.

Water consumption across the Group in our direct operations

32.9m m³

Our average water intensity across the whole business was 0.21m³/sqft. We will continue to focus our water reduction efforts in markets where usage, cost and/or scarcity remain high.

Percentage of waste we produce that is recycled across the Group

86%

The percentage of waste we produce that is recycled, reused or converted to energy across the Group this year. This excludes Thailand and Turkey where this information is unavailable.

Measurement and performance

Being a great employer

Creating opportunities that make our colleagues happy and proud of what they do

Pride in working at Tesco

63%

We want everyone to be proud of our business. This is measured through our anonymous and confidential colleague engagement survey which is carried out across the Group. By building more inclusive teams and personalising workplace experience we are improving colleague engagement. Through this we hope that more colleagues will feel proud to work at Tesco.

Percentage of colleagues on development programmes

6.2%

Training and development is really important to us. This measure is the percentage of colleagues participating in our development programmes. As our learning and development programmes have matured we now include a broad portfolio in our measure: 'Options'; Advanced Leadership and Group Leadership Programmes as well as our Apprenticeship, Graduate, Operations and Commercial Programmes.

Diversity in our workforce

Percentage of our colleagues who are female

| | |
|--|-----|
| Board of Directors | 27% |
| Senior managers – Directors | 22% |
| Senior managers – Directors and managers | 30% |
| All employees | 57% |

We approach diversity in its broadest sense, recognising that successful world-class businesses flourish through embracing intellectual, experiential, geographical and skills diversity as well as other factors such as age, disability, gender, race and sexual orientation. The table shows the percentage of our workforce who are female at different

levels. Senior roles are demanding for all – regardless of gender – and we are determined to develop a culture and environment where people can advance. We introduced a 'Women in Leadership' development programme in 2011; so far a total of 440 female colleagues have completed or are currently on the course.

Supporting local communities

Being a good neighbour and running our business to the highest standards

Colleague and customer fundraising

£22.7m

Despite challenging economic times our customers and colleagues have raised an impressive £22.7 million through Tesco facilitated events and activities. This includes the equivalent of over £4.5 million raised through food collections in the UK.

Percentage of pre-tax profits donated to charities and good causes

2.3%

We have donated almost £53 million to charities and good causes this year through direct donations, cause-related marketing, gifts in kind, colleague time and management costs. This represents 2.3% of our statutory profit before tax. The total that we have donated is lower this year, largely due to the transition from Tesco for Schools and Clubs to our Eat Happy initiative.*

The average percentage of votes cast in favour of AGM resolutions

97.8%

At our 2013 AGM shareholders were invited to vote on various matters. Votes are taken by poll. This percentage is the average agreement across all resolutions.

*The 2012/13 figure excluding the contribution from Fresh & Easy in the US was £66 million.

Notes

Assurance

We are committed to making sure that each piece of information and data contained in this report is supported by robust evidence. We have a Disclosure Committee that includes members of our Executive Committee. ERM Certification and Verification Services (ERM CVS) provide independent external limited assurance of our global carbon footprint.

KPMG provide independent external limited assurance for our UK own operations food waste data. See page 42 for more details.

Scope of the report

Unless otherwise stated, the statements and data relate to our financial year 2013/14. This is the period of activity that we are referring to when we describe

an activity as taking place 'this year'. The report covers the markets in which we have continuing operations. This excludes China and the United States which have been treated as discontinued operations. Our carbon KPIs and footprint data include China.

Making it happen

Since we introduced our new value ‘we use our scale for good’ our colleagues across the business have been working to embed this value in everything that we do. From suppliers to stores, from head office to customer service centres, we have committed to using our reach and capabilities for the benefit of our customers, colleagues and wider society.

This is far more than a corporate responsibility strategy. It is fundamental for the long-term success of our business.

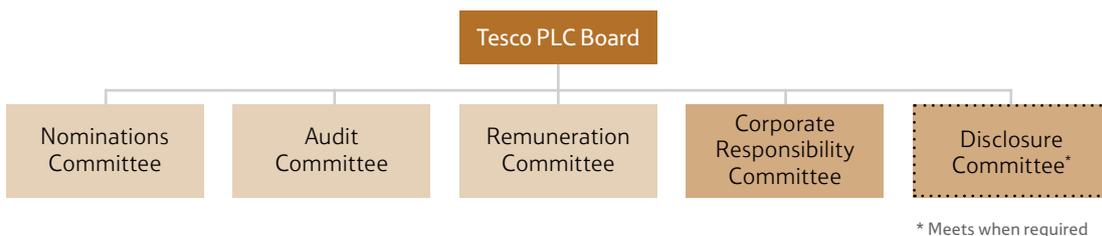
Governance structures

We have two Committees responsible for ensuring that we live up to our commitments and responsibilities. Our Social Responsibility Committee is led by our Chief Executive, Philip Clarke, and is responsible for driving our strategy and monitoring our progress. Our Corporate Responsibility Committee, which includes Non-executive Directors, defines our corporate and social obligations as a responsible business. As outlined in his introduction to this report, Sir Richard Broadbent has handed over the Chair of this Committee to Jacqueline Tammenoms Bakker.

We have also established an Expert Advisory Panel. This is made up of four international corporate responsibility experts; they met for the first time in February 2014. The panel has been working directly with our Chief Executive to provide an honest assessment of our performance and to challenge us to do more. See page 39 for more details.

We have also established an Independent Supply Chain Advisory Panel, which is made up of four senior Tesco colleagues and the industry experts Justine Roberts, Bill Mustoe, Paul Christensen and Paul Wilkinson. The panel will review, challenge and suggest continuous improvements to our current plans and programmes designed to improve our relationships with suppliers and ensure that our customers trust the products that we sell.

Board



Executive Committee



Making it happen

Our conversations

Through our scale for good strategy we are working to tackle big challenges facing society. We are well placed to make a positive difference, but we can't do it alone.

We need to listen to experts, build strong partnerships and consider the views of all groups who are influenced by or are interested in our business.

Customers

Our success as a business is built on working hard for our customers and making what matters better, together.

We have a range of channels through which we engage with our customers. @Tesco was ranked as the number one customer service Twitter account in 2013 for its responsiveness and speed of response. Each year we run thousands of focus groups (called Customer Question Time) and we have ongoing customer research trackers.

Colleagues

Our dedicated colleague viewpoint survey is an important tool that we use to listen and respond to our colleagues' views, concerns and ideas and to make sure that Tesco is a great place to work.

We have a dedicated Yammer network which helps our colleagues to stay connected. We also have a scale for good website where colleagues can submit ideas on how we can become a better business.

Our scale for good ambitions are shared across the business. To achieve our goals it is essential that our colleagues are engaged. Many are already making a difference and are leading on important initiatives. You can see a selection by watching our video www.tescopl.com/society/colleaguevideo.

Investors

Our dedicated investor relations team meets with investors regularly. In February we ran an investor and analyst day to share our business vision with the investment community. We also have a colleague who is dedicated to working with the responsible investment community.

Industry

We have sought specific feedback from experts and campaigners who lead the way on reducing food waste, helping young people into work and tackling obesity.

On issues where industry collaboration is required, such as deforestation, we seek to engage with partners and other retailers to bring about long-term positive change. We also continue to work with wider industry bodies such as the British Retail Consortium.

Local communities

We have over 300 Community Champions working in our stores. They identify initiatives and causes in the local community that we can support, for example charity events and career fairs.

We have also launched regional Twitter accounts in the UK so that people can stay up to date with news in their area.

Suppliers

We have a global team of commercial, technical and ethical managers with local expertise who work directly with suppliers to make sure we provide our customers with high quality products that are responsibly produced. Our online communities, The Knowledge Hub and Producer Network, now have over 1,000 and 2,000 members respectively. Suppliers can also give us feedback through an anonymous partner viewpoint questionnaire.

Experts

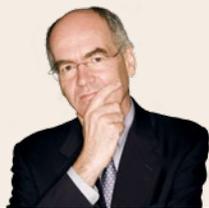
This year we established an external advisory panel who are working directly with our Chief Executive, Philip Clarke. The panel is a small international group of experts who can provide an honest assessment of our performance and challenge us to do more.

At the inaugural meeting in February 2014 the panel discussed a range of issues including: external trends that Tesco should be mindful of and can play a part in; how to engage customers and how to embed scale for good in the culture of the business. Over the coming months and years the panel will focus on different areas and issues and will be invaluable in helping us to shape our strategy.

Other groups

We regularly respond to Government consultations on a wide range of topics and we have given expert evidence to public working groups and inquiries. We also seek the expertise of academics from many of the world's leading universities.

Scale for good expert advisory panel



John Elkington

Founding Partner and Executive Chairman, Volans

John is one of the world's leading authorities on sustainable development and developed the 'triple bottom line' business strategy. He is the author or co-author of 40 published reports, thousands of articles, and 18 books, including the no. 1 bestselling *The Green Consumer Guide* (1988).

Comment:

"Having introduced the 'triple bottom line' 20 years ago, it's clear I like things in threes. But the appeal of Tesco's scale for good ambitions was that they seemed to be the right ones: young people, health and food waste."



Dr Derek Yach

Senior Vice President, Vitality Institute

Before establishing the Vitality Institute, Derek was SVP Global Health and Agriculture Policy at PepsiCo, headed global health at the Rockefeller Foundation, was a Professor of Global Health at Yale University, and is a former Executive Director of the World Health Organisation.

Comment:

"It is a privilege to work with Tesco as they take focused actions to address major global threats to health and the environment. Their reach and scale will achieve widespread good."



Lise Kingo

Executive Vice President and Chief of Staff, Novo Nordisk

Lise is a member of the executive management at Novo Nordisk, one of the world's most successful pharmaceutical companies and a global leader in diabetes care. She has global responsibility for HR, Business Assurance, Corporate Communications and Branding, Public Affairs and Corporate Sustainability.

Comment:

"The scale for good initiative is simply brilliant and the focus on food waste, health and youth is spot on. The next challenge is to embed the initiative at the heart of the business and among all of Tesco's employees worldwide."



Dr Mark Barthel

Special Advisor – Product Sustainability, WRAP

Mark is a special advisor and head of design at WRAP, the delivery body leading work to reduce food waste on behalf of the UK Government and the European Commission. He is currently a Non-executive director at the Forest Stewardship Council and Chair of the International Network of Product Sustainability Initiatives.

Comment:

"Tackling food waste is absolutely critical to future food security. Tesco's commitment to tackling food waste globally at a time of rising food prices will save precious resources, help its customers to save money and enable it to become a more competitive and resilient business."

Making it happen

Principal risks and uncertainties

Risk is an accepted part of doing business. Our process for identifying and managing risks is set out in more detail in our Annual Report www.tescopl.com/ar2014.

The table below sets out the principal risks faced by the Group, and examples of relevant key controls and mitigating factors to our scale for good strategy. They do not comprise all the risks associated with the Group and they are not set out in any order of priority.

Principal risks

Business strategy

If our strategy follows the wrong direction or is not effectively communicated or implemented, the business may suffer.

The retail industry is undergoing a transformational change in this digital age. The challenge is in balancing investment and the emphasis between traditional and new.

Reputational risk

Failure to protect the Group's reputation and brand in the face of ethical, legal, moral or operational challenges could lead to a loss of trust and confidence and a decline in customer base, and also affect our ability to recruit and retain good people.

If we do not make positive contributions to society and effectively communicate these, this may adversely impact our ability to win and retain customer trust and loyalty.

Performance

If business units (including the UK) underperform against plan and against competitors, our business may fail to meet the stated strategy in full and impairment of asset values may result.

The delivery of long-term goals and sustainable performance may be impaired if the business focuses too heavily on short-term targets.

Political and regulatory

In each country where we operate, we may be impacted by legal and regulatory changes, increased scrutiny by competition authorities and political developments relevant to domestic trade and the retail sector.

The regulatory landscape is becoming more restrictive in many markets, which may impact how we trade. Examples include stricter rules regarding opening hours, customer, supplier and data protection, corporate crime and heightened banking regulation.

Significant efforts by management to mitigate risks and strengthen controls have reduced the assessment of the likelihood of certain risks occurring. Notable examples include: product safety and ethical trading and reputation.

Key controls and mitigating factors

- Our values underpin our business strategy. Increasingly customers are looking for companies which invest in society as well as their own operations
- We use our scale for good and our associated strategy integrates our reputational, environmental and social responsibilities into our mainstream business operations
- Our strategy and plans are regularly assessed by our Corporate Responsibility Committee and our Social Responsibility Committee
- Communication and engagement programmes help us to understand stakeholder views and reflect them in our strategy and policies. This year we established our external advisory panel for scale for good

- Through our scale for good strategy we are tackling some of the most important issues facing society
- Our external advisory panel of experts will help us to shape the strategic direction of our work, provide an honest assessment of our performance and challenge us to do more
- Building strong relationships with our trading partners (suppliers) allows us to recognise and anticipate changes in our industry so we can continue to provide quality, affordable products at a great price and which are sourced responsibly
- Comprehensive and improved supplier auditing and product surveillance programmes are in place to minimise the risks associated with product integrity and labour standards
- Our embedded Group Code of Business Conduct, Bribery Act and UK Groceries Supply Code of Practice guidelines guide our behaviour in dealing with customers, employees, suppliers and other stakeholders

- All business units have stretching targets based on the Steering Wheel balanced scorecard system; performance against KPIs are monitored continually and reported regularly to the Board
- We report our performance against our strategy through our Scale for Good Scorecard (see page 34)

- Engagement with governmental and non-governmental organisations in a positive and supportive way allows us to represent the views of our customers and employees and to manage the impact of political and regulatory changes. We try to anticipate and contribute to important changes in public policy wherever we operate
- Group and country Compliance Committees, with support from our Regulatory Ethics and Compliance Team, monitor and guide legal and regulatory compliance
- The Tesco Bank Executive and Treating Customers Fairly Board oversee Tesco Bank's compliance with regulatory requirements
- Compliance with the UK Groceries Supply Code of Practice is carefully monitored by our Code Compliance Officer

Principal risks

Key controls and mitigating factors

Product safety and ethical trading

Failures could damage customer trust and confidence, impacting our customer base and therefore financial results.

- Our Group Product Policy is implemented and monitored across the business by Group technical teams
- We have changed the way we work, following the horsemeat crisis, to be more vigilant and to improve our capabilities on anticipating and managing emerging issues; we have also appointed an Incident Management expert to build expertise across the business
- Appropriate controls are in place around key risks including product development; the approval and management of supplier sites; standards in distribution; the monitoring of labour standards in our supplier base; the competency of our people; and management of crises, emerging issues and changes in regulatory standards
- Detailed, established procedures are operating globally to ensure product integrity
- Product surveillance programmes are in place, including DNA traceability programmes
- Group and country Compliance Committees monitor the management of risks associated with products, suppliers and operations

Technology

Any significant failure in the IT processes of our retail operations, online and in stores, would impact our ability to trade. As customers and colleagues become increasingly sensitive to matters of data usage, storage and security, the inherent reputational risks of the IT control environment have increased, in conjunction with the financial and regulatory risks.

- We continue to invest in IT to respond to the growing range of IT-related threats and risks
- The Group Technology Committee monitors controls to maintain the integrity and efficiency of our IT infrastructure and data
- The Information Security Committee meets regularly to review the development and implementation of policies
- The reporting lines of our Group Information Security and IT Security teams have been merged to allow for better integration and efficiencies in addressing IT security risks

People

Failure to attract, retain, develop and motivate the best people with the right capabilities at all levels could limit our ability to succeed.

The world of multichannel retail is increasingly people-focused and demands new technical and social skills. Our leaders must play a critical role in helping to model the organisation we want to be.

- Our People Matters Group ('PMG') regularly meets to review and monitor all people policies, procedures and risks
- Clear processes are in place to ensure we understand and respond to employees' needs through our PMG, colleague surveys, regular performance reviews, the involvement of trade unions in relevant markets and the regular communication of business developments
- Talent planning and people development is a key objective for each member of the Executive Committee
- Significant investment is made in training, development and incentives, including through our Executive Committee Talent Cycle, talent planning, leadership development and succession planning for the future needs of the business
- The Employment Policy Committee is responsible for the development of our Employment Policy Blueprint to ensure we have appropriate pay, pension and share plan arrangements to attract and retain good people across the business

Business continuity and crisis management

A major incident, from a natural disaster to a system failure, could impact colleague safety or the Group's ability to trade.

- Appropriate business continuity plans and crisis management plans are in place for each business area and we continue to create and test them for eventualities
- Disaster recovery plans are in place for key IT systems and data centres
- Where possible we work to support communities affected by disasters such as the floods in the UK and Malaysia this year

Carbon and food waste data assurance

Group carbon footprint

Our greenhouse gas (GHG) emissions in 2013/14 totalled 6.37 million tonnes of CO₂e. This year the area of our stores and distribution centres increased by 1.74%, while our net carbon intensity decreased by 1%.

We have continued to reduce the carbon intensity of our stores and distribution centres, and the emissions per case of goods delivered in our distribution network – surpassing our 2013/14 target.

For more information about how we calculate our carbon footprint, including reporting standards, a more detailed definition of Scope 1, 2 and 3 emissions, and the current emission factors visit www.tescopl.com/society/resources.

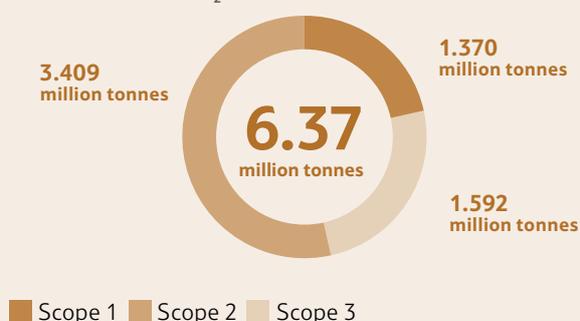
Comment from our independent assurance provider, ERM Certification and Verification Services (ERM CVS)

We were engaged by Tesco to provide limited assurance on whether the 2013/14 Scope 1, 2 and selected Scope 3 GHG emissions are fairly stated, in accordance with the WRI/WBCSD GHG Protocol. We have issued an unqualified limited assurance conclusion on these data. For full details of the scope of our engagement, our activities and our findings, please see our full Independent Assurance Statement at www.tescopl.com/society/resources.

2013/14 total GHG emissions by market

| Country | Gross tonnes CO ₂ e 2013/2014 |
|----------------|---|
| China | 532,140 |
| Czech Republic | 461,727 |
| Hungary | 217,744 |
| Ireland | 175,626 |
| Korea | 637,448 |
| Malaysia | 238,902 |
| Poland | 530,087 |
| Slovakia | 89,915 |
| Thailand | 678,861 |
| Turkey | 139,068 |
| UK | 2,651,999 |
| Other | 18,802 |

2013/14 total carbon footprint (million tonnes CO₂e)



UK own operations food waste

In 2013/14 we have calculated that 56,580^A tonnes of food were wasted in Tesco stores and distribution centres in the UK which is equivalent to 0.9%[†] of the number of food products we sold in our stores over the same period. The table on the right shows the breakdown of this food waste by category.

Independent external food waste assurance summary statement

We engaged KPMG LLP to undertake a limited assurance engagement using ISAE 3000 over the selected Waste performance data that have been marked within this report with the symbol Δ and the calculation of selected waste performance data that have been marked within this report with the symbol †.

KPMG LLP have provided an unqualified opinion in relation to the selected Waste performance data and their full assurance opinion is available in the Tesco and Society section of our website at www.tescopl.com/society/resources. A summary of the work they performed is included within their assurance opinion.

It is important to read the selected Waste performance information contained within this Tesco and Society Report in the context of KPMG LLP's full limited assurance opinion and Tesco's reporting guidelines for the selected Waste performance data available on our website at www.tescopl.com/society/resources.

Tesco UK food waste by category Percentage breakdown of total tonnage value

| Category | Percentage |
|------------------------|------------|
| Bakery | 40.81 |
| Beers, wines & spirits | 1.98 |
| Convenience | 7.94 |
| Counters | 2.43 |
| Dairy | 7.86 |
| World foods | 1.47 |
| Frozen | 2.27 |
| Grocery | 3.89 |
| Impulse | 5.71 |
| Meat, fish & poultry | 4.95 |
| Produce | 20.63 |
| Other | 0.06 |
| Total | 100 |

Where to find out more

This report shows how we have started our journey to use our scale for good. We've outlined the approach that we are taking to tackle our three big ambitions and strengthen our work to address our essential commitments. It provides an overview and there is much more information on our website. If you are interested in a particular policy area please visit our data and resources centre www.tescopl.com/society/resources where you will find our position statements on specific issues such as:

- **Alcohol**
- **Animal welfare**
- **Bribery and corruption**
- **Code of business conduct**
- **Data security**
- **Diversity**
- **Ethical trading**
- **GM crops**
- **Health and safety**
- **Human rights**
- **Political donations**
- **Product safety processes**
- **Sustainable sourcing**
seafood, palm oil, soy, timber
- **Waste**
- **Water**
- **Whistleblowing**

If you would like to find out more or have any feedback please contact our team at cr.enquiries@uk.tesco.com and follow us [@tescoandsociety](https://twitter.com/tescoandsociety)

If you are an investor please contact our investor relations team at investor.relations@uk.tesco.com

Throughout this report, a number of statistics have been cited. Unless otherwise stated, these facts are drawn from the following sources or Tesco's own internal research:

British Nutrition Foundation; Equal Approach; International Labour Organisation (ILO); United Nations Children's Fund (UNICEF); United Nations Environment Programme (UNEP); Waste Resource Action Programme (WRAP); World Health Organisation (WHO); World Wildlife Fund (WWF).

