



**TESCO**

**What matters now:  
using our scale for good**

Tesco and Society Report 2013

Over  
**75 million**  
shopping trips a week

Over  
**500,000**  
colleagues around the world

Over  
**6,500**  
stores

Food delivered to  
**half a million**  
homes a week

Over  
**40 million**  
customers using loyalty schemes,  
such as Clubcard

Suppliers in over  
**70**  
countries

“Our scale gives us an opportunity to  
make a positive difference to some of  
the biggest challenges facing the world.”

**Philip Clarke**, Chief Executive

This year, over  
**3 billion**  
cases of goods distributed to our stores  
around the world

# Chairman's Foreword

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**This report is about Tesco and Society. It marks a departure from our previous Corporate Responsibility reports.**

Tesco is a large company and its activities affect the lives of many people in societies around the world. We are accountable to all of these people. This report begins a process of sharing how we understand this broad accountability and how we seek to discharge it.

Corporate responsibility is neither new nor optional. It reflects the inescapable reality that, if the values of a business fail to resonate with the values of the society in which it operates, it is endangering its own long-term prosperity. Customers will simply go elsewhere.

While this is not new, social values are always changing. So the response from business must also develop. No business can ever hold itself out as having a finalised policy in this area. In the post-war decades, for example, product safety was a central focus for responsible business. In recent years, sustainability in all its aspects has been and remains an essential part of corporate responsibility. Change does not reduce the importance of these values but new ones continually emerge.

For the Board therefore, whose role is to define and uphold the values of the business, corporate responsibility is not only an ethical issue. It is also a strategic issue. It is central to defining Tesco's identity and defining it in a way which integrates our customers' values with our own. We have given considerable thought to the existing business and to the changes taking place in society. We have been reflecting on our values and how to use our scale for good.

Our values need to build on what we believe in. So when we talk about our value of using our scale for good in society, we think in terms of creating opportunities, having respect for both people and products and supporting choice for everyone. When we talk about our business, these values underpin how we relate to customers, work with colleagues and what we sell.

Our values also need to be manifest in everything we do: we must act fairly and responsibly across our whole business. What we are doing today is defining more clearly how we want our values to shape our engagement with society, just as they do in the business. As part of this, we are defining three specific areas where we feel we can most effectively use our scale for good, setting out our ambition in each area.

These ambitions build on our existing work in the field of sustainability and citizenship which is also covered in this report. They are a direction of travel for an organisation which attaches great importance to understanding and discharging its full accountability to all whose lives it touches.

That is what this report is about. I, and the whole Board, commend it to you.

**Sir Richard Broadbent**  
Chairman

## Chief Executive's Introduction



**It has been a year of significant change at Tesco.**

At Tesco, we want to put in more than we take out. And we want that to apply to everything we do in our business strategy and in our relationship with society as a whole. That is why this year we embarked upon a change to the way Tesco operates.

In our UK business for example we have invested in the shopping experience we offer both in-store and online. We know that we are only as good as the last shopping trip a customer takes and that there is enormous power when that experience is excellent. We're now one year into our six-point UK plan to 'Build a Better Tesco' and I am proud of the way the UK team has responded to the challenge. In the UK and increasingly across the Group, we're making significant changes. With more colleagues in-store we are now able to improve how we look after our customers.

This change needs to go hand in hand with the value we create for wider society. Simply put, the world's expectations of business are changing. We know that our customers and our colleagues want us to make a bigger contribution to society. Businesses need to work harder than ever to earn trust and loyalty. Today, our customers are asking us: how do you help? What do you stand for? Are you part of the problem, or part of the solution?

**We have taken these challenges as our mandate for change. We are a big business and we want to contribute to something bigger than ourselves.**

At the heart of this change is our new Core Purpose: **we make what matters better, together.** Millions of customers come to us for the food and products they need for their lives. What matters to them is that we make the little things better, providing millions of great value products, safely and conveniently every day. After all, every little helps.

Tesco has grown to be a very big business and has done so by focusing on the little details that matter to customers. Today we have over half a million colleagues, tens of thousands of suppliers and distributors and we are part of more than 6,000 communities around the world. For all of my colleagues I hope that 'making what matters better, together' will galvanise them into a formidable force – a force for good in everything we do. That is why we have articulated a new value to help us make what matters better: **we use our scale for good.**

This new value will help us to build on the essential work we are already committed to as a responsible corporate citizen. Whether it's trading responsibly, reducing our impact on the environment, being a great employer, or supporting local communities, doing the right thing matters to Tesco. Failing in these areas is a risk to the business and a loss to society.

## Chief Executive's Introduction

Nowhere is that more apparent than in the way we manage our global supply chain. That is why, this year, when it emerged that some meat products sourced from across Europe had been contaminated with traces of horsemeat, we acted as a matter of urgency to get to the bottom of the issue. It is essential that all our products are safe, honestly labelled and sourced to the highest standards. Our promise is simple: if it isn't on the label, it won't be in the product.

Our scale also gives us an opportunity to make a positive difference to some of the biggest challenges facing the world. We have given a lot of thought to where we are most relevant and where we have an authentic contribution to make. That's why in this report, we have set out three important areas where we believe we have the skills, expertise and resources to make a meaningful difference: **our three big ambitions**.

- **We want to create new opportunities for millions of young people around the world**
- **We want to help and encourage our colleagues and customers to live healthier lives and through this help to tackle the global obesity crisis**
- **We want to lead in reducing food waste globally**

We have core competencies which we will draw upon to achieve each of these ambitions.

We are a major global employer which means we understand how to provide opportunities for people in their working lives. So we want to use that to help millions of young people who are worried about their future and are uncertain how to get a foothold in the world of work.

We take seriously our responsibility to provide good quality, good value food, safely to millions of people every day. So we want to be a positive force in helping people to have healthier lifestyles and thereby tackle the global obesity challenge.

And 'waste not want not' is at the heart of every little helps. So it is natural for us to want to take a leading role in preventing the enormous quantities of food going to waste every day around the world.

I believe these ambitions demonstrate our new value. They express our determination to use our scale for good to create greater value for society.

Our starting point is that we need to understand the challenge we are taking on. Therefore, over the past six months, teams from across the business have been gathering data and working together to identify where and how we can act most effectively. Over the coming months, we will set out plans and commitments, including how we expect to track and measure our progress over time. We are laying the foundations now for a further significant contribution to society in the years to come.

This is it. The world is changing and Tesco is changing too.



**Philip Clarke**  
Chief Executive

**“At Tesco, we want to put in more than we take out. And we want that to apply to everything we do.”**



## Using our Scale for Good

# Introducing our New Value

### Creating jobs

We employ over half a million people

### Feeding people safely

We provide meals to tens of millions of people every week

### Sourcing globally

We work with suppliers in over 70 countries

**Our scale already enables us to create value for our customers.**

**Using our scale for good is about taking that idea one significant step further and creating greater value for society as a whole.**

There are long-held values at the heart of Tesco:

- **No one tries harder for customers**
- **We treat everyone how we like to be treated**

This year, we added a third:

- **We use our scale for good**

Why did we add this new value? The skills and reach of Tesco enable us to provide affordable, quality food to people around the world. Without that scale and without our operational capability we would never be able to source such an enormous range of products and get them to so many millions of people, conveniently, every day and at affordable prices. Many communities around the world have a selection of fresh fruit and vegetables, at prices they can afford, for the first time because of Tesco. We're proud of that.

As one of the world's largest retailers, we also have a significant opportunity to make a positive difference to society. It really matters that we maintain the highest possible standards of corporate behaviour in everything we do, particularly in those fundamental areas which we call the essentials: trading responsibly; reducing our impact on the environment; being a great employer and supporting local communities. In each of these areas we have a strong record of performance and we see significant opportunities to add to these by using our scale for good over the coming years.

Alongside these essential commitments we also want to scale up our efforts and make a positive contribution to some of the most pressing challenges facing the world.

## Using our Scale for Good

‘We know for certain that we can’t do this on our own. We need to work with customers, suppliers and colleagues as well as governments and charities to achieve our ambitions.’

Over the last year we have thought long and hard about where we can have the greatest impact. We decided to focus our efforts on three issues which concern people and communities around the world, issues that also matter to us and issues where we can make a real difference: rising unemployment among young people; health and increasing levels of obesity and the huge quantities of food currently going to waste. As an employer of hundreds of thousands of people and one of the world’s leading food retailers, all of these issues are relevant to us. We have significant operational capability which we can apply to tackle these challenges.

Our three big ambitions are:

Ambition 1 →	Ambition 2 →	Ambition 3 →
<b>To create new opportunities for millions of young people around the world</b>	<b>To improve health and through this help to tackle the global obesity crisis</b>	<b>To lead in reducing food waste globally</b>
<b>How?</b> By inspiring, equipping and enabling millions of young people to succeed in the world of work	<b>How?</b> By helping and encouraging our 500,000 colleagues and 50 million customers to live healthier lives	<b>How?</b> By working with our producers and suppliers and helping the customers we serve to find ways to reduce food waste

We brought together an action team for each of our three ambitions, made up from Tesco people from across the Group, representing different parts of the business, with a range of responsibilities and expertise (see page 50). They have been guided and informed by a large number of external experts from around the world, some of whom we will hear from in this report.

We know for certain that we can’t do this on our own. We need to work with customers, suppliers and colleagues as well as governments and charities to achieve our ambitions.

We also recognise that we won’t be able to get there overnight. So, over the last few months, our teams have been gathering data and determining how we can address these challenges. In 2013 we are laying the foundations so we can set meaningful targets. We are getting to grips with the challenge, developing new initiatives and establishing long-term plans.

In other words, this is the first step in our journey. It’s about making what matters better, together.

We have set ourselves big ambitions because, as a company with scale, we believe we can make a big difference. But it also means we don’t have all the answers yet. However, if there’s one thing that is certain at Tesco, it’s that we’re never happier than when we’re in full execution mode. Doing and delivering is hardwired into our DNA. We are determined to do this and to make a positive difference at scale.

# 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 plan to use our scale for good

### Our Three Big Ambitions

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

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

**To lead in reducing  
food waste globally**

### The Essentials

#### **We trade responsibly**

... putting our customers first  
and working with our suppliers  
to innovate and provide high  
quality products

#### **We are reducing our impact on the environment**

... aiming to be a zero-carbon  
business by 2050 and to use  
scarce resources responsibly,  
including in our supply chain

#### **We are a great employer**

... creating inspiring work that  
makes our colleagues happy  
and proud of what they do

#### **We support our local communities**

... being a good neighbour and  
running our business to the  
highest standards





### Our Three Big Ambitions:

11 Creating Opportunities →

17 Improving Health →

23 Reducing Food Waste →

## Our Three Big Ambitions



## Introducing our Three Big Ambitions

**Our Core Purpose is: we make what matters better, together.**

**This means going beyond doing the right thing, which is essential for any responsible business. It means actively using our scale for good.**

**Our three big ambitions illustrate our commitment to do that.**



We want to create new opportunities for millions of young people around the world

Go to [page 11](#) →



We want to improve health and through this help to tackle the global obesity crisis

Go to [page 17](#) →



We want to lead in reducing food waste globally

Go to [page 23](#) →



## Creating Opportunities

Our business can only be vibrant if the communities we work in are vibrant. But across the world, many communities are suffering from crisis levels of youth unemployment.

As a major global retailer, we create opportunities wherever we operate – for colleagues in their careers and for suppliers looking to grow their businesses. But we want to do more and make a bigger contribution to this challenge.

That's why we have set ourselves the ambition of creating new opportunities for millions of young people around the world.



## Creating Opportunities

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

# 75 million

young people are unemployed globally

# 120 million

potential new young workers enter the global labour market each year

‘We want to help break the cycle – no job: no experience; no experience: no job.’

**... by inspiring, equipping and enabling millions of young people to succeed in the world of work.**

### Why it matters

One thing which unites everyone who works with and shops at Tesco is the belief that young people need support and opportunities to make the most of their lives. We know that every family wants the best for their children and every community and employer wants confident, engaged and skilled young people.

But, at the moment, young people face enormous challenges. Across the world, around 75 million young people are unemployed. Even in those countries where youth unemployment is low, there are serious concerns about developing the right skills to compete in the future. In the UK alone more than a quarter of a million young people have been out of work for over a year.

For all these reasons, the United Nations has been warning of a lost generation of squandered talent. What is more, research indicates that youth unemployment can have an even greater impact on an individual than being jobless later in life. For a young person, being out of work may mean falling significantly behind others in the same age group, leaving a permanent scar on long-term career development and income. At Tesco, we can make a contribution to solving this challenge.

We want to draw from our capability to hire, train and develop people's careers to address the challenge of creating new opportunities for millions of young people. We will do it by inspiring, equipping and enabling these young people to succeed in the world of work. We want to inspire young people to broaden their horizons and realise their potential. We will equip them with the

social and specialist skills they need for work. And we will enable hundreds and thousands of young people to get started on a career.

It is in our culture to take people straight out of school and train them up to a management role and we know how to develop people's careers. Whether it is sourcing food in Slovakia, developing technology in India, or running a Thai property development team, we provide opportunities to maximise everyone's potential. And working with Tesco can provide the opportunity for a supplier to grow from a local producer into a multinational company. In fact, if we were to bottle Tesco in one word, it would probably be 'opportunity'.

Above all, we want to help break the cycle – no job: no experience; no experience: no job. We recognise that young people cannot do this on their own. They need businesses to step up and give them their initial opportunity.

We have stores in communities all over the world. One of the reasons why taking on this challenge is motivating for us is that, if we can achieve our ambition, we can make a practical difference to young people – and their families – in every one of these communities.

# Creating Opportunities

## Expert perspective



### Ali Niaz Founder, Aspire2BGreat

Ali Niaz grew up in South London. Aged 11, he became involved in gang culture and began dealing drugs. In 2007, the year his son was born, he was arrested and charged with possession of a class 'A' drug with intent to supply. He was sentenced to four years' imprisonment but, on his release, worked to turn his life around. Today, Ali runs his own social enterprise, [Aspire2BGreat](#), visiting schools to warn about gang culture.

One of the biggest challenges is the disconnect between the opportunities that are available for young people and the few opportunities that young people actually see. Many kids just don't have an awareness of what they can do with their lives and there's a kind of fog which clouds their horizons. We've got to help change this and inspire young people to get started on the right career.

When I was growing up, there was no financial stability in my household and what mattered to me was getting money and buying material things. I thought the easiest way to get this was to go out and sell drugs, because that's what I saw in my neighbourhood.

I only began to see things differently when I started working with the charity Regenerate UK. They took me on a trip to Kenya and I saw that there are problems and issues in the world and I wasn't being part of the solution. One twelve year old I met begged me to take him back to Britain because he could get an education there.

That trip was an inspiration for me – and we need to inspire more young people in this country. It's not the case of opportunities not being out there – it's a case of the awareness of the opportunity. We need to show the opportunities that are available in the real world, not what they see in the media or on TV.

Businesses are critical in doing that. We need to give more kids the chance to be mentored and inspired about what you can achieve through hard work. At Aspire2BGreat, we've got a programme that's trying to bridge the gap between business and young people by assigning mentors to young people who've been successful in their business field.

Connections and networks are key. What we really need are big global companies, which can plug into many different organisations in different demographics and geographical areas, to step up and engage with young people. That's where Tesco can really help. If we work together, we can help lift the fog and change the way young people think about their future – inspiring more young people to aspire to greater things.

“It's not the case of opportunities not being out there – it's a case of the awareness of the opportunity.”



# Creating Opportunities



## Our approach

When our team started this work, the idea of creating opportunity was not hard to sell to my colleagues. We have all seen how Tesco provides opportunities in our own lives. We wanted to take that idea and apply it on a bigger scale.

### In focus:

Inspire: Tesco School Outreach →

Equip: Tesco for Thais Foundation →

Enable: Regeneration Partnership Stores →

### Commitments:

To **inspire** young people about the possibilities ahead of them

To **equip** young people with the skills they need for the future

To **enable** more young people to succeed in the world of work →

We began by listening to young people. As we heard their stories, we saw beyond the cold statistics and understood at a human level why this matters: every young person should have the opportunity to get started on a career.

The single most important thing young people need is greater awareness about the world of work. Many young people simply don't know what or where the opportunities are. As recent surveys have shown, up to half of all young people globally feel they are not well informed about their career options when choosing what to study. This is something we can help to change. As one of the world's biggest employers we can use our expertise to help young people get a start in the world of work.

That's why a key part of our plan is to go into schools and **inspire** young people about the possibilities ahead of them. This isn't just about showing young people opportunities in the retail industry: it's about showing them the business world more broadly.

We also want to **equip** young people for the future. Around the world, employers are finding that many young people lack the skills needed for the workplace. That's why we will be bringing in new training and apprenticeship programmes to give young people more workplace skills.

Ultimately, we want to **enable** young people to succeed in the world of work. Job creation has slowed substantially since the financial crisis and where vacancies do exist, young people have to compete with candidates who have more experience. Our plan is to use the chance of experience with Tesco to help break this cycle and enable hundreds of thousands of young people to get started on a career.

In doing all this, we want to work in partnership with others. This cannot just be about our direct impact. We need to use our scale and expertise to support other organisations and charities which are working in this area so that together we can make a positive contribution to more young people's lives.

### Michael Kissman

UK Communications Director

Action Team Leader: Creating Opportunities



“As one of the world's biggest employers, we can use our expertise to help young people get a start in the world of work.”



# Creating Opportunities

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## Inspiring young people:

### Tesco School Outreach

One of the most difficult problems which young people face is a lack of knowledge about the world of business. Many do not know where the opportunities lie or how to find them. Others do not realise the many different ways they can fulfil their aspirations through work.

#### Did you know?

44%

of young people don't feel well informed about their career options

We want to broaden young people's horizons, which is why we are establishing a new UK school outreach programme. Tesco leaders will be matched with local schools, which they can visit to share advice and bring alive the enormous variety of skills needed in business careers.

We will start with a pilot programme near our head office in Hertfordshire, UK this year and then we want to scale up the project nationwide. We intend to expand the programme further, rolling it out into other countries and also involve partners from our supply chain.

Our hope is that this could be a truly game-changing programme as we won't simply inspire young people about traditional retail careers, we will also open up the world of business, from farming and manufacturing, through to design and the very latest digital technologies.

## Equipping young people:

### Tesco for Thais Foundation

In order to succeed and compete in a crowded job market, many young people need to develop new skills for the future.

With more than 120 million potential new young workers entering the global labour market each year, there is a higher premium on technologically advanced and high-level workplace skills.

We can help equip young people with these skills and are already doing so in a wide range of ways. One programme which has worked well at Tesco Lotus in Thailand is our Tesco for Thais Foundation (TtTF) which provides young people with opportunities for improved education.

TtTF offers up to 5,800 scholarships each year to students who need support. 150 scholarships go to undergraduate students in business management fields with a job offer at Tesco Lotus after they graduate. Over 11 years, TtTF has awarded 27,000 scholarships to students in Thailand.

We now want to apply this approach more widely, adapting it to local circumstances. For instance, this year we launched a new scholarship programme for members of our Sustainable Dairy Group of suppliers. The scholarship allows farmers and their family members to study aspects of dairy farming such as animal welfare, animal fertility and sustainability.

We are also looking to provide more bursaries and scholarships for young people from deprived communities to study or work with senior managers at Tesco as a way of creating a stepping stone in their own careers.

With programmes such as these, including our donations of equipment to schools and our plans to offer 5,000 apprenticeships for staff in the UK in the coming year, we can equip more young people with the tools they need to succeed.

# Creating Opportunities

## In focus:

Inspire: Tesco School Outreach →

Equip: Tesco for Thais Foundation →

Enable: Regeneration Partnership Stores →

## Did you know?

We have over 50 Regeneration Partnership Stores across the UK

## Enabling young people:

### Regeneration Partnership Stores

The overriding challenge for many young people is how to break out of the unemployment trap they find themselves in.

Too often, many young people find they are turned down because they don't have the right experience – but they can't get experience until they have a job.

It was to help break the cycle of long-term unemployment that we created our Regeneration Partnership Stores which ensure that a significant percentage of our workforce includes people who have been unemployed for a minimum of six months. Over the last 13 years, we have opened more than 50 Regeneration Partnership Stores, providing over 16,000 jobs in total, with over 5,000 going to long-term unemployed. In January 2013, we opened the doors of our latest store in Corby, Northamptonshire. This new store has created 350 new jobs, of which 100 are for people who have been out of work for more than six months.

This year, we opened our first overseas Regeneration Partnership Store in Debrecen, Hungary. By creating 165 new jobs, including 100 that were taken up by people who were previously unemployed – almost half of them long-term unemployed – we have been able to support the economic recovery and welfare of the local community.

Our ambition is to use these programmes to create even more opportunities for young people. As part of this, we will be reserving 500 jobs for long-term unemployed young people in our UK stores over the coming year. We have learned that the secret of success is not to recruit on the basis of qualifications and experience alone but also to factor in attitude and commitment, and to be ready to give people a chance when they need it most.

▶ [Watch a video about our Regeneration Partnership Store in Widnes](#)

## Commitments:

Some of the activities planned across the Group in 2013/14 include:

### Inspire

- South Korea – launch a mentoring programme for high school and college students
- Czech Republic – run an online retail business game for university students
- Poland – launch an outreach programme where Tesco colleagues visit their former schools

### Equip

- UK – offer 5,000 places on our apprenticeship programmes
- Thailand – provide 365 scholarships for university students from deprived backgrounds
- UK, Ireland and Poland – donate learning equipment to thousands of schools and clubs
- Turkey – offer educational classes through our Kipa Family Clubs

### Enable

- UK – create 500 jobs for young long-term unemployed people through our Regeneration Partnership Stores
- South Korea – expand our paid internship programme for college students and offer opportunities for full-time employment after six months
- Ireland – triple the number of places on our graduate programme



## Improving Health

Health matters to all of us. We all want to enjoy active and healthy lives. But many of us lack the money, time and motivation to make this our reality.

Food is at the centre of this challenge. But for many people food is a highly emotive issue – not enough of the ‘right’ stuff, too much of the ‘wrong’ stuff. As one of the world’s biggest food providers, we want to help change this.

That’s why we have set ourselves the ambition of helping and encouraging our colleagues and customers to live healthier lives and through this help to tackle the global obesity crisis.



## Improving Health

■ **Our ambition:**

### To help and encourage our colleagues and customers to live healthier lives

# 65%

of UK customers say their lifestyle isn't as healthy as they'd like it to be

# 54%

of UK consumers are actively looking for supermarkets to take a lead in helping them to become healthier

**...and through this help to tackle the global obesity crisis.**

#### Why it matters

Health matters to all of us. We want to enjoy active and healthy lives so that we can feel good physically and mentally. While most of us understand that health and wellbeing can be achieved by avoiding bad habits, being active and eating the right food, many of us lack the money, time and motivation to make this our reality.

Across the world, food is at the centre of health and wellbeing. However, for many of us, food is a highly emotive issue – not enough of the 'right' stuff, too much of the 'wrong' stuff. A once healthy relationship has been distorted by the realities of modern life and the ever increasing complexity of understanding what is good for us.

At the same time, governments and societies around the world face rising health costs and stretched services as a consequence of our changing relationship with food. So improving health and wellbeing is now a global priority.

A particular threat to world health is obesity. Since 1980, global obesity rates have more than doubled and in many of the countries in which we operate, including the UK, most of the population are already overweight.

As one of the biggest providers of food and drink globally, we have a responsibility to help customers and their families to bridge the gap between knowing and doing, and achieve the

behaviour change that they desire. Our customers tell us that they would welcome help in achieving this. For example, 65% of UK customers say their lifestyle isn't as healthy as they'd like it to be and 54% want supermarkets to help them. 84% of people in Poland say they pay attention to buying healthy food, but customers admit that they face many barriers which often prevent them from making healthy choices in practice.

By helping our customers and colleagues live more healthily, we can play a significant role in tackling the global obesity crisis. With our stores around the world providing food to millions, coupled with our insights into consumer behaviour, we are well placed to do this.

We know it won't be easy and we understand that it will mean taking some difficult decisions along the way. However, through building a deeper understanding of the emotional drivers behind people's diets and lifestyles we can work out what matters and how we can help.

**'We have a responsibility to help customers and their families to bridge the gap between knowing and doing.'**



# Improving Health

## Expert perspective



**Derek Yach**  
Senior Vice President,  
The Vitality Group

Derek Yach is Senior Vice President (SVP) of the Vitality Group, part of Discovery Holdings. Prior to this he was SVP Global Health and Agriculture Policy at PepsiCo, headed global health at the Rockefeller Foundation, was Professor of Global Health at Yale University and is a former Executive Director of the World Health Organization. He serves on several advisory boards including those of the Clinton Global Initiative and the World Economic Forum.

Non-communicable diseases (NCDs) accounted for over 60% of the 53 million deaths worldwide in 2010<sup>(i)</sup>. Heart disease and stroke together accounted for almost ten million of these deaths.

Trends in the underlying causes of death show almost seven million tobacco deaths a year. Globally, there are more people who are overweight and obese than people who are underweight.

We know that public health initiatives can work. We have already seen steep declines in the levels of infectious diseases and have made great progress in dealing with under-nutrition. However, the increases in underlying risks for NCDs, specifically tobacco use, unhealthy diets and physical inactivity, represent a continued failure of governments, industry and civil society to tackle the preventable risks.

But this is hardly breaking news. We have known this for decades and, until relatively recently, implementation of prevention programmes has been weak and considered to be solely the responsibility of governments.

But that is changing.

Recent reports highlight how companies are also changing the way they do business to address many aspects of the dietary changes that are needed to deliver public health benefits<sup>(ii)</sup>.

This represents positive reinforcement for companies committed to change and helps

investors and consumers alike to select the healthy choice in terms of both companies and their products.

At the same time, exciting initiatives aimed at stimulating dietary change by providing incentives on healthy foods have yielded positive results. A healthy food programme run by a South African insurer in collaboration with local retailers reported not only an increase in the purchase of fruit and vegetables, but also reduced purchases of less healthy foods<sup>(iii)</sup>.

Imagine if broader innovative partnerships such as this, between insurers, retailers, sports companies and manufacturers of healthy foods were to form a powerful coalition with governments and health charities. This collective approach could make a massive difference in tackling the global NCD burden in ways that benefit business and society for the long-term.

i) The Lancet, Volume 380, Issue 9859, Pages 2095 – 2128, 15 December 2012.

ii) Hudson, J. et al. (2013). Nutrition: Access and traceability. UBS Investment Research: Global Sustainability. Nahal, S., Lucas-Leclin, V., King, J. (2012). Globesity – the global fight against obesity. Bank of America Merrill Lynch.

iii) Sturm, R. et al (2013). A Cash Back Rebate Program For Healthy Food Purchases in South Africa. American Journal of Preventive Medicine.

“Until relatively recently, implementation of prevention programmes has been weak and considered to be solely the responsibility of governments.”

# Improving Health



## Our approach

Around the world, campaigners and health experts have been looking at how to help people make healthier choices and why, despite so much consumer information, obesity rates continue to rise. At Tesco, we believe we need to help tackle the problem and make it easier for our colleagues and customers to live healthier lives in six basic ways.

### In focus:

Consumer insight and data →

Product information →

### Commitments:

To create our 'healthy little differences' tracker →

“The key to all this is changing behaviour.”

1. We can help our colleagues lead healthier lives at work and at home
2. We can reformulate and more clearly label our products
3. We can create a store environment that encourages and promotes healthier choices
4. We can provide customers with more personalised information so that they can choose solutions tailored to their individual needs
5. We can provide services and advice that enable a balanced lifestyle
6. We can inspire customers, colleagues and communities to be more active

The key to all of this is changing behaviour: not only our colleagues' and customers' but also our own.

We believe that the first step is to get our own house in order, starting with our stores.

In many ways our stores reflect wider society. They are designed for a life lived on the go. However, to improve the health of our colleagues and customers we need to go further; we need to encourage more balanced choices and healthier lifestyles, through promotions, layout and ranges.

That is why we are changing the range of products we sell at checkout counters. In the UK we have already stopped selling checkout confectionery in our big stores and we are moving towards ensuring a more balanced range of choices at checkouts in all of our stores.

A good starting point for changing behaviour is our colleagues and their families. Our colleagues are our most loyal customers. They are also representative of society and so by finding out how we can help them, we can share that learning to help our customers too. This will build on the positive work already underway across the Group, like our work in our Hindustan Service Centre in India to provide healthier food in the colleague canteen and encourage colleagues to get active.

Where we can really change the game is in using the insights we have on consumer behaviour:

- by personalising the information customers receive, we can help them to make healthier choices in their own shopping
- by working with leading health research organisations we will see how we can support vital medical research by sharing data, with our customers' consent and anonymously, on consumer behaviour patterns

To make real progress in helping colleagues and customers, we first need to understand better the health profile of the products that we sell and our customers buy. We're profiling our products against clear health criteria so that we can develop policies and guidelines for the business, helping us to create an environment where customers find it easier and more appealing to make healthier choices for themselves and their families.

### Leonie Foster

Customer Insight and Strategy Director  
Action Team Leader: Improving Health




# Improving Health

## In focus:

Consumer insight and data 

Product information 

## Commitments:

To create our 'healthy little differences' tracker 

## Did you know?

Tesco was the first supermarket to launch a Healthy Living range in 1984 and we are still working hard to reduce calories and fat. For example, we have reduced the number of calories sold in our soft drinks by over one billion this year.

## Consumer insight and data:

Through research we've learned that our customers look to us to help them to make healthier choices, without compromising on enjoyment, quality, taste or affordability.

We're now undertaking further research across our markets in Europe and Asia to learn more about their individual health needs and how we can help.

We want to give people much more information about the nutritional value of all the food they eat. Harnessing the data we have on consumer behaviour will help us to encourage a healthy balance in our customers' lives.

### Colleagues

We will work together with our 500,000 colleagues to discover the right way to encourage healthier lifestyles in all the countries in which we operate.

### Healthy recommendations

We will help customers make healthier choices by giving them relevant and clear healthy product recommendations.

### Health motivator

We will share more of our Clubcard data with our customers so they can understand how their shopping impacts their health. We are currently defining how best to do this to help customers make a healthy difference in their lives.

### Data donation

We will explore ways that we can help research and health professionals to access the anonymised information we have about our customers, in order to help facilitate research projects. We hope that this will lead to a variety of joint projects where we help link research professionals with Tesco customers who are willing to donate their data for research purposes.

## Product information:

We all know that snacking on a packet of crisps is less healthy than eating an apple.

But with many other food products the nutritional value is less apparent and people struggle to understand how healthy or unhealthy their overall diet is.

Alongside our plans to harness the power of data to help customers understand how they eat, we are also planning to change the way we promote, label and formulate our products.

### Product profiling and store environment

We will define our criteria for what makes a product healthy, based on levels of fat, saturates, sugar and salt, and apply these criteria to our complete product range. This will allow us to develop policies and guidelines to make healthier choices more appealing to customers, for example, by promoting healthier products. We will also change our offer to provide a more balanced range of choices at checkouts in all of our UK stores. We will start by trialling this to ensure we are delivering this in the best way for customers.

### Product labelling

Tesco has championed the provision of nutritional information for many years. By providing clear information on the nutritional value of products we help our customers to make healthier choices. During 2013 we will begin the rollout of our new hybrid labelling system in the UK which will combine meaningful, detailed information from guideline daily amounts with at-a-glance colour coding.

### Product reformulation

As part of our ongoing Product Improvement Plan in the UK, 96% of food included in the Salt Reduction Pledge in the Public Health Responsibility Deal now meets Government targets.

# Improving Health

## In focus:

Consumer insight and data →

Product information →

## Commitments:

### The 'healthy little differences' tracker

We want to make it easier and more appealing for our colleagues and customers to make healthy choices and lead healthier lives, through our insight, data and products.

We will measure our success by creating a model – the 'healthy little differences' tracker – to measure the health profile of a typical Tesco shop.

This will enable us to set a target on the difference we can make to our customers' health.

The tracker will help us understand the nutritional value of what our customers are buying. For the first time, we will be able to track how our initiatives impact on the healthiness of a typical Tesco shop over time.

As well as helping to set a target and measure our progress, the 'healthy little differences' tracker will also be a useful tool in helping us identify where we can make the biggest difference to customers' health by making our products healthier or by making it easier for customers to choose healthier options.

We are starting to build this model now and will share it as it develops in the months ahead.



### Assessing a typical shop

By measuring the health profile of a typical Tesco shop we can identify where we can make the biggest difference to our customers' health.

### Tracking our achievements over time

Doing this will allow us to measure our progress by tracking how the nutritional value of a typical Tesco shop changes over time.



## Reducing Food Waste

Around one third of the world's food is never eaten – it's thrown away or left to rot.

At Tesco, we buy, move and sell food – it's what we do and we do it at scale, all over the world. This means we can find out where waste happens, and why. We can track down waste – from the farmer's field to the customer's fridge.

That's why we have set ourselves the ambition to lead in reducing food waste globally.





## Reducing Food Waste

■ **Our ambition:** **To lead in reducing food waste globally**

1/3

Around one third of the world's food is lost or wasted

4.2t CO<sub>2</sub>

Every tonne of food waste prevented could save 4.2 tonnes of CO<sub>2</sub>

**... by working with our producers and suppliers and helping the customers we serve to find ways to reduce food waste.**

**'The average UK family wastes around £680 worth of food each year.'**

### Why it matters

The world faces an acute challenge. By 2050, the global population is forecast to grow from seven to nine billion. Demand for agricultural products is likely to increase by 70%. The result is that our food system will come under increasing pressure and there are already significant concerns around global food security.

To feed our growing global population we need to improve the productivity of the agricultural system. This means identifying sustainable ways of increasing food production from cultivated land, working with our suppliers to help improve efficiency and maximise yields.

But more immediately we also need to reduce global food waste. At the moment, around a third of the world's food is lost or wasted – approximately 1.3 billion tonnes of food each year. This adds pressure on land and natural resources, and causes the unnecessary emission of greenhouse gases. It also adds significant unnecessary costs. For example, the average UK family wastes around £680 worth of food each year.

For these reasons, we want to play a leading role in reducing food waste.

We already work hard to drive efficiency in our own operations and we have a strong track record of waste management. Our ambition is to build on this to lead in reducing food waste throughout the value chain – in fields, farms, distribution, transport, stores and customers' homes.

To achieve this, we want to work in partnership with food producers and suppliers, and engage with our customers in all of our markets to reduce waste wherever it occurs.

# Reducing Food Waste

## Expert perspective



**Achim Steiner**  
**UN Under-Secretary General  
and Executive Director, UN  
Environment Programme (UNEP)**

Before joining the [United Nations Environment Programme \(UNEP\)](#) in 2006, Achim Steiner served as Director General of the International Union for Conservation of Nature (IUCN) and as Secretary General of the World Commission on Dams. A German and Brazilian national, he has a BA from the University of Oxford and an MA from the University of London.

In the United Kingdom one of the fastest areas of growth in food sales is the demand for wonky, cosmetically-challenged fruit and vegetables. In China a social media-led campaign called 'Eat Up Your Plates' is taking the public by storm.

What these and a myriad of other initiatives worldwide are tapping into is a profound and growing disquiet among communities and countries over the breathtaking level of food being lost or wasted. By some estimates it is at least a third that never makes it from farm to fork. This highly emblematic example of humanity's unsustainable consumption of natural resources is an ethical dilemma but also a multibillion dollar economic challenge.

Environmentally, every basket of apples, sheaf of wheat or animal product tossed away represents a waste of energy, water, soils and inputs like fertilizers – there is also the environmental footprint from the needless clearing of forests for food that is never consumed to the climate emissions linked with rotting organic material.

UNEP – as part of its work on transition to a Green Economy – has teamed up with the Food and Agricultural Organisation of the UN and others to make a dent in this patently absurd situation. [Think-Eat-Save: Reduce Your Foodprint](#) is bringing together the disparate initiatives underway, catalysing more and sharing inspiring actions towards lower food waste and losses.

Supermarkets, with their intimate relationships with consumers, influence over processors and supply chains and demand for food will be a critical player in making this a success.

“Supermarkets, with their intimate relationships with consumers, influence over processors and supply chains and demand for food will be a critical player in making this a success.”

# Reducing Food Waste



## Our approach

Tesco is one of the world's largest retailers. We serve food to 50 million customers around the world, sourcing food from thousands of suppliers in more than 70 countries. Given this reach, there are significant opportunities for us to reduce food waste globally across the value chain.

### In focus:

Store operations blueprint →

Surplus food management →

### Commitments:

To be more transparent about the levels of food waste across our value chain →

### Waste in the supply chain



See where waste occurs along the value chain →

To identify these opportunities we pulled together an experienced team from across the business and engaged with external experts.

In our work so far, we have surveyed our farmers and suppliers, and are carrying out our most detailed food waste research to date with Tesco customers.

We have also opened a dialogue with key national and international bodies, academics, leading NGO and charity programmes.

This has helped us to build a better picture of where food waste occurs and where our current practices – and those of our suppliers and customers – are contributing to unnecessary food waste.

The infographic on page 29 shows an overview of food waste for foods produced and consumed in the UK. This highlights that in addition to food waste in Tesco stores, waste mainly occurs in agriculture and the supply chain and with our customers. We know the shape of this distribution varies by market. For example, in our Asian markets the agriculture and supply chain food losses will be higher.

### So what do we plan to do?

We are developing a core programme to tackle food waste in three key areas:

1. Tesco operations
2. Agriculture and supply chain
3. Customers

This will be delivered through country plans in our businesses around the world. These plans are built on our core strategy but are tailored to be relevant to the waste agenda at a local level. Many offer opportunities to develop local leadership positions and good practice which we can share elsewhere.

In our own operations, we already have a number of programmes in place which enable us to reduce food waste in our stores and distribution centres. We are also developing a new measurement for the amount of food wasted in our operations which can be used consistently across all our markets and will allow us to track progress over time. We commit to publish baseline data on this by the end of the year.

To develop a clear understanding of what we can do in agriculture and the supply chain we are:

- working with our colleagues in sourcing countries who deal directly with farmers
- using our online networks with farming communities to conduct research and begin a dialogue with farmers

We are currently using these channels to identify examples of where our product specifications may be resulting in edible products going to waste and to find opportunities to prevent this happening.

Over the longer term we will build closer relationships with our producers and suppliers allowing for greater investment, support and collaboration on the causes of, and solutions to, food waste. As part of this we will also use our

expertise to improve our order forecasting to our suppliers and producers, helping them to plan more effectively and reduce surplus in the supply chain.

To tackle household waste, we are working with partners including the Waste Resource Action Programme (WRAP) and the Sustainable Consumption Institute (SCI) to conduct customer research aimed at developing our understanding of the underlying causes of food waste in the home and how we can help our customers to waste less. As part of this work, we are working to improve how we display date codes on our products.

In addition, we are developing a total food waste measure for each of the food items most regularly sold in our stores. This will allow us to prioritise our efforts and track our progress in reducing the wastage of these products.

Taken together, this approach and the initiatives outlined provide a strong starting point for us to use our scale and reach throughout the value chain to lead in reducing food waste.

### Matt Simister

Commercial Director, Group Food Action Team Leader: Reducing Food Waste

▶ [Watch a video of Matt talking about food waste and what we are doing to tackle it](#)



# Reducing Food Waste

## In focus:

Store operations blueprint →

Surplus food management →

## Commitments:

To be more transparent about the levels of food waste across our value chain →

## Store operations blueprint:

We know that our UK stores have lower levels of food waste than our stores in other markets. Therefore, to minimise the amount of food wasted in Tesco operations globally we are developing a blueprint based on best practice in the UK and sharing this with our operations around the world.

This includes programmes aimed at reducing waste by optimising case sizes, reducing lead times for orders and improving how we run in-store operations including bakeries.

In Hungary and Malaysia we are also piloting a system developed in the UK for more accurate forecasting when we run promotions on foods. If successful, we will roll this out to our stores in all countries.

Over the coming years, we aim to use this blueprint to reduce food waste in Tesco stores in all our markets.

**‘To minimise the amount of food wasted in Tesco operations globally we are developing a blueprint based on best practice in the UK and rolling this out to our operations around the world.’**



# Reducing Food Waste

## In focus:

Store operations blueprint →

Surplus food management →

## Surplus food management:

The nature of our business – offering a wide range of foods to our customers every day – 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 our waste:

1. We try to minimise any waste – for example by reducing to-clear foods close to their expiry date in stores
2. If food cannot be sold, we offer it where possible to those in need by donating to charities
3. We send bakery waste to be converted into animal feed for livestock. Out of date chicken and raw meat products are processed into pet food 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

Over recent years, we have built strong partnerships with food surplus charities. In Hungary and the UK we work closely with the Hungarian Food Bank and FareShare, respectively, to ensure that unsold food is put to good use.

Recently, we have looked at how best to deal with food surplus at our dedicated grocery home shopping stores – the giant distribution centres that service our online customers in the UK.

Since October 2012 enough food has been diverted from pilots in these stores to provide over 100,000 meals to FareShare. We plan to roll out this initiative to all dedicated grocery home shopping stores by the end of this year, aiming to provide enough surplus food to serve over a million meals to UK charities.

Whilst our first priority is minimising food waste, this initiative ensures that any surplus food is well managed and as much as possible goes to those in need. To find out more about how we are helping to feed people in need, please see [page 47](#).

## Commitments:

- To be more transparent about the levels of food waste across our value chain and develop new ways to measure and track progress
- To do even more to minimise waste in our own operations and reduce food waste across all our stores
- To continue to work to reduce food waste across our value chain globally through effective partnership with our producers and suppliers and by helping our customers
- To ensure that surplus food, wherever possible, goes to those in need

## Reducing Food Waste

### Where food is wasted

Around a third of all food grown worldwide may be lost or wasted across the value chain – most notably in agriculture, in the supply chain and with customers. This breakdown will vary by market with greater agricultural and supply chain losses in middle and lower income countries. This infographic illustrates where food waste occurs in the value chain for goods produced for, and consumed in, the UK. This highlights our shared responsibility across the value chain. We commit to reducing food waste not only in our own operations, but also through effective partnership with our producers and suppliers and by helping our customers.



Percentages denote amounts of food wasted as a proportion of that produced for UK consumption.

Source: WRAP UK, 2009/10 data





## The Essentials

## The Essentials at a glance

# £290 million

annual savings on energy  
and fuel costs since 2006

# £70 million

raised for charities by colleagues  
and customers since 2000

# 77%

of senior executives have worked  
their way up through the company

# 32.5%

reduction in carbon intensity  
of stores and distribution centres  
since 2006

# 31%

of senior management positions held by women

“Our values need to be manifest in  
everything we do; we must act fairly and  
responsibly across our whole business.”

**Sir Richard Broadbent**, Chairman

# The Essentials

## Introduction

### The Essentials:

Trading Responsibly →

Reducing our Impact on the Environment →

Being a Great Employer →

Supporting Local Communities →

**We are a major global business and we want to keep growing and being successful. But we can only succeed if we meet the expectations of our customers and colleagues and make a positive contribution to wider society.**

‘We need to work in collaboration with others to understand the challenges and to find ways to tackle them.’

A key part of this is about getting the essentials right – the core activities we need to carry out every day in line with our new value: we use our scale for good. All these activities are closely connected to the way we run our business, day by day, and affect the way we are valued and appreciated by wider society.

Businesses that are liked by customers and respected by society tend to have strong cultures of ethics and compliance. They act ahead of the curve in dealing with emerging issues; they develop a culture of openness to talk about challenges; they build up a reserve of trust to be drawn on during a crisis.

That is why our aim as a company is **to act responsibly and fairly in everything we do**. To help meet our aim, we asked our colleagues, customers and people from across society to tell us what they think of us, and what they think we are – and are not – doing well. They told us what matters to them, what they expect from us and the areas they would like to see us improve. We will focus our energy and resources on the four areas that matter most to them.

- **Trading responsibly:** building customer trust and strong supplier relationships
- **Reducing our impact on the environment:** fighting climate change and increasing our efficiency in the way we use scarce natural resources
- **Being a great employer:** creating inspiring work that makes our colleagues happy and proud of what they do
- **Supporting local communities:** being a good neighbour and running our business to the highest standards

This section of the report will outline why each of these issues matter, our long-term commitments to improve our performance and what we are doing on each of them.

We do not have all the answers yet on how we are going to achieve our long-term goals, so we need to work in collaboration with others to understand the challenges and to find ways to tackle them. In each of these areas, we will be transparent about our progress and we have developed a scorecard to measure how we are performing against our key commitments. See [page 55](#).

► [Find out more about particular projects and areas of interest and see some of the awards that we have won](#)



## The Essentials

# Corporate governance for sustainability

### Expert perspective



**Peter Madden**  
Chief Executive, Forum for the Future

Prior to joining Forum for the Future, Peter was Head of Policy at the Environment Agency, Ministerial Adviser to the UK Government, Director of Green Alliance and Head of Policy at Christian Aid. He is currently a Board member of the London Sustainability Exchange and sits on the Advisory Council for the Center for Energy Efficiency and Sustainability. He is an expert on issues ranging from futures and innovation to sustainable business and smart cities.

During my seven years at the helm of Forum for the Future, I've seen a step-change in how companies measure, manage and report on sustainability. For me, best practice today should include the following five elements.

First, leading companies are recognising that a much wider set of sustainability issues – whether it's climate change, water-scarcity or loss of natural capital – can affect business performance. They also recognise that their biggest footprints are to be found upstream in the supply chain and downstream in consumer use, and that they need to take responsibility for, and engage with, these wider spheres.

Secondly, sustainability is increasingly at the heart of corporate strategy. It has moved from being handled by someone junior in the public-relations department, to being embedded in the core business, with clear delivery plans, measurement and rewards.

Thirdly, sustainability is seen less as a compliance issue and more as an arena of opportunity. Whether it is driving greater efficiency, opening new relationships with customers, or finding a new source of competitive advantage, companies are

developing business models that combine sustainability and commercial success.

Fourthly, there is increased willingness from companies to admit they don't know it all, to engage stakeholders in an open conversation. This not only strengthens trust, it also generates great ideas and creates genuine ownership of the outcomes by stakeholders.

Finally, there's a willingness to collaborate. Even the biggest companies now realise that they have to work together on the systemic challenges. Some companies are talking about 'pre-competitive' issues; others are considering their role in 'systems change'.

For me, the new approach is summed up by that African proverb: 'If you want to go fast, go alone; if you want to go far, go together.'

“There's a willingness to collaborate. Even the biggest companies now realise that they have to work together on the systemic challenges.”

# Trading Responsibly

## In focus:

Food trust →

Giving more back to the communities we work in than we take out →

## Why it matters

Trading is what we do at Tesco. We buy, move and sell products – at scale. Each week our customers make over 75 million shopping trips to buy products sourced from tens of thousands of suppliers, in over 70 countries around the world.

We serve thousands of customers every minute. Each shopping trip is based on a foundation of trust placed in us by our customers, who expect us to trade responsibly. We know over the last year that this trust has been tested.

We also know that what we offer our customers depends on how we work with our suppliers. Our industry is changing and, as we continue to grow our business, we need a strong supply chain more than ever. We need partnerships with trusted suppliers who we can work with to innovate and to deliver high quality, safe products that are responsibly produced. We believe better relationships deliver both a better shopping trip for customers and sustainable businesses throughout the supply chain.

We regularly ask our customers and stakeholders around the world what they think about us and where we can improve. They tell us that food and product safety, pricing and protecting their data are their current priority concerns. Our customers want us to give them products that are safe and honestly labelled. They also want our pricing to be fair, accurate and honest. Increasingly, as more of those transactions move online and involve exchanges of information, our customers also count on us to keep their data safe and only use it for what we say we will.

Recently, following the discoveries of horsemeat in a number of meat products sold in stores in parts of Europe, we understand that we, with the food industry more generally, have suffered a significant loss of trust in our ability to safeguard quality and standards in what is an increasingly global supply chain. We must address this to make sure that what is on the label is what is in the pack.

► [Find out more about our work on trading responsibly including sustainable sourcing and ethical trading](#)

**‘We need partnerships with trusted suppliers who we can work with to innovate and to deliver high quality, safe products that are responsibly produced.’**

## Trading Responsibly: Putting our Customers First

# We want to be the most trusted retailer around the world

### In focus:

Food trust →

Giving more back to the communities we work in than we take out →

Nothing matters more to Tesco than the trust our customers place in us. If we are to thrive as a business, we must put our customers first and listen to their needs, their hopes and their concerns and respond to meet them. Listening to our customers around the world, we know we need to tackle three priority issues that they care about:

#### **Product safety and quality**

We need to demonstrate that our products are safe, sourced to the highest standards and are honestly labelled.

From China to Turkey, from Italy to the UK, we face different challenges in different countries we source from. No matter where our products come from, we must apply the same high standards and have the same expectations of our supplier base.

We have a team of experts around the world who work to ensure that our product standards and quality can be relied upon. We are continuously investing in both the expertise and in the processes necessary to ensure the integrity of our product offer.

#### **Fair, accurate and honest pricing**

Our customers tell us that frequent price changes and complicated promotions can be confusing. Sometimes, there are also accidental discrepancies between the price at the shelf edge and the price

customers are charged at the tills. We need to change this and ensure that our pricing is simple and accurate and our promotions are genuine. So starting in the UK, we will improve our IT systems and simplify promotions, for example, so that the biggest product is always better value.

#### **Data protection**

With over 40 million customers now using loyalty schemes like Clubcard, we have a strong heritage in using customer data to reward loyalty. As we continue to expand these schemes across the Group and as we increasingly grow our online business, it is extremely important that we continue to protect our customers' data and only use it for what we say we will. To explain to customers how we look after their data and protect their privacy we created our Clubcard Customer Charter. We have adhered to this charter across all the markets we operate in consistently since it was created.

### Commitments:

To keep listening to customers and address their concerns

To provide clear and honest labelling so that customers have confidence that what it says on the label is what is in the pack

To ensure promotions are genuine and that prices on the shelf edge are accurate


To apply the same highest standards of data protection and security around the world


[See our measures](#)



## Trading Responsibly: Putting our Customers First

### In focus:

Food trust 

Giving more back to the communities we work in than we take out 

### Food trust:

In recent months, serious issues have arisen over the integrity of some food products sold in parts of Europe.

Once we became aware that a small number of Tesco processed meat products contained horsemeat, we worked round the clock to fix the problem. It is essential that we prevent this from happening again in any country we operate in.

As the UK's leading food retailer, we want to – and we must – show leadership on this issue. In order to do so, we have committed to:

- Put in place better controls, by implementing an unprecedented DNA testing programme and a market leading traceability programme for the UK which will be replicated in our Central European operations.
- Work closely with our committed suppliers to simplify further our recipes and make specifications tougher, then ensure those changes result in products our customers prefer.

- Bring food closer to home; where it is reasonable to do so, we will source from British farmers and producers. We will also shorten our supply chain where possible.
- Build better relationships with our farmers, to create a clear and sustainable relationship of equals which gives our customers confidence in how their food is produced.
- Create more transparency, opening up the supply chain to enable our customers to trace every step from farm to fork; for more information see [tescofoodnews.com](http://tescofoodnews.com).

We will be held to account on our promises by an independent panel of experts to reinforce our industry leading commitments about the food we sell and how it is produced.

**‘As the UK’s leading food retailer, we want to – and we must – show leadership on this issue.’**



## Trading Responsibly: Working with Our Suppliers

# We will work in true, long-term partnerships with suppliers to innovate and provide the best products for customers

### In focus:

Food trust



Giving more back to the communities we work in than we take out



### Commitments:

To develop deeper, more sustainable relationships with our suppliers

To offer contracts with a minimum period of two years to all our suppliers who want them and extend the Tesco Sustainable Farming Groups to cover more of our supply base

To enhance our Supplier Viewpoint to include more feedback on what it's like to work with us, with a particular emphasis on collaboration, empathy, responsiveness and innovation

To continue to ensure high ethical and environmental standards of our products

To further strengthen our global team of labour standards experts around the world so we can understand and provide genuine support to our suppliers in overcoming the complex social problems they face

Our success as a business, and as an industry, is based on what we can offer customers. And what we can offer customers depends on how we work together as a supply chain.

We already work closely with our supply chain. Behind each product in every store is a supply chain which grows it, develops it, packs it, stores it and delivers it. It takes every link in that chain together to deliver good quality, innovative products at the right price for customers. It's complex and rewards relationships. Last year, for example, over 90% of our grocery sales in the UK came from suppliers we have been working with since at least 2008.

At the same time, our industry is being transformed. Customers expect products and services to be personalised to them; a new global middle class is creating demand for food and consumer goods worldwide; and food and commodity prices are becoming higher and more volatile. That is re-shaping risks and opportunities across the supply chain.

To respond, we want to build a step change in our relationships with suppliers. We want deeper relationships, with more skill and insight, enabling more investment and innovation – on both sides. We source in over 70 countries today and we want to be the partner of choice in every one.

We are investing in the skills and insights to create transparency and respond to changing markets. For example, our pork sustainable farming group is supporting British pork farmers to manage the risks associated with volatile animal feed prices.

The Tesco Producer Network launched in June 2012 and now has over 700 members worldwide in our fresh produce supply chain alone. Members join, and often lead, seminars and online discussions in which producers share knowledge and solutions to enhance quality, access more markets and resolve production challenges – as well as sharing insights from Tesco on customer trends and developments in our business to improve efficiency.

By sharing more skill and insight, and with longer contracts – two year contracts for all suppliers who want one – we want to create the conditions for suppliers to innovate and invest for themselves, Tesco and our customers.

### On standards

Our strong belief is that we cannot build a sustainable business on an unsustainable supply chain. To ensure fair working conditions for those producing our products, we were founding members of the Base Code of the Ethical Trading Initiative (ETI) in 1998. We remain strong supporters and we ensure that our suppliers and ourselves work to those high standards. We also set out our own standards covering issues that matter to our customers, for example, on animal welfare. We are committed always to meeting either the ETI standards or local legislative standards where they are higher.

### On sustainability

The Tesco Knowledge Hub is the world's largest supply chain sustainability collaboration, providing an online knowledge-sharing platform for over 1,400 individuals. Members include people from 650 of our largest suppliers, Tesco colleagues and external experts. The Knowledge Hub is a key pillar in our work to reduce the carbon footprint of the products we sell by 30% by 2020 – enabling suppliers to work with us and each other to accelerate efforts to reduce greenhouse gas emissions throughout our supply chain, while at the same time unlocking resource efficiency savings and building trusted relationships.

We also work with the rest of our industry to tackle industry-wide problems through the Consumer Goods Forum (CGF), a global network of over 400 retailers and manufacturers. Together with Unilever, we co-chair the Sustainability Steering Group of the CGF. In 2010 the CGF members agreed a resolution pledging to help achieve zero net deforestation by 2020. By leveraging the scale of CGF membership we are working to increase the production and purchasing of sustainably sourced commodities associated with deforestation, including palm oil, soy, beef and pulp/paper.

See our measures



# Trading Responsibly: Working with Our Suppliers

## In focus:

Food trust →

Giving more back to the communities we work in than we take out →

## Giving more back to the communities we work in than we take out:

Last year we exported £310 million worth of products from Bangladesh. Beyond providing jobs and skills training, we are committed to helping increase the long-term competitiveness, safety and sustainability of the ready-made garment industry in the country. Two of the projects we are involved in focus on employment rights and opportunities and water use management.

### Bangladesh Apparel Skills Foundation:

Developed by Tesco and jointly supported by Tesco and the UK Government's Department for International Development (DfID) Responsible and Accountable Garment Sector (RAGS) challenge fund, the Apparel Skills Foundation's programmes support factories to improve their people management, ethical leadership and new production techniques. Key initiatives include reducing long working hours, giving workers productivity bonuses and implementing mentoring and buddy systems for new workers.

In May 2012, we launched a pilot programme in three factories and we are already beginning to see some promising results. Workers' pay per hour has gone up by 19%, monthly working hours are down 16%, labour turnover is down 45%, absenteeism is down 25% and efficiency is up 20% on the pilot line. The Foundation (since renamed 'Solutions for

Management International'), is open to all garment producers in Bangladesh, whether or not they supply Tesco. By the end of 2015 we expect to provide training to over 100 factories with the potential to improve the lives of up to 250,000 garment workers in Bangladesh.

Supported by DfID and working together with five other retailers we are trialling other methods of improving productivity, reducing hours and increasing wages in Bangladesh and India. This project – the Benefits for Business and Workers programme – has been shortlisted for the Guardian Sustainability Award.

### Partnership for Cleaner Textiles

Together with other brands and retailers, we have participated in a pilot project for cleaner production of textiles in Bangladesh. Textile washing, dyeing and finishing currently use large amounts of water, energy and chemicals. The pilot project in 18 fabric mills has saved an annual equivalent of 300 million litres of water, 19,000 tonnes of greenhouse gas emissions and £520,000. In the coming year, we will scale up our operations to become part of the Partnership for Cleaner Textiles and aim to reach the entire dyeing and wet finishing sector in the country. Working in collaboration with 20 of our nominated suppliers and other brands and retailers in Bangladesh, we are investing £130,000 in the Partnership for Cleaner Textiles programme over the next four years. Run by the International Finance Corporation (IFC) our goal is to establish a world class water, energy and chemical management practice. We are sharing our learnings openly with our industry colleagues both within the country and in other regions.

► [Read a blog by Kevin Grace our Group Commercial Director about Tesco and the Bangladesh garment industry](#)

## Reducing our Impact on the Environment

# We want to be a zero-carbon business by 2050 and to use scarce resources responsibly, including in our supply chain

### In focus:

Energy management system →

Our water use →

### Commitments:

To halve emissions per square foot from our stores and distribution centres by 2020 compared to 2006

To reduce our distribution emissions per case of goods delivered by 25% by 2020 compared to 2011

To reduce emissions of the products in our supply chain by 30% by 2020 compared to 2008

To help our customers to find ways to halve their carbon footprint by 2020

To measure our water footprint annually and reduce the amount we consume in markets where there is high use or water scarcity

To map the waste we produce across the Group starting with Central Europe

To design our own brand packaging well, to reduce weight, to increase recycled content and recyclability whilst retaining its protective properties

### Why it matters

Climate change is the biggest environmental threat the world faces. It will have a profound impact on the way we live – rising sea levels, extreme weather events, displaced populations, destruction of ecosystems, an impact on food production and increased water scarcity.

We have set demanding targets to reduce our carbon emissions – in our own operations, in the products we sell and by helping our customers to do the same. We are making steady progress to deliver against these targets and we report our progress in our corporate reports and through the CDP ([www.cdproject.net](http://www.cdproject.net)).

We recognise that our efforts to reduce our environmental impact need to go wider than our carbon footprint. They also need to cover other resources we rely on, ensuring we use them as efficiently as possible. Beyond the clear environmental benefits, the better management of resources will increase our resilience to risk, help secure the supply of our products and even provide opportunities to save money.

**Water** use has increased at twice the rate of population growth over the last century. We are therefore now measuring water use and working to reduce it in our direct operations. With 70% of the world's fresh water being used in irrigation for agriculture, reducing use across our supply chain is also a priority. Further information on our efforts can be found on [page 42](#).

Reforming **packaging** design so that it does the job it needs to, without using excess resources, has led to us saving thousands of tonnes of materials. Projects have included reducing the amount of glass in our bottles of cider and transferring goods to our in-store bakeries in returnable trays.

For several years we have measured the amount of **waste** that we recycle. We are now building a deeper understanding by mapping our waste streams across our Central Europe operations to help countries understand what reuse and recycling options are both available and legally required. Our next step is to implement standardised waste and efficiency measurement across the Group.

For all of these challenges, we believe that working collaboratively – with our suppliers, with the rest of the grocery industry and with experts – is the best way to identify and tackle the priority problems. To help us achieve this we fund the University of Manchester's Sustainable Consumption Institute. Their research is helping us to identify how we can contribute to more sustainable consumption and development. We also work with other retailers and manufacturers, through the Consumer Goods Forum, to tackle challenges associated with sustainability.

See our measures



# Reducing our Impact on the Environment



## Fighting climate change – our approach

For many years, we have worked hard to reduce emissions in the fight against climate change. We are committed to meeting our 2020 targets to reduce carbon emissions in our direct operations, in the products we sell and to help our customers to do the same.

### In focus:

Energy management system →

Our water use →

### Did you know?

Our absolute emissions from refrigerants are now 16% lower than in 2006, despite an 84% increase in floor space.

To inform our strategies, we needed to know where our emissions were coming from. We started measuring our carbon footprint back in 2006 and we found that the vast majority of our direct emissions come from electricity usage, distribution fuels and refrigerant gases.

In property, as so much of our carbon footprint comes from grid electricity and refrigeration, these are our key areas of focus. Most of our electricity is used in heating and lighting and we have a huge variety of projects installing more energy-efficient equipment in our buildings. For example, last year we opened our first LED only store, which reduces energy use in store by more than 30%.

This year, we've again reduced refrigerant emissions across the Group by 6% compared with last year. This is a result of continued switching to lower impact refrigerant gases as well as increasing our use of natural refrigeration systems. In the long-term, we know that natural refrigeration is the right solution and that is why we are working through the Consumer Goods Forum to help tackle the current barriers to its use for the whole industry.

The 'F Plan' is our strategy for reducing emissions from distribution. It is based on four areas: fuller cages and pallets; fuller trucks and containers; fewer miles and fuel economy. In the longer-term, we know that new technology and zero carbon fuels will be key to continuing emissions reduction. That is why we are working with the UK Government's Technology Strategy Board to explore how combining diesel with biogas can

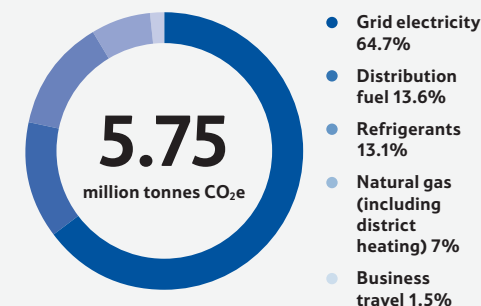
reduce emissions. We now have 35 lorries running on dual fuel six days a week. By working with the UK Government to apply this breakthrough technology at scale, we hope to use our scale for good and help create a refuelling network across the country.

In our direct operations, we've reduced the carbon intensity of our stores and distribution centres by 32.5% and the emissions per case of goods delivered by 24% since 2006. These measures are ingrained in our business operations – for example bonuses are linked to performance against these targets. Reducing emissions is not just good for the environment, it translates into savings of over £290 million per year in avoided energy and fuel costs.

In 2009 we realised that it was not enough just to focus on our own emissions and we set ourselves a target to reduce the carbon footprint of the products we sell by 30% by 2020. Since then we have completed a variety of projects with our suppliers including sharing best practice on refrigeration and providing procurement support on green technologies using our Knowledge Hub to share information and expertise. This year we measured the carbon impact of the products we sell in the UK. We found that two-thirds of all product emissions come from 139 high impact products – in particular from laundry goods, meat and dairy. Armed with this information, we will be targeting these products in the coming years, working together with our suppliers.

**Helen Fleming**  
Sustainability Director

### Our 2012/13 carbon footprint by source



Three-tier strategy to reduce emissions from our property portfolio:

- 1. Energy efficiency:** reducing the amount of energy we use is our key priority.
- 2. Reducing HFC leakage from our refrigeration systems** and replacing HFCs with lower emission alternatives or natural refrigeration systems.
- 3. Using renewable energy where appropriate,** such as solar panels in Thailand, combined heat and power (CHP) in the Czech Republic and ground source heat in Hungary.

► [Find out more detailed information on our carbon management](#)



# Reducing our Impact on the Environment

## In focus:

Energy management system →

Our water use →

## Energy management system:

Reducing our emissions requires constant focus. To provide this, we have developed a state of the art energy management system, enabling 24/7 monitoring of energy usage across our UK stores. The data gathered are then turned into insight by our world class Engineering Insights team based in our Hindustan Service Centre (HSC) in India.

Five of the team keep a constant watch on energy consumption. They look at all UK electricity meters and sub-meters. It means that they can spot random or excessive usage of energy – and ask our 1,000 strong UK maintenance team to fix the problem. For example, at our Cradley Heath Extra, the team spotted that the lights were on all night and instigated a fix which saved £4,554 this year. While this by itself may be a small saving, adding up similar amounts across more than 2,700 stores in the UK has helped us to save £3.9 million in energy bills in 2012.

In addition, a further eight members analyse energy optimisation opportunities. By identifying hotspots and long-term trends, we know where to focus our energy efficiency efforts. Over this past year, this has included:

- **New store refrigeration plant ratings:** having created a statistical model to benchmark store refrigeration consumption by weather region, the team can now identify the energy efficiency of new stores and spot any unusual consumption.

- **Gas energy control:** through rigorous benchmarking analysis of gas consumption, the team can now identify stores that use exceptional quantities and instruct investigation and maintenance work.
- **Periodic insights:** the team provides data driven insights to instruct the Engineering department to develop new solutions and bring in new technologies to make Tesco a greener and more sustainable business. In 2012 the team identified potential savings areas worth £1.3 million including a £300,000 saving by reducing heat escaping through the doorways of our stores.

We now want to do more to harness this capability. The team has already worked with Tesco Lotus in Thailand and will continue to look at opportunities to improve energy management across the Group.



# Reducing our Impact on the Environment

## In focus:

Energy management system →

Our water use →

‘Whilst we need water to run our own business, nearly 30 times as much water is used to grow, process and manufacture the products we sell.’

## Our water use:

Water is essential for the good operation of our business, in particular for hygiene purposes. We first measured our water footprint in 2008 to inform how we can be more efficient in respect of water use.

We repeated this exercise in 2012 and found that in 2011/12 we directly used 28.7 million m<sup>3</sup> of water in our stores and distribution centres. Our average water intensity for the whole business is 0.22m<sup>3</sup>/ft<sup>2</sup>. More detail is available at [www.tescopl.com/society/resources](http://www.tescopl.com/society/resources).

The retail sector is not an intensive water user, but our measurement work has identified some priority targets for us to focus on:

- In markets where usage, cost and/or scarcity is high, as a consequence of different local market practices and conditions, our priority is to reduce use and zero-in on where we can improve efficiency.
- We will learn from the initiatives we have already implemented. For example, in the UK where we use the second largest volume of water, we have installed water efficient equipment as standard in our new stores. This includes waterless urinals and low-flow toilets and taps.

- In Asia, where water intensity (measured as m<sup>3</sup>/ft<sup>2</sup>) is highest, we are also on the road to reduction. In China, our distribution centre in Jiashan, Zhejiang Province has been designed to use 40% less water than a traditional logistics warehouse.
- In August 2012 our service centre in India introduced rainwater harvesting technology to collect surface run-off and rooftop water. This water is used to meet the centre's water requirements as well as helping to replenish the water table which benefits the local community.

Whilst we need water to run our own business, nearly 30 times as much water is used to grow, process and manufacture the products we sell. To address use in our supply chain, we have begun work with Cranfield University to launch a water resilience roundtable for our producers. We want to identify and implement solutions which can have a long-term impact across the value chain and support water management and efficiency projects in areas where we have high sourcing demands and where water is scarce.

## Being a Great Employer

# We will create inspiring work that makes our colleagues happy and proud of what they do

### In focus:

Developing talent →

In profile: Lauren Morris  
and Annamária Zentai →

# 2,500

Our training academy in South Korea ran over 2,500 training days this year



Tesco has been named as one of Britain's Top Employers for 2013

# < 1%

The pay gap between men and women at Tesco in the UK is less than 1%

### Why it matters

People are the foundation of our success and the key to our future. We employ over 500,000 colleagues worldwide. We want to support and inspire them with great leadership and the right training and development programmes so they are happy at work.

At the heart of this is one word: opportunity. Giving people opportunities is embedded in the character of our company. It means that if you are prepared to put the work in, there is always an opportunity to get on.

One of the signs that we are doing this effectively is that 77% of our managers, directors and business leaders have worked their way up within the company. But we are always looking to do more and have a Group-wide People Plan based on five elements:

- **Everyone is welcome**
- **Connecting with colleagues**
- **Leaders at Tesco**
- **Grow with us**
- **Supporting future growth**

First of all, by promoting inclusion in our teams, we want to make Tesco the place to be for everyone. We know that when our colleagues are reflective of wider society, we better understand what matters to our customers and are a better business. This year we will concentrate on women and young people.

Second, we want to connect better with our colleagues and build relationships based on shared values. We recently asked people from across the Group "what really matters to you at work?" They spoke about creating a warmer culture where we see our customers as our friends. They want to be listened to and have the chance to make a difference. So, in the same way as we are using technology to give more choice to our customers, we will find ways to give all our colleagues a voice and make sure we can recognise personal contribution wherever we find it.

Third, across our business, we need empathetic, collaborative and innovative leaders who can build winning teams. Our plans to foster a new culture of leadership will help our business continue to achieve its ambitions.

Fourth, something we are particularly proud of: our fantastic training and development programmes. They help us attract people from all backgrounds and give them the opportunity to realise their potential at every stage of their career.

Finally, we know that retailing in the future is going to require a different set of skills. We want to leverage the skill and scale of the Group and empower our teams to meet the changing demands on our businesses.

### Commitments:

To create inspiring work that makes our colleagues happy and proud of what they do

To provide opportunities for us all to be at our best

To build relationships based on shared values

To build an environment where all our colleagues contribute, make a difference and can be themselves

See our measures →

# Being a Great Employer

## In focus:

Developing talent 

In profile: Lauren Morris  
and Annamária Zentai 

# 31%

of senior management positions  
held by women

# 77%

of managers, directors and  
business leaders have worked their  
way up within Tesco

## Developing talent:

What matters to us is that people see Tesco as a career and not just a job. We want to invest in our people so they can develop and fulfil their aspirations and potential.

To achieve this, we have a well-embedded training framework developed as a result of years of growth and investment. The centrepiece of this system is a simple pledge: every person who comes to work for our company is encouraged to develop their own career plan, based on a detailed assessment of their personal performance and contribution.

We are also providing significant investment in a range of training, development and career incentive programmes to support our colleagues at different stages of their careers, including Group Leadership Development programmes. One example is our new Group Management Programme which takes highly talented people from our existing graduate programmes and gives them a planned range of experiences designed to fast track their career plans. Another example is our 'making moments matter' programme which has provided additional training for 250,000 UK colleagues – giving them the tools that they need to do a great job.

The Tesco Academy Online, our e-learning system, gives our colleagues access to high quality training wherever and whenever they want it. We have launched the Academy to the UK business with great success and now plan to roll it out across Asia.

Alongside these initiatives, it is particularly important to us that age, race, sexuality, religion or gender are never barriers to a colleague's success. We want to be an employer which genuinely fosters and supports a culture of diversity – and one of the ways we can do this is through our diversity networks, which provide opportunities for mentoring and networking with senior managers.

Our Women in Leadership programme has been designed to develop the confidence of our future female leaders. Since its 2010 launch, 271 women from across our UK and European businesses have attended the programme. We are rolling this out to India later this year and then to the rest of our Asian markets. We are also increasing the number and percentage of women in our talent pools.



# Being a Great Employer

## In profile: Youngest Store Manager in Tesco UK

### Lauren Morris

Lauren was 17 and still finishing her A-levels, when she applied for Tesco's Trainee Management Programme.

"I was already working three evenings a week at my local Tesco Metro in Berkhamsted and I was thinking about what opportunities were right for me. I decided not to go to university and rack up huge debts and instead wanted to get started on a career, with immediate challenges and responsibilities."

After 12 weeks of intensive training in leadership and business management, Lauren was given the responsibility of Dairy Manager at Aylesbury Superstore, managing a team of 20 and an operation worth £300,000. She was soon talent spotted for a bigger role and given further training at the Store Manager Academy.

Two days after turning 23, Lauren was appointed Store Manager in King's Cross, London and is now the Store Manager in St Albans where she is continuing to develop her technical, core business and management skills.

Lauren's next goal is to make sure that others can access the right opportunities. As she puts it: "I was given a chance and now I want to do the same for others. It doesn't matter whether you have a degree or you work on trolleys. So far I've helped seven colleagues become managers and I'm determined to ensure my current management team and potential management candidates progress through the business having the same opportunities that I've been exposed to."



"It doesn't matter whether you have a degree or you work on trolleys."

## In profile: Group Academy and Resourcing and Talent Director

### Annamária Zentai

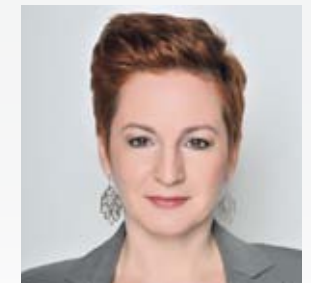
Annamária joined Tesco in Hungary in 2007 as the Retail Personnel Manager responsible for stores and distribution.

"In Hungary, Tesco employs 22,000 people and I wanted to work for a company with that kind of scale because with that size comes responsibility and an opportunity to make a significant difference in people's lives." After a year she was the country-wide Personnel Director and joined the Executive Board.

In March this year, Annamária took on a new position as the Group Academy and Resourcing and Talent Director. It's a change in job, a change in country and a change from a country role to taking on a leadership role looking after the development of leadership and operating skills training, and internal and external pipelines of talent across the Group. "We are a multinational, multichannel and multiformat business. There are opportunities across the board if you are ready for a challenge. For me, being a Hungarian woman in a Group role tells me that our business provides opportunities to follow a career path that meets people's personal goals and desires."

For Annamária, the daily challenge is to share her own belief that every day is an opportunity to experience something new, to enjoy what you do, to learn, to connect and to inspire. "For me opportunity is being brave, riding the big wave and aiming to become the best I can be. Tesco is a great employer, because we focus on talent and development as one of our key business priorities. We are a great business and I would like to make sure that our people feel the same as I do, being proud of working for Tesco."

"There are opportunities across the board if you are ready for a challenge."



## Supporting Local Communities

# We will be a good neighbour in our local communities and run our business to the highest standards

### In focus:

Food collections →

Supporting charities →

### Commitments:

To contribute positively to every community in which we operate by being a good neighbour

To run our business well, applying the highest standards of corporate governance across the Group, including ensuring fair rewards for success

To donate at least 1% of our pre-tax profit to charity

To have positive relationships with all our stakeholders

### Why it matters

Our customers, colleagues and stakeholders expect us to live up to our responsibilities as a market leader by running our business in a responsible and accountable manner, taking a lead on issues of wider social concern and helping to build thriving local communities wherever we operate.

We must be a good corporate citizen in everything we do, from the way we run the business through to the way we work in every community.

At its simplest, being a good corporate citizen means making sure a strong governance framework is in place. This supports the culture and values we want to foster, helping the business to make decisions efficiently whilst also managing business risk.

At Tesco, we have always strived to apply the highest standards of corporate governance. We work hard to comply with all relevant legislation and regulations, to ensure our colleagues receive fair financial rewards, and to provide accountability and transparency in the way we run our operations.

To make sure that our governance framework is relevant for Tesco today and in the future, we have modernised and simplified our approach this year to provide greater clarity on the work and

responsibilities of the Board and the Board committees. We reinforce the highest standards of compliance across our business through e-learning and new procedures covering issues such as bribery. To find out more visit [www.tescopl.com/society/resources](http://www.tescopl.com/society/resources).

Given the size and complexity of our business and the rapid pace of change in the retail industry, we will be developing a more comprehensive framework to manage and mitigate key business risks over this coming year, covering issues such as competition law.

However, we also understand that being a genuinely positive member of society means doing more than simply paying taxes and obeying the law. It is about being a good neighbour in every community in which we do business, responding to local concerns and working to help create prosperous, thriving local communities.

In the markets where we operate we make a significant economic contribution, which goes beyond the number of people we employ. We create opportunities for local suppliers and are often able to help them enter the export market. For example, our annual contribution to the Irish economy has been estimated at €2.7 billion (£2.2 billion), including £706 million of exports to our global business.

The most visible contribution we make is through our stores. They are at the heart of local communities and it is essential that we are a good neighbour in these communities and help them to

thrive and be successful – as we know that our business can only be vibrant if those communities are vibrant too. In Malaysia, we are working with the government on the modernisation of small family owned shops. Meanwhile, in the UK, we are helping to renovate properties which have been abandoned or neglected and are opening Regeneration Partnership Stores in areas of deprivation.

Across the Group we actively recognise areas of the community in need and see how we can help. For example, in Slovakia the team realised many customers with disabilities were unable to get to our stores. We now offer free home grocery delivery for these customers to help them get their weekly shop. And in Thailand our colleagues have volunteered over two million hours this year in their local communities, doing everything from planting trees to building schools.

Alongside these efforts, we also support people in need and contribute to good causes. Each year, we set ourselves a target to donate at least 1% of our pre-tax profit to charity. We do this through direct donations, cause-related marketing, gifts in kind, staff time and management costs. This year, we contributed over £78.1 million, equivalent to 4% of our pre-tax profits. See [page 62](#) for more information.

See our measures



# Supporting Local Communities

## In focus:

Food collections →

Supporting charities →

## Food collected and distributed

# 162 tonnes

of food collected and distributed  
in Poland to food surplus charities

# 2 million

meals collected and distributed  
in the UK in our Christmas food  
collection

## Food collections:

Our work with food charities began in Poland over ten years ago. At Easter, Christmas and when children go back to school, our colleagues have been organising food collections in partnership with the Federation of Polish Food Banks.

In 200 stores throughout Poland we collected a total of 162 tonnes and distributed it to those in need this year. Their work, along with similar efforts in Hungary, triggered us to explore what we can do in the UK and across the Group.

Over the past 12 months, one in ten people in the UK has had to skip a meal, rely on family or friends for food or go without food in order to feed their family. It is particularly tough during winter when cold weather sets in and energy bills start to bite and more people turn to food banks because they cannot afford food and heating.

In the lead-up to Christmas, we worked with charities FareShare and Trussell Trust to launch our campaign 'Help Feed People in Need'. Across nearly 900 of our stores, customers bought items from suggested lists that they could donate to those in need. We topped that up with a further 30%. In total we provided two million meals, to hundreds of thousands of people over the Christmas period.

We are not stopping there. We want to keep doing everything we can to help families facing serious financial pressure and we are continuing to expand our food collection work with two nationwide events scheduled in the UK in 2013.

► [Watch a video about our Christmas food collection](#)

## Supporting charities:

Across the Group, we have a long heritage of working in partnership with charities. Since 2000, our colleagues and customers have raised almost £70 million and as a business we have donated over £475 million from our pre-tax profits to charities and good causes.

This year, our colleagues and customers raised £14 million for a variety of charities from cancer treatment to educational funding. In the UK, our colleagues and customers raised £11.8 million for our charity of the year, [Cancer Research UK](#), through events such as Cycle to Lapland, where colleagues in stores and offices rode stationary bikes the distance from London to Lapland – over 2,000 miles – raising £820,000 in a week.

Our in-country teams identify those causes that matter in their local communities and we can often use our scale to help raise significant funds during difficult economic times. In Ireland, for example, where many young people suffer from depression, our charity of the year was Aware. Through the funds we raised we were able to launch 'Beat The Blues' in secondary schools – a depression awareness programme which will help around 16,000 additional teenagers.

February 2012 saw us launch the 'Save the Young Lives Campaign' in South Korea to help children with leukaemia who can't afford treatment as well as foster children who often suffer from learning, developmental and physical disability and eating disorders.

In April 2012 we launched the Tesco Children's Foundation in Poland, to support projects for children focusing on health, social welfare and education, as well as other local community initiatives.

We also offer charities the opportunity to collect at our stores. The British Legion's Poppy appeal raises approximately 10% of their income from these collections.





## Making it Happen



## Making it Happen

### Our approach

#### In this section:

Action teams



Driving and managing  
our strategy



Risks and uncertainties



Listening to and working  
with our stakeholders



Tesco has always been a business for people who want to get on and do things. Once we have made a commitment, our colleagues and teams swing into action and make it happen.

That spirit is exactly what we need to see now as we work to make our commitment to use our scale for good a reality in every part of our business.

We know that bringing about the change we have set out in this report will require a concerted effort across the Group. Achieving long-term results will depend on how we drive forward this change with the right processes and implementation strategy. We also need to be able to develop and adapt our approach over time, measuring in detail our progress and being clear about what works and where we need to improve.

Senior managers from across the Group have worked together in action teams for a number of months to refine our ambitions and develop the plans for how we will achieve them (see [page 50](#)).

As part of this, we also know how important it is that we maintain and expand our engagement with stakeholders outside the business. We will be looking to work together with charities, campaign groups and experts from different fields in order to keep listening and focusing on what matters to all those involved in the issues we care about.

As we have set out in this report, we are at the start of a journey. We will be using the coming year to lay the foundations of our work, trial our ideas and develop them further.

‘We will be looking to work together with charities, campaign groups and experts from different fields in order to keep focusing on what matters.’

# Making it Happen

## Action teams

Fulfilling our commitment to act fairly and responsibly in everything we do will depend on every one of our 500,000 colleagues. We all need to strive to do the right thing in our own careers and within our individual responsibilities. Our action teams have set out how we will deliver on our three big ambitions. They have brought together colleagues from across the business, representing different roles, business functions and geographies.

### Creating Opportunities

Michael Kissman (leader)

**UK Communications Director**

Natasha Adams

**UK Operations Personnel Director**

Giles Bolton

**Ethical Trading Director**

Mike Byford

**UK Operations Development Director**

Michal Dyterrt

**Corporate Affairs Director, Slovakia**

Ellen Gladders

**Corporate Affairs Director, Turkey**

Tim Golding

**Operations Director, Superstores South**

Rachel Howarth

**Personnel Director – UK Personnel Team**

Richard Lamb

**Grocery Operations Development Director**

Victoria McKenzie-Gould

**Head of UK Government Affairs**

Jida Mohammed

**Internal Communications Manager, Malaysia**

Judith Nelson

**UK Personnel Director**

Ben Reeve

**Store Manager, Hertford Superstore**

Lizzie Rowlands

**Store Manager, Wembley Extra**

Adam Williams

**Policy Manager**

Brendan Wonnacott

**Corporate Affairs Director, Fresh & Easy**

Nick Williams

**Personnel Director, HSC**

### Improving Health

Leonie Foster (leader)

**Customer Insight and Strategy Director**

Azlam Alias

**Corporate Affairs Director, Malaysia**

Carolyn Bradley

**Group Brand Director**

Dermot Breen

**Corporate Affairs Director, Ireland**

Sue Carty

**Health and Wellbeing Manager – UK & Ireland**

Jill Easterbrook

**Developing Businesses Director**

George Gordon

**Head of Social Policy**

Josh Hardie

**Corporate Responsibility Director**

Sidonie Kingsmill

**Brand Development Director**

William Linnane

**Category Director, Impulse**

Claire Lorains

**Category Director, Healthcare**

Richard Marris

**Category Director, Fresh**

Emilie Prazakova

**Corporate Affairs Director, Czech Republic**

Janet Smith

**Group Loyalty Officer**

Tim Smith

**Group Technical Director**

Richard Sullivan

**Group Reward Manager**

Karen Tonks

**Company Nutritionist**

### Reducing Food Waste

Matt Simister (leader)

**Commercial Director, Group Food**

Joost Bosma

**Supply Chain Director, Asia**

Tracey Clements

**UK and Ireland Support Office Director**

Ian Crook

**Online and Digital Marketing Director**

Kevin Doherty

**Project Director, Group Processes**

Helen Fleming

**Sustainability Director**

Michael Fletcher

**Commercial Director, Corporate Purchasing**

Louise Goodland

**Category Buying Manager, Waste, Recycling and Packaging**

George Gordon

**Head of Social Policy**

Tom Hebbert

**Supply Chain Development Director**

Nick Jelly

**Programme Manager, Replenishment Development**

Mark Little

**Climate Change Manager**

Sean McCurley

**Category Director, Convenience Foods and Counters**

Breda Mitchell

**Group Policy and Standards Director**

Miriam Neale

**Producer Network Manager**

Tim Smith

**Group Technical Director**

Rebecca West

**Corporate Responsibility Project Manager**

Tim Woodhouse

**Marketing Manager**

Mike Yorwerth

**Group Technology and Architecture IT Director**

# Making it Happen

## Driving and managing our strategy

### In this section:

Action teams →

Driving and managing our strategy →

Risks and uncertainties →

Listening to and working with our stakeholders →

### Governance structures

To drive and manage our strategy effectively we have established clear processes and structures by which we can:

- Assess reputational and operational risks and opportunities for the business related to our environmental and social accountability
- Establish and deliver a clear social accountability strategy

- Listen to, and engage with, the outside world
- Hold ourselves to account

We have two committees responsible for embedding our new value, we use our scale for good, across the business.

Our Chairman, Sir Richard Broadbent, chairs the Corporate Responsibility Committee. One of the key roles of this committee is to define our corporate and social obligations as a responsible citizen and oversee its conduct in the context of those obligations.

Our Executive Social Responsibility Committee is led by our Chief Executive, Philip Clarke. This committee is responsible for setting and delivering our strategy and monitoring our performance against our goals.

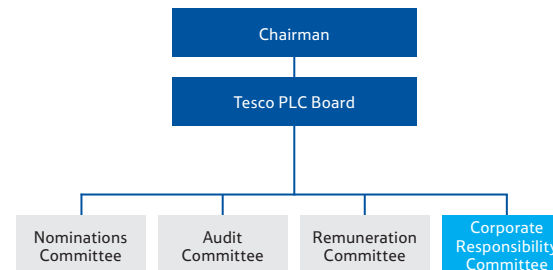
### Global Ambition, Tailored Action

We've set out our global ambitions. However, we recognise that the needs of our customers and their communities vary on a regional, national and local level. To ensure we maximise our global impact, our solutions are tailored to each local market where we operate.

We are doing this through:

- **Insight:** listening to our stakeholders – customers, colleagues, suppliers, experts and others – to find out what matters to them
- **Planning:** based on this insight we are developing plans at a local level to show how we can make a positive contribution through our new strategy
- **Setting targets and reporting:** to monitor progress, we are setting targets at a country level against a selection of key performance indicators and will report progress against them

### Board



### Executive Committee



► [See our Annual Report for more information on our corporate governance](#)

## Making it Happen

# Risks and uncertainties

Risk is an accepted part of doing business. We have a comprehensive process in place for the review and consideration of risk at Tesco.

The governance section of our Annual Report sets out our risk management process and our Group Key Risk Register, which includes the principal risks that we face as a business. To find out more visit [www.tescopl.com/ar2013](http://www.tescopl.com/ar2013).

The table to the right sets out the relevant principal risks and uncertainties from our Group Key Risk Register, what they mean to the business and how we are managing them. This is not an exhaustive list and it is not set out in order of priority.

Principal risks	Key controls and mitigating factors
<b>Business strategy</b> If our strategy follows the wrong direction, or is not effectively communicated or implemented, then the business may suffer.	Expectations of business are changing. Customers, colleagues and other stakeholders not only expect companies to act responsibly but also to play a positive role in society. The Using our Scale for Good strategy set out in this report integrates our reputational, environmental and social responsibilities into our mainstream business operations and establishes our determination to be a net contributor to society: <ul style="list-style-type: none"> <li>• The Essentials set out our core responsibilities</li> <li>• Our Three Big Ambitions show how we can use our scale to tackle some key challenges facing society and make a positive contribution</li> </ul> Our corporate responsibility strategy was approved by the Board and is regularly reviewed by a sub-committee of the Board, chaired by our Chairman, Sir Richard Broadbent.
<b>Reputational risk</b> Failure to protect the Group's reputation and brand in the face of ethical, legal or moral challenges could lead to a loss of trust and confidence, a decline in customer base and affect our ability to recruit and retain good people.	The strategy outlined in this report shows how we will build our reputation around the Group by addressing our core responsibilities to our colleagues, customers, suppliers and wider society, and tackling some of the greatest challenges facing society.  Our Annual Report provides information on our Code of Business Conduct, supplier auditing and product surveillance programmes and Governance Structures.
<b>Performance risk in the business</b> Risk that business units (including the UK) underperform against plan and against competitors and our business fails to meet the stated strategy in full.	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.  Performance against community targets will be reviewed at country level and at Group level, and by the Executive Social Responsibility Committee.
<b>Political and regulatory risks</b> 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.	Our new strategy ensures that: <ul style="list-style-type: none"> <li>• We try to engage with government and non-governmental organisations to represent the views of our customers and colleagues</li> <li>• Our Group and country Compliance Committees monitor legal and regulatory compliance</li> <li>• We try to anticipate and contribute to important changes in public policy wherever we operate</li> </ul>



# Making it Happen

## Principal risks

### Product safety

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

## Key controls and mitigating factors

- Group Product Policy adopted, implemented and monitored across the business by our technical teams
- Controls in place around key risks including product integrity; approval and management of supplier sites; standards in store and distribution centres; competency of our people; management of crises, emerging issues and changes in regulatory standards
- Detailed, established procedures, operating globally, to ensure product integrity
- Product surveillance programmes in place including our new DNA traceability programme
- Regular reporting to local and Group Compliance Committees on management of risks associated with products, suppliers and operations

See [page 35](#) for more information about our product safety controls.

### IT systems and infrastructure

Any significant failure in the IT processes of our retail operations would impact our ability to trade. Failure to invest appropriately in IT could increase our vulnerability to attack, constrain the growth of the business and fail to safeguard personnel, supplier or customer data.

- Group Technology Committee monitors controls to maintain integrity and efficiency of IT infrastructure and data
- Information Security Committee meets regularly to review the development and implementation of policies

See [page 35](#) for more information about how we are applying high standards of data protection and security around the world.

### People

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

Employees look for companies who share their values. Our new value, we use our scale for good, demonstrates our ambition clearly to our customers and our colleagues.

- People Matters Group (PMG) regularly meets to review and monitor all people policies, procedures and risks
- Clear processes to understand and respond to colleagues' needs through our PMG, colleague surveys and regular performance reviews
- Talent planning and people development is a key objective for each member of the Executive Committee

We are proud to be a diverse business and provide opportunities for people, no matter where they come from.

See [page 43](#) for more information about the opportunities we provide our colleagues.

## Making it Happen

# Listening to and working with our stakeholders

### In this section:

Action teams



Driving and managing our strategy



Risks and uncertainties



Listening to and working with our stakeholders



We know that we can't achieve our ambitions alone. We need to work with our stakeholders to make sure we use our scale and expertise to contribute to society, as well as to find out what we are already doing well and where we can improve.

This year we have stepped up our engagement programme by engaging with over 50 leading stakeholders, both at a national and an international level, to assess our existing work and, using their insight, to shape and steer our strategy to use our scale for good. Many of them had worked with us before, but some we were meeting for the first time.

We've heard that many stakeholders feel that corporate responsibility has not been sufficiently core to our business in the past. Many others feel that our engagement with them has been inconsistent and that we weren't always as open and transparent as we could have been. We know our stakeholders want us to be more collaborative, to share more of our expertise and data and look to work more in partnerships with other organisations. We aim to make this integral to our work.

Our three big ambitions have been warmly received by the majority of those we have engaged with. There was a broad consensus that as one of the world's leading retailers, we should be using our scale to help create opportunities for young people, improve health and reduce food waste.

In recognising that we have a huge amount to learn on these complex issues and are unable to tackle them single-handedly, we will establish an external advisory panel who will work directly with our senior leadership team. This panel will be critical in helping us shape the strategic direction of our work and provide an honest assessment of our performance.

As we start laying the foundations of our plans, we are committed to engaging more constructively, transparently and regularly with our stakeholders. We hope this will ensure our focus and efforts remain relevant, our partnerships deliver as much as they can for the good of society and, through better engagement and stronger stakeholder relationships, we engender more trust in our business within the communities we serve.

### Stakeholder engagement channels:

<b>Customers</b>	Customer Question Time events, special focus groups, home visits, surveys and on-going research trackers through loyalty programmes, customer services, a new brand scorecard and Twitter.
<b>Colleagues</b>	Anonymous annual survey, appraisals and career discussions through our colleague intranet sites, social network site Yammer and a new scale for good website.
<b>Investors</b>	Specific consultations with the socially responsible investment (SRI) community and a dedicated investor relations team.
<b>Industry</b>	A range of industry bodies including the British Retail Consortium, CBI, The Sustainability Consortium and the Institute of Grocery Distributors and co-chairing the sustainability steering group of the Consumer Goods Forum.
<b>Local Communities</b>	Community Champions spending time in the community and extensive engagement programmes for every new store.
<b>Suppliers</b>	Commercial and technical managers working directly with suppliers underpinned by the Knowledge Hub, the Producer Network and an anonymous Supplier Viewpoint questionnaire.
<b>Other Groups</b>	Regular engagement and partnerships, where appropriate, with governments (politicians and policymakers), industry bodies, and key opinion formers, including NGOs, academics and think tanks.  Establishment of an expert advisory group on using our scale for good (by end 2013).



## Measurement and Performance



# Measurement and Performance

## Our approach

### In this section:

Our Scale for Good Scorecard



Performance 2012/13



Our Carbon Footprint



We hope that this report has explained why our three big ambitions and our four essentials matter to us and to society as a whole. We've set out how we are going to work towards our goals by harnessing the skills and insight we have to use our scale for good.

We know that if we are to achieve our goals, we need to find relevant ways to monitor our progress and disclose our performance. Through accurate measurement and transparent reporting we will be able to hold ourselves to account and share our progress with our stakeholders.

We want to be more open with the information that we share. However, we don't think that it's just about the quantity of data that we disclose. It's about focusing on those issues that are material to our business and enable us to achieve our goals.

We will continue to use our balanced scorecard – the Steering Wheel – to manage and measure our business performance. Through its five segments – Community, Operations, People, Finance and Customer – we are able to measure our non-financial performance through our key performance indicators (KPIs) to give us a more balanced view than using financial data alone.

This year we are introducing an additional Scale for Good Scorecard of indicators which we will use to measure each part of our strategy in the coming years. Some of the indicators are new whilst others draw from the KPIs in the Steering Wheel.

During the coming year we will focus on establishing baseline data against the key areas of our strategy so that we can set meaningful and informed targets for future years. We will also continue conversations with our stakeholders on how to strengthen these measures.

### Approach to auditing

We are committed to ensuring that each piece of information and data contained in this report is supported by robust evidence. We have a Disclosure Committee that includes the Company Secretary and Tesco PLC Executive Directors. Environmental Resources Management Limited (ERM) provides independent external assurance of our global carbon footprint.

### Scope of the report

Unless otherwise stated, the statements and data relate to our financial year 2012/13, the period from March 2012 to February 2013. 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 Japan and the US (unless otherwise stated) which have been treated as discontinued operations. In India we have an exclusive franchise agreement with Trent, the retail arm of the Tata Group. We are supporting the development of their Star Bazaar format. We don't include data from this franchise in our KPI performance or carbon footprint.



## Measurement and Performance

# Our Scale for Good Scorecard

### Our Three Big Ambitions

	Measure	Description
<b>Creating Opportunities</b>	Number of opportunities created through our inspire, equip and enable activities planned across the Group	We will report the number of opportunities created for young people through our inspire, equip and enable activities.
<b>Improving Health</b>	Health profile of a typical Tesco shop through our 'healthy little differences' tracker	Using our Clubcard data we will establish the health profile of a typical Tesco shop based on calories, protein, carbohydrates, sugar, fat, saturates, fibre and salt.  In 2013/14 this will be a UK measure and we hope to roll it out to other markets where possible.
<b>Reducing Food Waste</b>	Food waste profile of a typical Tesco shop	Using our Clubcard data and food waste expertise we will establish the food waste profile of a typical Tesco shop.  In 2013/14 this will be a UK measure and we hope to roll it out to other markets where possible.

To help monitor our progress against our ambitions we have carefully selected a set of measures so that we can hold ourselves to account and so our stakeholders can see how we are performing. We call this our 'Scale for Good Scorecard'.

Some of these measures are existing KPIs, which you can find more about on [page 61](#). We will disclose our performance at [www.tescopl.com/society/performance](http://www.tescopl.com/society/performance).

# Measurement and Performance

## The Essentials

	Measure	Description
<b>We trade responsibly</b>	Putting our customers first	Tesco is a company I can trust  A good test of whether customers think that we are putting them first is whether they trust us. So we will ask our customers in all markets in which we operate – whether they agree with this statement or not. This will be done through our regular image tracker survey which tracks customers' views on our performance.
	Percentage of new own brand products our customers approve before launch	We want our customers to be happy with the quality of products we sell, so we test all our new own brand products with our customers and ask them, for example, about the flavour, the appearance and the texture. We aim to only launch the ones they like.
<b>Working with our suppliers to innovate and provide high quality products</b>	Response rate of suppliers to our Supplier Viewpoint questionnaire	The Supplier Viewpoint questionnaire asks our suppliers to give anonymous, confidential feedback on what it is like to work with Tesco. We want as many of those asked as possible to complete the questionnaire and tell us what they think.
	Percentage of positive responses to the question 'I am treated with respect' in our Supplier Viewpoint questionnaire	We want to build stronger relationships with suppliers and it's important that they feel they are treated with respect. So we will continue to include this question in our Supplier Viewpoint questionnaire.
	Tesco treats its suppliers fairly	We know that we need to improve our reputation for how we treat our suppliers, so we will ask our customers – in all markets in which we operate – whether they agree with this statement or not. This will be done through our regular image tracker survey which tracks customers' views on our performance.
	Percentage of ethical improvement plans completed on time	An ethical improvement plan is drawn up by internal experts or ethical auditors to address any concerns identified about working conditions, i.e. anything found which does not comply with either local law or the Ethical Trading Initiative Base Code. Timelines for ensuring improvement vary according to the severity of the issue and the complexity required to ensure improvement can be sustainable.

# Measurement and Performance

## The Essentials

### We are reducing our impact on the environment

Aiming to be a zero-carbon business by 2050 and to use scarce resources responsibly, including in our supply chain

#### Measure

#### Description

The percentage reduction in carbon emissions per square foot of our stores and distribution centres across the Group against a 2006/7 baseline

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

We have consolidated our previous property carbon measures into one which will measure the cumulative reduction in CO<sub>2</sub>e across all of our stores and distribution centres against a 2006/7 baseline – no matter when they were built. This will simplify our target and is consistent with our 2020 goal to achieve a 50% reduction in emissions per square foot.

At the end of 2012/13, we had achieved a reduction of 32.5% towards this goal. Our target for 2013/14 is 34%.

The percentage reduction in carbon emissions per case of goods delivered across the Group against a 2011/12 baseline

This measure tracks the carbon emissions per case of goods delivered in transporting products from our distribution centres to our stores. Our target for 2013/14 is to achieve a 2.5% reduction.

Water consumption across the Group in our direct operations

We will measure both our total use (m<sup>3</sup>) and water intensity (m<sup>3</sup>/square foot of our stores and distributions centres) of our direct operations across the Group on an annual basis. This will allow us to identify where water use reduction is a priority and opportunities for achieving this.

Percentage of waste we produce that is recycled across the Group

This is the percentage of the waste we produce that is recycled, reused or converted to energy across the Group. This excludes China, Thailand and Turkey as this data is unavailable.

# Measurement and Performance

## The Essentials

	Measure	Description
<b>We are a great employer</b>		
Creating inspiring work that makes our colleagues happy and proud of what they do	Pride in working at Tesco	We want everyone at Tesco to be proud of the work we do. Our anonymous and confidential colleague engagement survey is carried out annually across the Group. This measure is the Group score for the question 'I feel proud to work at Tesco'.
	Percentage of colleagues on development programmes	Training and development is really important to us. This measure is the percentage of colleagues on a development programme such as our Options Programme that combines leadership, general and operational skills training through 'on and off' the job experiences.
	Diversity amongst our leadership	This measure is a percentage of women in senior management positions. We want to find, develop and keep a diverse workforce at all levels within our company and we are committed to increasing the percentage of female leaders. Therefore we will annually report this measure to track progress.
<b>We support local communities</b>		
Being a good neighbour and running our business to the highest standards	Colleague and customer fundraising	In each market in which we operate we leverage our scale to help charities and good causes raise money from donations by our colleagues and customers.
	Percentage of pre-tax profits donated to charities and good causes	This figure is calculated according to the London Benchmarking Group model for measuring corporate community investment. This model includes contributions through direct donations, cause-related marketing, gifts in kind, staff time and management costs.
	The average percentage of votes cast in favour of AGM resolutions	Each year our shareholders are invited to vote on various matters at our Annual General Meeting, including resolutions to approve the Directors' Report and Accounts, the Directors' Remuneration Report and the re-election of each of our Directors. Votes are taken on a poll, which means that we count every share voted by our shareholders.



# Measurement and Performance

## Performance 2012/13

To see our performance over time visit  
[www.tescopl.com/society/performance](http://www.tescopl.com/society/performance)

This table shows how we have performed against our 2012/13 KPI targets

Key Performance Indicator	Performance 2012/13	Comment
Supplier Viewpoint: response rate of suppliers	<b>58%</b>	✗ Whilst we are just behind our stretching targets of 60% and 74%, respectively, we are confident that we have good plans in place to improve our performance in 2013/14 and beyond. We know that we will only succeed if we have strong relationships with our suppliers. We are launching a new Commercial Food Support Office and simplifying our systems to make it easier for suppliers to do business with us. We will work more closely with suppliers to develop joint business plans and recognise success through our Supplier Values Awards.
Supplier Viewpoint: percentage of positive responses to the question 'I am treated with respect'	<b>71%</b>	✗
Reduction in carbon emissions (CO <sub>2</sub> e) from our stores built before 2006*	<b>4.9%</b> Reduction	✓ We reduced the CO <sub>2</sub> e emissions from our stores built before March 2006 by 4.9% compared to last year, exceeding our target of 3.5%. Our performance was particularly strong in Hungary, Turkey and Ireland. Our continued focus across the Group on reducing refrigerant gas leakage has helped deliver this result.  Last year, this KPI included distribution centres in addition to existing stores. Using this definition, our performance this year is a 4.5% reduction.
Reduction in carbon emissions (CO <sub>2</sub> e) from new stores built after 2006**	<b>33.4%</b> Reduction	✓ We have reduced CO <sub>2</sub> e emissions from new stores built after 2006 by 33.4% compared to our 2006/7 baseline, beating our target of 32%. To achieve this we have continued to roll out energy-efficient technology such as LED lighting and remote control of heating and lighting systems across the Group.
Reduce the amount of carbon (CO <sub>2</sub> e) emitted in our distribution network to deliver a case of goods ±	<b>0.4%</b> Increase	✗ Unfortunately, we did not hit our 3% reduction target this year. This is due to the growth of our business in developing markets such as Thailand and Turkey where we are opening new stores further away from our existing distribution centres. This means that our trucks have to take longer trips which has a negative effect on the entire Group position. However, our F-Plan is helping to minimise the increase and seven out of 11 countries did meet or exceed their individual reduction targets with Malaysia, Poland and the UK performing very well.

✗ failed to meet 2012/13 target    ✓ achieved 2012/13 target

\* Target reported as percentage reduction against previous year

\*\* Target reported as percentage reduction against 2006/7 baseline

± Target reported as percentage reduction against 2011/12 baseline

All KPIs on pages 61 and 62 exclude the results from our operations in Japan and the United States, with the exception of Supplier Viewpoint and Donation of pre-tax profits to charities and good causes.

## Measurement and Performance

### Performance 2012/13

To see our performance over time visit  
[www.tescopl.com/society/performance](http://www.tescopl.com/society/performance)

Key Performance Indicator	Performance 2012/13		Comment
Colleagues and customers active	<b>9.5 million</b>	✓	We exceeded our 2012/13 target of 9.3 million and helped 9.5 million people get active through our events and partnerships like aerobics in Thailand, tai chi in China and Run for Life in Slovakia.
Colleague and customer fundraising	<b>£14 million</b>	✓	Despite the difficult economic times our colleagues and customers demonstrated their community spirit, helping us to beat our target of £13.5 million. The money raised provides support for a large variety of causes, from Cancer Research UK to supporting our new foundation, the Tesco Children's Foundation, in Poland.
Donate at least 1% of pre-tax profits to charities and good causes	<b>£78.1 million</b>	✓	We have donated £78.1 million to charities and good causes this year through direct donations, cause-related marketing, gifts in kind, colleague time and management costs. As a proportion of statutory profit before tax our donations represent 4.0% – an increase on last year's figures of 1.9% reflecting the decline in profits this year. This equates to 2.2% of underlying profit before tax, similar to 1.9% on the same basis last year. We expect to maintain a broadly similar level of contributions going forward with the percentage proportion returning to our usual historical levels in the coming years. Total cash donations were £22.2 million.
Colleagues being trained for their next job	<b>5.8%</b>	✗	Giving our colleagues the opportunity to get on at Tesco is very important to us and we are proud of our commitment to this area. This KPI measures the number of colleagues being trained for their next job through our dedicated 'Options' programme and we narrowly missed this year's increased target of 6% of colleagues. This measure doesn't include other development activities such as apprenticeships, A-level Entry Programmes and our Advanced Leadership Programme. Including these opportunities, almost 7% of colleagues across the Group benefitted this year. In addition, we have also heavily invested in our colleagues in the UK this year through our 'Building a Better Tesco' plan. More than 250,000 colleagues in-store have received customer service training, with additional technical training for 36,000 colleagues.

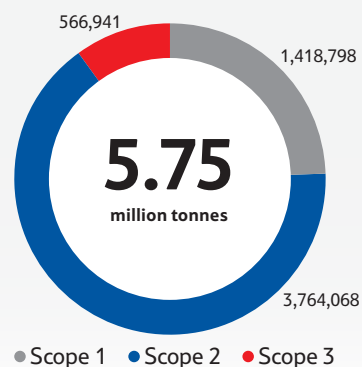
✗ failed to meet 2012/13 target    ✓ achieved 2012/13 target

## Measurement and Performance

### Our Carbon Footprint

Reducing emissions is the right thing to do for a responsible business seeking sustainable profits. It conserves energy, saves money and helps deliver energy security and better resource efficiency.

**Total carbon footprint by scope 2012/13  
(gross tonnes CO<sub>2</sub>e)**



Our gross greenhouse gas (GHG) emissions in 2012/13 totalled 5.75 million tonnes of CO<sub>2</sub>e. We break down our emissions into three categories – Scope 1, 2 and 3 which you can see in the diagram to the left. Scope 1 emissions arise directly from Tesco operations, these include fuel used in our lorries or to heat our stores and emissions from refrigeration gas leakage. Scope 2 are indirect emissions that mainly come from our use of electricity. Scope 3 emissions are other indirect emissions, such as business travel.

We continued to decouple our business growth from the growth in our carbon emissions: while the area of our stores and distribution centres grew by 9%, our carbon footprint only increased by 3%. Hungary, Ireland and Poland achieved an impressive absolute reduction in their emissions compared to last year.

This year, we continued last year's trend in decreasing emissions from refrigerant gas leakage, achieving a further 6% reduction. Overall, our refrigerant emissions are now 16% lower than in 2006, despite an 84% increase in floor space in our stores.

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](http://www.tescopl.com/society/resources).

**Independent External Assurance  
Summary Statement, provided by  
sustainability consultancy and assurance  
firm ERM:**

We reviewed Tesco's approach to measuring and reporting its GHG emissions at Group level and in a representative sample of markets (China, Poland, Thailand and the UK). We conclude that Tesco's gross GHG emissions for 2012/13 and breakdown per scope 1/2/3 according to the WRI/WBCSD GHG Protocol is appropriately stated. For further details on the work undertaken and our findings, please refer to the full assurance statement at [www.tescopl.com/society/resources](http://www.tescopl.com/society/resources).

**Total GHG emissions  
by market 2012/13**

Country	Gross tonnes CO <sub>2</sub> e
China	466,450
Czech Republic	241,715
Hungary	213,824
India	17,104
Republic of Ireland	183,635
Malaysia	195,063
Poland	402,887
Slovakia	88,211
South Korea	518,128
Thailand	678,985
Turkey	131,413
United Kingdom	2,504,902
United States	106,533
Other	957



## References

Throughout this report, a number of statistics have been cited about issues of global concern which are relevant to our three big ambitions or the four essentials. Unless otherwise stated, these facts are drawn from the following sources and Tesco's own internal research:

ACEVO Commission on Youth Unemployment; Food and Agriculture Organization of the United Nations (FAO); International Labour Organisation (ILO); McKinsey & Company; Organisation for Economic Cooperation and Development (OECD); UK Department of Energy & Climate Change (DECC); UK Department for Environment, Food and Rural Affairs (DEFRA); UK Office of National Statistics; United Nations (UN); United Nations Children's Fund (UNICEF); UN-Water; World Health Organisation (WHO); Waste Resource Action Programme (WRAP) UK.