

What matters most: Materiality at Tesco.

May 2019



Why it matters

We recognise our responsibility to play a role in addressing the social and environmental challenges that affect our customers, colleagues and communities, now and in the future.

Economic change, environmental challenges, new technologies and social trends present risks as well as opportunities for our business and the communities we serve. With limited resources, it is vital we focus the Little Helps Plan on the areas where we can make the biggest difference. Identifying those priorities was the first step in developing the Little Helps Plan.

Listening to stakeholders

Our work began in 2017 with a listening programme. This helped us understand the opinions and priorities of a wide range of stakeholders, including colleagues, customers, suppliers, NGOs and policy experts, in the UK and our international markets.

- **Consumers:** We commission independent consumer research each year, which helps identify where consumers and influencers think we should be focussing and how well they feel we are addressing these issues currently. Across our markets consumers told us similar things. They want good, fresh, affordable food that is produced with respect for farmers and suppliers, and for us to ensure all our colleagues are treated fairly.
- **Influencers:** Interviews with external senior advisors and experts helped us to understand the main trends affecting our business. They told us they want us to act on key topics such as reducing food waste, helping people live healthy lives and minimising our environmental impact.
- **Colleagues:** We regularly check how our colleagues feel we are delivering our purpose and values through our colleague survey 'What Matters To You'. They tell us that one of the things that makes them feel proud to work at Tesco is the contribution we make to local communities.



Mapping industry trends

As well as listening to where stakeholders want us to focus now, we reviewed the trends that will affect our wider industry in the years to come. These include political, economic, social, technological, legal and environmental changes, such as:

- Packaging and waste, with a growing focus particularly on plastics.
- Pressures on farming and food policies coming from increased competition; pressure on natural resources and geopolitical changes such as Brexit.
- Public health issues, such as obesity and diabetes, and growing expectations of retailers to take action to help tackle these.
- New employment models and growing concern about job stability and security.

Linking to the global agenda

We cross-referenced this research with the UN Sustainable Development Goals (SDGs) to understand how we can best contribute - alongside other businesses, governments and NGOs around the world - to global sustainable

development. See our www.tescopic.com/sdgs for more information on how our strategy supports the SDGs.

Connecting with Tesco's business priorities

Managing our social and environmental impacts is integral to our business strategy. It is key to meeting the expectations of our customers, shareholders and other stakeholders, and helps us to build stronger relationships with suppliers and communities, which allow our business to thrive. As well as enabling us to manage risks, our sustainability strategy also presents opportunities to cut costs and unlock value for our business.

The Little Helps Plan was built on one of our core values: 'Every little help makes a big difference'. This embodies our belief that everyone in our business can make a positive contribution to our social and environmental goals. While we are working to address some big global challenges that will require transformational change, we can start by making improvements in our own business and communities. We have six strategic drivers to create long-term

value for all of our stakeholders, and the Little Helps Plan contributes directly to these. It helps us differentiate our brand by responding to the issues that matter to our customers, and by demonstrating the value we create for society. It helps reduce operating costs by minimising our resource consumption and waste. And it drives innovation - challenging us to look for new solutions that improve our impact.

The Little Helps Plan also helps us respond to important risks facing our business. It helps mitigate tangible risks in product safety and supply chain, data security and privacy, regulation and compliance, health and safety, and climate change. Taken together, the Plan helps protect our brand,

reputation and licence to operate. One of the most visible of these risk management activities is our commitment to report against the Task Force on Climate Related Financial Disclosure's guidelines for Climate Change reporting, assessing the risks climate change poses to our business. For more information on our scenario analysis, please see page 177 in the 2018/19 annual report.

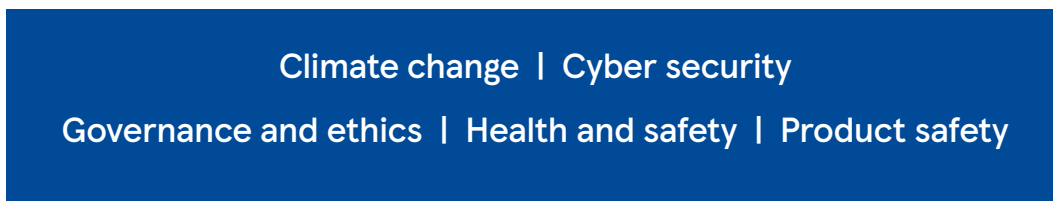
Bringing it together in the Little Helps Plan

We ranked and prioritised the topics coming from these different sources, to identify the key focus areas and actions for the Little Helps Plan. Our actions are split into three 'pillars' where we believe we can make the

greatest difference: People, Products and Places. These pillars capture our work to help colleagues get on, source our products with respect for the environment and people who produce them, reduce food waste, minimise the environmental impact of our packaging, help customers make healthier choices and make a positive contribution to our communities.

The pillars are supported by the Foundations of our programme. The Foundations are key expectations of a responsible business, and are important in helping us manage risk. While addressing these issues is now 'business as usual' at Tesco, we continue to focus on them to ensure we make improvements.

Every little help makes a big difference.





Evolving the Little Helps Plan

We continue to speak to colleagues, suppliers, NGOs and industry stakeholders about their priorities, to check the Plan aligns with their expectations and gain further insights on emerging issues. The Plan will, and has already, evolved to reflect their input.

Our work on packaging is a good example, public concern about the impact that single use materials are having on our planet increased significantly in 2018. We recognise that

packaging is a major contributor to this issue and our customers expect retailers to be part of the solution. Although minimising the environmental impact of packaging has always been part of our design process, we have intensified our efforts by making packaging a core part of our Product pillar and have set an ambitious goal for creating a closed loop system for packaging materials.

We will continue to adapt the Plan to meet our stakeholders' expectations and business needs in the coming years.