

Sustainability at Tesco.

Sustainability is at the heart of our purpose: Serving our customers, communities and planet a little better every day.



“As well as tackling the immediate challenges of today, we must do all we can to safeguard the shopping basket and supply chain from future shocks. Building a more resilient, secure, sustainable and productive food system is good for customers, good for the economy and good for the planet. Tesco stands ready to play its part.”

Ken Murphy

Group Chief Executive

Reuters Impact Event, September 2023

Sustainability at Tesco.

Our approach to sustainability reflects the critical and wide-ranging interdependencies between the food system, the environment, and health; as well as our role in building stronger communities through those we employ, businesses we work with, and causes we support.



Core to our purpose as a business



Fully integrated into our approach and structure



Robust governance



Stretching commitments on our material issues, with a track record of delivery



A full value chain approach, working upstream and downstream



Integrated into remuneration and sustainable financing

A core part of our strategic priorities.



Magnetic value for customers



I love my Tesco Clubcard



Easily the most convenient



Save to Invest



Price

Fully remove price as reason for customers to want or need to shop elsewhere



Quality

Improve quality perception of product offering – particularly in fresh food



Re-define value to become the customer's favourite



Health and innovation

Innovate with our supplier partners, making healthy food available and affordable for all



Sustainability

Work hard to reduce environmental impact of both our own and our supplier partners' operations

A clear approach to materiality.

Our five material issues are those with the greatest potential to influence our business performance and where we can make the biggest difference.

Climate Change

Our extensive global supply chain means that our carbon footprint is substantial. We have an important role to play in influencing supplier and customer behaviour, and must work collaboratively to achieve net zero across our entire value chain by 2050.

Healthy, Sustainable Diets

Over 75% of our customers tell us they look to supermarkets to help them eat more healthily. There's a pressing responsibility on the entire food industry and policy makers to guarantee that healthier, more sustainable choices are easier to make.

Our full materiality matrix is available on our website at <https://www.tescopl.com/sustainability/governance>

Our Planet Plan.

In 2023, our Planet Plan brought together our key areas of activity, with six corresponding pillars, aligned to our internal structures and incorporating four of our five material issues – climate change; healthy, sustainable diets; food waste; and packaging.

1

Improve our products

Reduce the environmental impact of the things we sell

2

Decarbonise transport

Reduce emissions created when we move our products

3

Reduce store emissions

Minimise emissions from our stores and centres

4

Support sustainable consumption

Help customers switch to healthier, more sustainable food

5

Eliminate waste

Reduce food waste and packaging from production through to our customers' homes

6

Protect nature

Work with nature to restore habitats, protect water and increase biodiversity

Wide-ranging and stretching commitments.

Carbon neutral across Group operations by 2035 (scopes 1-2)

Net zero across our supply chain by 2050, aligned to 1.5°C trajectory, validated by SBTi (scopes 1, 2 & 3)

65% healthy sales as proportion of total sales by 2025, across UK & ROI

35% female leadership representation by 2025 among top global leaders / 40% of Board, Executive and their direct reports

14% ethnically diverse leadership representation by 2025

Halving food waste in own operations by 2025, against a 2016/17 baseline

Fully recyclable own brand packaging by 2025

A strong track record of delivery, including:

Climate change

100% renewable electricity achieved in 2020, **10 years early**, through combination of certificates, renewable electricity generation on-site, and Power Purchase Agreements

61% reduction in Scope 1 & 2 emissions achieved in 2024, ahead of our 2025 target

Now focusing on 2030 Scope 1 & 2 emissions target, our Scope 3 programme, and sourcing electricity from increasingly **'highly credible'** sources (60% Group usage by 2030)

Deforestation

100% certified zero net deforestation soy achieved since 2020

Now working to **tackle deforestation on a wider scale**, driving up intake of physically verified volumes

Colleague reward

Partnership agreement with USDAW since 1998 – largest **private sector union recognition agreement** in UK

Over £750m invested in hourly pay 2022–2024, alongside strengthened benefits and wellbeing package

Comprehensive information on our commitments and performance is available in our [Sustainability Factsheets](#)

Fully integrated into our structure.

Our sustainability functions report into the relevant Executive Committee members, supporting a seamless approach across our specialists and business teams.



Ashwin Prasad
Chief Commercial Officer, including:

- Environment
- Healthy, sustainable diets
- Human Rights in the Supply Chain



Christine Heffernan
Group Communications Director, including:

- Communities



Emma Taylor
Chief People Officer, including:

- Colleagues



Working across our entire value chain.

Our more significant environmental impacts are typically upstream and downstream of our own operations. Examples of our value chain approach include:

Climate change, with scope 3 emissions representing > 98% of our footprint. We are supporting our suppliers to set a net zero ambition; supporting farmers through accreditation mechanisms and trials of low-carbon fertiliser and feed supplements; and offering customers the UK’s largest supermarket network of EV charging points.

Food waste, of which the majority occurs upstream and downstream. We have substantially exceeded the Champions 12.3 10x20x30 target; take imperfect and excess crops for sale to customers; and support customers to reduce waste through removing or replacing ‘use by’ dates and encouraging them to ‘take stock before the shop’.

Nature & forests, where complex global supply chains mean that a collective industry voice and governance is essential. We are taking an active role in the development of the TNFD Framework, including through two pilot partnerships; spearheaded the development of the UK Soy Manifesto; and were founding contributors to the Responsible Commodities Facility.

Robust governance.



Dr Gerry Murphy
Chair
Tesco PLC Annual Report & Financial Statements 2024

“Tesco is a really important company because of its scale and its central role in the lives of millions of customers...Like any big business, Tesco’s success depends on our relentless commitment to high corporate governance standards, as well as a strong and healthy culture in the boardroom and across the business.”

Robust governance of sustainability supports us to make the right decisions, in consideration of the needs of our different stakeholder groups.

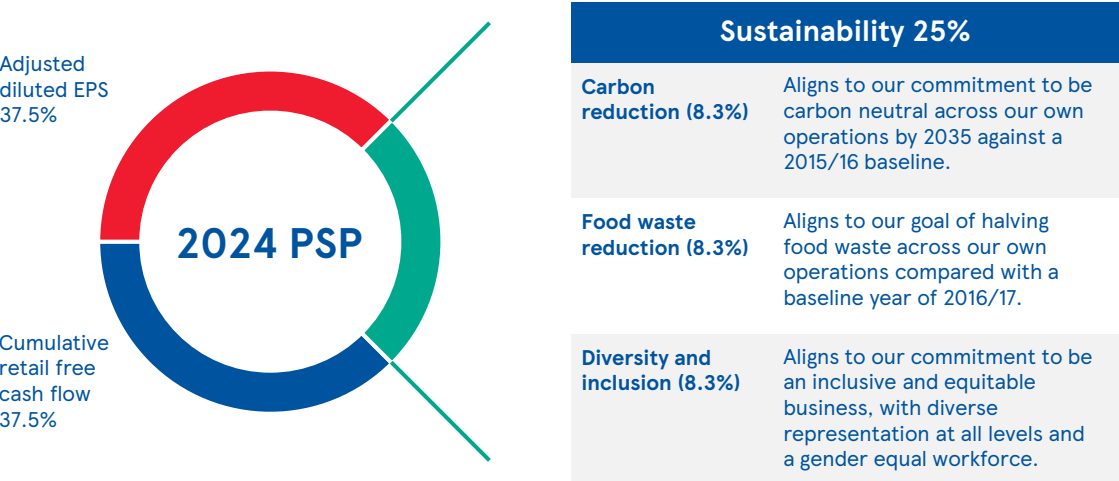
The Board has overall responsibility for ensuring the Group meets its sustainability targets, supported by its various Committees to provide the right level of oversight and challenge with the necessary expertise.



Integrated into executive remuneration.

Our commitment to sustainability is reflected in how we measure performance. Sustainability has long been incorporated into individual performance objectives for our CEO, CFO and colleagues, as relevant for their individual roles. Objectives are aligned to our strategic priorities and determine 20% of a colleague’s annual bonus outcome.

In addition, in 2022, we introduced ESG performance measures into the Performance Share Plan, at a 25% weighting, alongside EPS and free cash flow.



Financing aligned with sustainability ambitions.

From the launch of our first sustainability-linked finance products in 2020, our product suite includes two bonds with the coupon linked to our Scope 1 & 2 emissions reduction performance; and a revolving credit facility, with interest linked to the achievement of our targets on emissions, food waste and diversity.

We also support our supply chain, partnering with Santander from 2021 to offer a Sustainability-linked Supply Chain Finance programme; and with NatWest from 2024 to offer a discounted sustainable finance scheme for farmers looking to switch to sustainable farming methods.

Transparent, open reporting.

We are committed to open and transparent sustainability reporting. Key documents are available in Sustainability Reports on our website and include:

Our **Annual Report**, including content on supporting our different stakeholder groups, and our TCFD statement. We were an early adopter of TCFD, with our first disclosure in 2019 and full disclosure since 2022

Our **Modern Slavery Statement**, providing detailed insight on our work, including our due diligence approach, collaborations and partnerships, and our impact

Our **Factsheets**, which detail our commitments, approach and performance across the range of ESG topics

We obtain independent third-party limited assurance of key sustainability metrics and of TCFD, with an Assurance Report and methodologies also available online.

ESG Ratings.

MSCI
ESG RATINGS
AA Rating

SUSTAINALYTICS
Low risk,
19.8

Bloomberg
Leading -
98.2 percentile

FTSE4Good
Constituent
since 2001

Contacts.



Chris Griffith
Group Strategy, Innovation and
Investor Relations Director
chris.griffith@tesco.com



Andrew Gwynn
Investor Relations Director
andrew.gwynn@tesco.com



Jenny Carney
Head of ESG – Investor
Engagement
jenny.carney1@tesco.com

Investor Relations:
investor.relations@tesco.com

Tesco corporate website:
www.tescopl.com

Investor centre:
www.tescopl.com/investors

Sustainability:
www.tescopl.com/sustainability



October 2024