

Contents

Chief Executive's introduction	2
Being a responsible business	4
Our Community Promises	6
Our approach	7
Our performance	8
A focus on:	
• Providing good quality, safe and affordable food	10
• Helping our customers make healthier and greener choices	12
• Our journey to zero-carbon	14
• Working with our suppliers	16
• Building our team	20
• Actively supporting local communities	22
Community activity around the Group	24
Managing our responsibilities	26
Informing our strategy	28
Where to find out more	30
Our carbon footprint	32
Awards	IBC

What's this review about?

With operations across Asia, Europe and North America there are thousands of examples of how we're working with customers, suppliers, charities, NGOs and local communities to fulfil our Community Promises.

This review can't include all of them, however, we hope it demonstrates that we put the communities we serve at the heart of what we do. It explains how we develop our corporate responsibility strategy and manage our performance. It also looks at some of the challenges we face as a global business and important areas where we are making a difference to our customers, the environment, our people and our suppliers.

If you have a particular area of interest that hasn't been addressed here then please visit our website to find out more.



Scan here to visit the Corporate Responsibility homepage.



When this icon appears throughout the document, you know that information can be found online.

Unless otherwise stated, the statements and data relate to our financial year 2011/12, the period March 2011 to February 2012. 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 which has been treated as discontinued following our decision to sell the business in August 2011. 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.

Our seven part strategy sets out clear goals for the business to ensure we deliver long-term sustainable growth. Putting our responsibilities to the communities we serve at the heart of what we do is an essential part of it. By operating responsibly and working with customers, suppliers, expert partners and NGOs our hope is that we can leave the world a better place; a greener, healthier and more prosperous place than when we began.

Our seven part strategy

- 1 To grow the UK core
- 2 To be an outstanding international retailer in stores and online
- 3 To be as strong in everything we sell as we are in food
- 4 To grow retail services in all our markets
- 5 To put our responsibilities to the communities we serve at the heart of what we do
- 6 To be a creator of highly valued brands
- 7 To build our team so that we create more value

Chief Executive's introduction

It's just over a year since I set out the new strategy for the Group, a strategy that put the communities we serve at the heart of what we do.

I'm determined that every Tesco store and every Tesco business is valued and trusted by local people because we do the right thing. I believe that our half a million people around the world truly can make a difference to the communities we live and work in.

Facing into challenges

It has been a difficult year for customers and their communities. Economic uncertainty and rising living costs continue to weigh on consumer confidence around the world. However, I take great pride in the way our business has responded in these difficult times.

I was humbled by our staff's reaction to the floods in Thailand: through total dedication they managed to keep most of our stores open. Even with their own homes under water, our people put their community first, giving up days off and spending hours travelling to work by boat to ensure customers had access to food. We provided temporary accommodation and transport and helped the nation get back on its feet.

Tragedies like this heighten concerns about climate change. So we have set ourselves very clear, ambitious targets to reduce emissions. Tesco is ready to adapt, with resilient operations that can deliver for customers when they need us most. Our progress has been recognised by the Carbon Disclosure Project which named us top retailer in the world.

We faced a different kind of challenge this year when several of our UK stores came under attack during the summer riots. Our people showed real bravery and community spirit; many staff slept in stores overnight to keep them open.

I am proud to see our staff living up to the Tesco values: 'no one tries harder for customers' and 'treat people how we like to be treated'. Events such as those above are a reminder of the strength of local communities and how people turn to them in times of need. They are also a reminder of the importance of providing customers with good quality, affordable food, whenever they need it.

Helping customers lead healthy lives

We recognise our role in helping customers lead healthy lives. We are developing more healthy products, such as our US eatwell range and our Goodness range for children in the UK and the Republic of Ireland. Millions of people get active through our sporting events including our record breaking aerobics programme in Thailand. Nearly a million children benefit from our FA skills football programme and hundreds of thousands of women keep fit by running Race for Life each year, raising money to fight cancer.

Creating jobs and developing leaders of the future

Investing in future leaders is vital for a growing business. This year we opened our new zero-carbon training academy in Asia. This offers the latest in technology-led learning, making use of smart technology, e-learning and tablet computers – so it's not just our customers that are benefiting from our internet capability! It has been a record year for graduate recruitment round the world, with over 700 posts filled.

One of the great things about Tesco is the opportunity we have to change lives. You can join us without qualifications and get the training and skills to set you on a career path for life. In the UK we are the largest private sector employer of young people. We're creating 20,000 new jobs over the next two years and will expand our successful apprenticeship programme, offering 10,000 places for both new and existing staff.

I'm immensely proud of our record of helping people into work. I recently visited my home town of Liverpool and heard first-hand about the impact we can have locally. Last May we opened a Regeneration Partnership store in the Toxteth area, one of over 40 such stores in the UK. It is the first significant investment in the area in 30 years and we had over 6,000 job applications for that single store. A third of our new recruits were long-term unemployed. It is their store and they are proud of it.

www.tescopl.com



We also work with hundreds of local producers to get their products into our stores. This year across Europe we organised a series of events to give local suppliers an opportunity to meet our buyers and we've listed hundreds of new local products. Many suppliers start supplying a few local stores and over the years they grow with us, finding export opportunities far and wide, ranging from South Korea to the Republic of Ireland.

Doing the right thing

In this Review you will read some highlights of the many ways in which we are fulfilling our Community Promises around the world and how we're making a difference.

2012 will be a year of getting back to doing what we've always done best – providing the best possible shopping trip for our customers – but it will also be about making sure that we are a business that gives something back to society. You will see Tesco doing the right things for all its stakeholders – customers, communities, suppliers, shareholders and staff – and that means listening more, behaving responsibly across the business and measuring ourselves against the highest standards.

I'm confident that we are ready to tackle whatever challenges lie ahead and that we can continue to make a lasting, positive contribution to the communities we serve.

Philip Clarke
Chief Executive



Watch our Thai floods and Toxteth Regeneration Partnership videos:

www.tescopl.com/thaifloods

www.tescopl.com/toxteth

Being a responsible business

Our vision for the future is for Tesco to be the most highly valued business in the world. Valued not only by our customers, but also by the communities we serve, our loyal and committed staff and our shareholders. We are and we will remain a growth company. We will be a modern and innovative company and we will win locally by applying our skills globally.

Our Values:

- No one tries harder for customers
- Treat people how we like to be treated

Business model



- Core activities
- The virtuous volume circle
- Enablers

What we do

We have operations across Asia, Europe and North America. The core of our business is providing customers with a wide choice of good quality food, general merchandise, electricals and clothing, at the right price.

We also operate a range of retail services including telecommunications and banking.

Our community

Our business employs over half a million people around the world and millions of people in our supply chain depend on us for their livelihoods. Making a positive contribution to the communities we serve is the right thing to do for a responsible business seeking sustainable growth.

When we talk about community, we mean our customers, our people, our suppliers, our shareholders, our neighbours, and the charities and NGOs that represent them.

Staff throughout our business work tirelessly to support communities as they go about their daily jobs and through the activities discussed in this review.

Corporate responsibility is integrated throughout our business model.

Core activities

Buy

We work with our suppliers across our markets to develop great products that are sourced responsibly – minimising their impact on the environment and ensuring everyone in our supply chain is treated with respect – see pages 16 and 18.

Move

Optimising our networks, maximising fuel economy and championing alternative forms of transport such as rail helps reduce emissions associated with our distribution network – saving money and carbon – see page 15.

Sell

Our stores are at the heart of the communities we serve. We support these communities by providing them with good quality products at affordable prices, through education initiatives and through our charitable work – see pages 10 and 22.

Insight

We go to great lengths to listen to stakeholders. This helps us to develop our strategy, plan our community activities, respond to concerns as they arise and look for opportunities to do more – see page 28.

The virtuous volume circle

We are simplifying our supplier network, working directly with more producers and improving the traceability of our produce and ingredients. We are working with our suppliers to support them to grow their businesses so that they can provide us with more products at a better price for our customers – see page 16.

For more information on our business model read our annual report: www.tescopl.com/ar2012

Enablers

Operating responsibly

Having community as part of our 'Steering Wheel' means that corporate responsibility is not a specialist function: it's part of everyone's job – see page 7.

Innovating our offer

Innovating our customer offer is essential to meet customers' changing needs. That includes finding innovative ways to help customers make healthier and greener choices – through product development, new services and incentives. We also develop solutions to minimise our environmental impact – see pages 12 and 14.

Building the Tesco brand

Protecting and developing our brand reputation is the foundation of customer loyalty. Being a responsible business is an essential part of our brand reputation which means doing the right thing for all stakeholders.

Leveraging Group skill and scale

We are bringing our expertise in retail and supply chain management to all of our countries of operation. We are building direct relationships with our producers and suppliers so that we can share our expertise and have greater visibility through our supply chain. Our ethical programmes are helping to improve standards in countries that we source products from – see pages 10, 16 and 18.

Developing our people

We invest in our people so that they have the opportunity to get on, develop new skills and build rewarding careers. This is essential to our business: it means that we can provide the best service to our customers – see page 20.

Creating valuable property

We have dedicated energy efficiency teams that make sure our new stores and existing properties are as energy efficient as possible. This means our stores are not only cost effective, but also save carbon – see page 14.

Our Community Promises

Our vision and values are reflected in the five pillars of our corporate responsibility strategy. We call these our Community Promises.

www.tescopl.com/community-promises

Buying and selling our products responsibly



This means ensuring everyone in our supply chain is treated honestly and fairly, and that care is taken to minimise the impact our products have on the environment. That includes how we:

- treat our suppliers and how those working for our suppliers are treated;
- work with communities where we source our products;
- establish and monitor animal welfare; and
- work to ensure products come from sustainable sources wherever possible.

Caring for the environment



As one of the world's leading retailers we have a clear responsibility – and a significant opportunity – to protect our environment. This includes:

- tackling climate change;
- minimising our impact on the environment; and
- making the most efficient use of scarce resources in our own operations.

It also means working with suppliers and customers to help them do the same.

Actively supporting local communities



Our stores are an important part of local communities, serving customers with good quality affordable food and providing career opportunities for local people. We're committed to:

- being a good neighbour;
- working with local communities to make them stronger;
- offering safe and welcome places to meet; and
- supporting the causes that matter to our customers and staff.

Providing customers with healthy choices



As a food retailer, we have an important role in supporting our customers and staff to lead healthy lives. This means:

- making healthy options accessible to everyone through price and promotions, healthy ranges, and by reformulating our products;
- providing clear information on the nutritional value of our products, and advice on how our staff and customers can lead healthy lives; and
- making it more attractive to lead an active life.

Creating good jobs and careers



Our people are our greatest asset. Our success depends on our half a million people worldwide doing a great job for customers. They are ambassadors for our brand. We want to attract the best people and for them to stay with us. We work hard to make sure that:

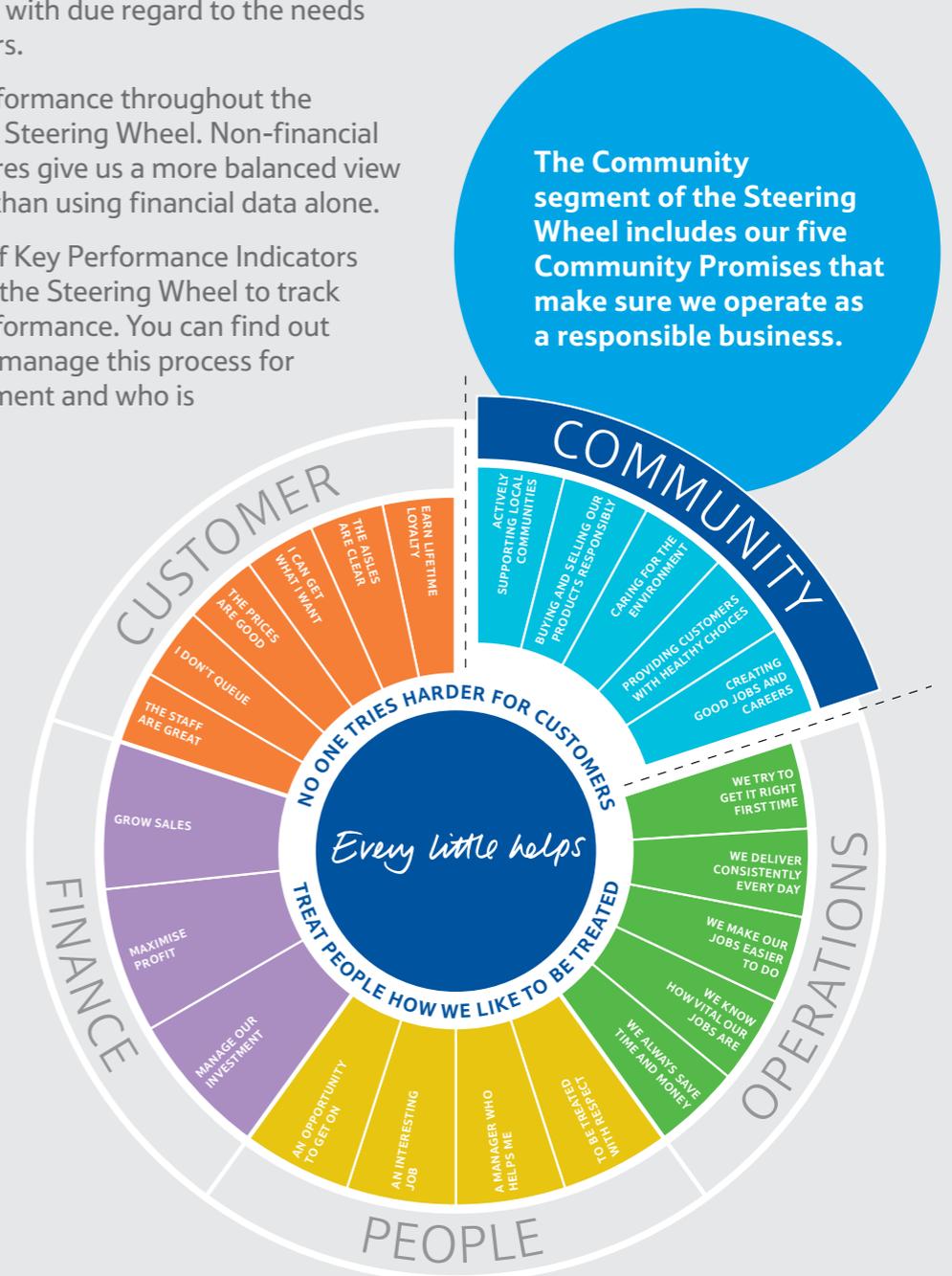
- Tesco is a great place to work;
- everyone is welcome; and
- we give people an opportunity to get on.

Our approach

We manage our business using a balanced scorecard – the Steering Wheel. It has five segments – Community, Operations, People, Finance and Customer. Balancing our efforts and resources across these areas makes sure that we operate with due regard to the needs of all our stakeholders.

We measure our performance throughout the business against this Steering Wheel. Non-financial performance measures give us a more balanced view of our performance than using financial data alone.

We have a number of Key Performance Indicators for each segment of the Steering Wheel to track and monitor our performance. You can find out more about how we manage this process for the Community segment and who is involved on page 26.



Our performance

This table shows our Key Performance Indicators and targets that we use to assess our progress against each of our five Community Promises. We've included this year's Group performance* and our targets for the coming year here. You can see our performance over time online.

www.tescopl.com/performance

Over
£74.5m
donated to charities
and good causes



31,000
more people in
our team



Community Promise	Key Performance Indicator	Performance 2011/12	Comment	Target 2012/13
Buying and selling our products responsibly	Supplier Viewpoint: % of positive responses to the question 'I am treated with respect'	74%	Supplier Viewpoint is our independent annual supplier survey. It's anonymous and asks suppliers in detail about their relationship with Tesco, including whether Tesco treats them with respect. This year we exceeded our target of 70% positive responses.	Supplier Viewpoint: 74% of positive responses to the question 'I am treated with respect'
	Supplier Viewpoint: response rate of suppliers	56%	Although we improved from 2010/11, we missed our target of 60%. It's incredibly important to us that as many of our suppliers as possible respond to this survey and so this will be an area of focus for the coming year.	60% suppliers responding to Supplier Viewpoint
Caring for the environment	Reduce CO ₂ e emissions from our stores and distribution centres built before March 2006**	5%	We met our target of 5% this year. Our performance was particularly strong in the UK, and in the Republic of Ireland where maintenance work reduced refrigerant gas leakage by 28%. Page 14 shows some of the ways we are improving the energy efficiency of our stores.	Reduce CO ₂ e emissions from our stores built before March 2006 by 3.5%**
	Reduce CO ₂ e emissions from new stores built after 2006†	31%	We exceeded our target of 29% by rolling out more energy efficient equipment in our new stores across the Group, and working hard to reduce refrigerant gas leakage. We also opened new zero-carbon stores in Thailand and the Republic of Ireland.	Reduce CO ₂ e emissions from new stores built after 2006 by 32%†
	Reduce the amount of CO ₂ emitted in our distribution network to deliver a case of goods**	10%	We met our 10% target despite the growth of our business in developing markets such as China, where we are building the distribution system from scratch, and the impact of the floods in Thailand, which meant that our trucks had to take longer trips at lower capacity. The UK, Malaysia and South Korea performed particularly well. On page 15 we explain more about how we are reducing our distribution emissions.	Reduce the amount of CO ₂ emitted in our distribution network to deliver a case of goods by 3%**
Providing customers with healthy choices	Staff and customers active with Tesco	8.7m people	We exceeded our target of getting seven million people active. In Thailand over five million people took part in events like our aerobics programme. In the UK we helped to get 2.9 million people active with strong participation in the Tesco Great School Run and FA Tesco Skills.	9.3 million staff and customers active with Tesco
Actively supporting local communities	Staff and customer fundraising	£10.1m	Even in these difficult economic times our staff and customers showed their strong community spirit raising £10.1 million, beating our target by £2.6 million. These funds provide support to people who need it around the world.	£13.5 million from staff and customer fundraising
	Donate at least 1% of pre-tax profits to charities and good causes	1.9%	We exceeded our target of 1%, donating over £74.5 million to charities and good causes through direct donations, gifts in kind, staff time and management costs.	Donate at least 1% of pre-tax profits to charities and good causes
Creating good jobs and careers	Staff being trained for their next job	5.9%	Training and development is really important to us. Our tailor-made Options Programme combines leadership, general and operational skills training through 'on and off' the job experiences. This year we exceeded our target of 5.6% of staff being trained for their next job.	6% of staff being trained for their next job

We met our target
 We missed our target

* Our Group performance includes operations in all of our markets except India where we have an exclusive franchise agreement with Trent the retail arm of the Tata Group and Japan which has been treated as discontinued following our decision to sell the business in August 2011.

** Annual target reported as percentage reduction against previous year.
† Annual target reported as percentage reduction against 2006/07 baseline.

Providing good quality, safe and affordable food

Since 1919 we have been working to provide our customers with great quality food, when they need it at the right price. We bring this expertise to all the countries in which we operate.

Product safety and quality

Food safety is one of our key priorities and is often taken for granted in developed economies, but delivering safe food of the right quality can be challenging in countries where there is low penetration of modern retail and supply chains are still under-developed.

We are bringing our expertise in retail and supply chain management to all our markets and are developing more direct relationships with suppliers. We are working with them to help share knowledge and support their business development. For example in China we worked with Ideal Food, a salad crop company, to improve their business. We started with the basics by putting them in contact with seed companies and helping them to set up their greenhouses. We then linked them with European growers to learn more about the business and gain the knowledge and skills to grow their own seeds. To help improve their business further we supported them in building a brand new distribution centre and packaging facility to make sure that



Our UK discount brands

their salad crops reach our customers in China in the best condition. As a result of the improvements made, they have almost doubled their business with us in one year.

Affordability

Wherever we operate, we are committed to offering customers great value which means good quality food at a great price. For those on a budget we provide plenty of affordable nutritious options – including our 98¢ fresh produce packs in the US, our discount brands across Europe, our wide range of Tesco Value products across the Group and our new Everyday Value range in the UK*.

98¢ produce packs of fruit and veg in our Fresh & Easy stores



Access

We serve customers through a range of store formats and channels. This means that we can provide greater access to fresh food for customers that previously were poorly served. For example:

- we open stores in deprived as well as more affluent communities as our Central and Adams, US, case study shows. Not only does this provide a boost to the local area in terms of jobs, it also provides people with access to fresh food in communities that may have been without it for many years;
- our smaller format stores are mostly located in the heart of neighbourhoods, providing affordable fresh food to those with limited access to transport. Our Southwold, UK, case study shows the feedback that we received from the community before opening this Express store; and
- our online business means that we can deliver to customers who don't have much time or who can't get out and about. Our online grocery retail business is the world's largest and most successful. We now offer this service in the UK, the Republic of Ireland, South Korea and most recently in Prague, Czech Republic. In the next few years, we are planning to launch online grocery shopping in the capital city of all our operating markets.

See our annual report to find out more: www.tescopl.com/ar2012

* Launched April 2012.

Central and Adams, US

Our Central and Adams store in South Los Angeles was opened in a deprived neighbourhood that previously lacked affordable, fresh food options. With over 50,000 people living within a mile of our store, investing in this area means that we can provide the community with high-quality food that fits all budgets.



Our Central and Adams Fresh & Easy store

As an area in desperate need of investment, local jobs that pay well and with benefits such as healthcare, were an important addition to the neighbourhood. A job fair we held before opening attracted more than 1,300 applicants.

Not only does this store provide affordable food and great jobs to the community, it is good for our business. This store is outperforming Fresh & Easy's company average and we are seeing strong growth in the number of customers visiting the store.

“ Fresh & Easy is bringing quality fruits, vegetables, meat, and wholesome foods to an area in great need of grocery outlets and food options. I am excited to see this new urban model here in South Los Angeles. I am proud that we can count them as a new investor in our neighborhood.”

Jan Perry
Los Angeles City Councilwoman, 9th District

Southwold Express, UK

When planning our Tesco Express store in Southwold, Suffolk, we wrote to over 1,100 households – every residence in the town – to explain our plans and ask for their feedback.

The response was overwhelmingly positive with over 90% of the people who responded supporting our store. Our new customers told us that there was a limited choice of food and many residents had to drive out of town to pick up their groceries. Their new Tesco Express gives the people of Southwold fresh, good value food on their doorstep.

“ I am absolutely delighted to receive your letter, we elderly locals have been saying how much we would appreciate a Tesco for a long time.”

Southwold resident



Our Southwold Express store

Helping our customers make healthier and greener choices

Our customers tell us that they want us to help them make choices that are better for them and their families, and better for the environment.

www.tescopl.com/healthy-choices

Healthy choices

Leading the way on nutritional labelling

Tesco has championed the provision of nutritional information for many years, launching our first major Healthy Eating initiative in the UK in 1985. We now have Guideline Daily Amounts (GDA) nutritional labelling on all our eligible own-label products*. We are always striving to provide more information and healthier options to customers.

In Turkey, we advised the government who have been developing a new regulation requiring all food manufacturers to adopt a GDA labelling system. The government identified Tesco's model as an example of best practice. This approach involves providing information on the sugar, fat, saturated fat and salt content in a portion of the product and how this compares to a GDA of these constituents for a typical adult.

Our business in Turkey, Tesco Kipa, is going a step further to help its customers to make healthier choices through a poster and website campaign that will include healthy living tips and recipes.

As an active member of The Consumer Goods Forum's Health and Wellness pillar we have helped to shape, and are committed to, their resolutions on:

- healthier diets and lifestyles;
- product information and responsible marketing; and
- communication and education.



Extended healthy ranges

We have brands across our markets that help customers manage their diets without compromising on taste. This year we:

- extended our eatwell range in the US. These products contain no more than 25% of the recommended daily values of sodium, calories, fat and saturated fats;
- launched the Tesco Goodness range in the UK and the Republic of Ireland including snacks, meals and lunch box fillers developed especially for children. In the UK we also launched a new great tasting nutritionally balanced range of chilled ready prepared meals – Eat Live Enjoy; and
- were the first major supermarket in the UK to offer a chilled dairy Free From range. Not only is the range dairy-free it's also naturally low in saturated fat for healthy blood cholesterol levels and is suitable for vegans.

In March 2012 we signed up to a pledge to work with the UK government, industry and health professionals to help the nation reduce its calorie intake. As part of this we have committed to reducing the calories sold in our soft drinks by over 150 million in the coming year.

'Get Active'



We recognise that leading a healthy life isn't just about healthy eating, so we invest in programmes to encourage our customers to get active.

Across the Group this year we helped over eight and a half million people get moving through our events and partnerships. In England our FA Tesco Skills Partnership has now brought football skills training to three million five to eleven year olds since it launched in 2007. The programme helps children learn to play football, get active, build their confidence and lead healthier lives.

TheFA.com/tescoskills

* The only exceptions are food cooked in store and products where it would be impractical to add a label, such as herbs and spices.

Greener living

We're committed to working with customers to lead a revolution in green consumption. We have a target to find ways to help our customers reduce their own carbon footprints by 50% by 2020.

In 2007 we committed £25 million to create the Sustainable Consumption Institute in Manchester – a global centre of excellence focusing on sustainability and encouraging consumers to adopt more sustainable lifestyles.

'Together For Trees' aims to help save some of the world's most endangered rainforests



Restoring forests with our customers

Thousands of our customers are getting involved in saving forests by joining our tree planting schemes in Thailand and Malaysia. In 2007 Tesco Lotus in Thailand committed to planting nine million trees by 2013 and to date, we have planted seven million.

This year, we launched our 'greener earth' campaign in partnership with the Malaysian Timber Industry Board. We have committed to planting 500,000 trees in three years.

Making it easy

We know that it has to be easy and affordable to make green choices. We focus on:

- providing affordable choices through green promotions;
- giving customers tips for greener living such as recipe ideas for using leftovers;
- providing recycling facilities for household waste;
- rewarding customers through our green Clubcard points scheme; and
- reducing potential waste by developing innovative, low carbon packaging.



Education and information

We have a range of initiatives across the Group providing education and advice for our customers.

- In South Korea, we run our Green Leaders programme where children learn the importance of saving our environment. We have over 30,000 'green leaders' and have a target of 100,000 by 2020.
- For the second year running we were a headline partner of Climate Week UK. Our activities included 'Climate Week Cuisine' with celebrity chefs such as Levi Roots cooking low carbon recipes that were featured on our Real Food website.
- We launched our Greener Living website for customers in China and Turkey. They give practical tips on how to keep homes green and save money. Our China Greener Living site includes a 3D interactive 'Green Home' for customers to look around and quizzes to test their knowledge.

Today it is more important than ever for organisations to unite and tackle climate change. Our new partnership with Tesco, Together for Trees, is doing just that. We are working together to reach millions of shoppers across the UK, raising awareness of the importance of our rainforests and the threats they face, and providing easy ways for people to help protect and restore them."

Dr Mike Clarke, Chief Executive, RSPB

Our journey to zero-carbon

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



Property

In 2007 we committed to halving the emissions from our buildings by 2020. Because of the energy efficiency measures we have taken across the Group since 2006, we're now saving over £270 million a year on our energy costs.

We're implementing our carbon reduction plans through a combination of more energy-efficient equipment, renewable energy generation and switching from emissions intensive refrigeration to natural or low emission refrigeration systems.

We now have over 100 natural refrigeration stores across the Group from the UK to China. We also have seven zero-carbon stores having opened new stores in Thailand, the Republic of Ireland and Wales*. Our new Chinese distribution centre in Jiashan uses 45% less energy than a traditional depot.

* Opened March 2012.

How we are increasing the energy efficiency of our stores

Identifying energy hotspots

Extra energy meters in our stores give information on where improvements can be made. Improved freezer door design has been introduced into over 200 UK stores saving over 25,000 tonnes of CO₂ a year.

Refrigeration

Across the Group we have continued to retro-fit doors on chilled cabinets in our smaller stores. In the UK we have reduced carbon emissions by 16% compared to 2010/11 by focusing on minimising refrigeration gas leakage.

Committed teams

In the UK we have introduced 'Energy Check' a process in stores which makes energy efficiency part of everyone's job resulting in a 1.5% reduction in store energy consumption. We are looking to share what we've learned from this process across our operating markets.

Lighting

- Automatic controls switch off lighting in areas of the store when not needed.
- We are trialling best practice natural light solutions across the Group.
- This year we also ran two LED lighting trials in China and one in Thailand.

Technology

- Voltage optimisation devices have saved us 180,000 tonnes of CO₂ since 2005 in the UK.
- We are exploring opportunities for renewable energy across the Group. In Hungary we have solar panels in 15 stores.
- In the Republic of Ireland Smart Control systems for heating, lighting and refrigeration have helped us achieve an absolute energy consumption reduction of 8%.



Distribution

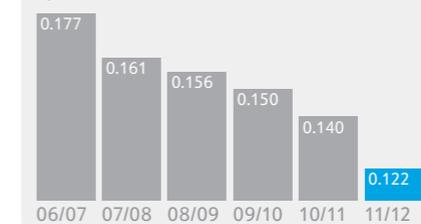
In 2007 we also set ourselves the very ambitious target of halving the emissions per case of goods delivered by 2012 across the Group. We have met this target in the UK which accounts for 65% of the cases we deliver. This year, we have also achieved good reductions in Slovakia, Malaysia and South Korea. These reductions have been achieved in a number of ways:

- **Reducing trips** by maximising the amount of product we deliver in each journey. In Malaysia we have been increasing the use of larger vehicles and in South Korea we achieved reductions by filling our trucks more efficiently.
- **Travelling fewer miles** by planning our distribution from central locations and making our networks more efficient. In Slovakia we made particular progress in this area.
- **Alternative modes of transport.** In the UK we have transferred significant volumes from road to rail. Our four dedicated rail services save 15,000 tonnes of CO₂ per year taking 14 million miles off the road.
- Using **fuel with lower carbon emissions.** Our Tesco dotcom vehicles in the UK use biogas which has lower carbon emissions than standard diesel.

Our target has proved more challenging in our developing markets, like China, where we are growing our business and developing a new distribution system from scratch.

This network development takes time. As this happens, significant improvements can be achieved because stores and distribution centres become better connected. Therefore we have set a new long-term target to reduce carbon emissions per case by 25% by 2020 against a baseline of 2011/12. This will allow us to implement our 'F plan' for carbon reduction, developed in the UK, to our other markets as we develop our distribution networks.

Group distribution emissions
kg CO₂ per case delivered



The 'F plan'

In the UK we have halved our emissions per case of goods delivered from 0.14 to 0.07 kg of CO₂ by following our 'F plan':

- Fuller cages and pallets;
- Fuller trucks and containers;
- Fewer miles; and
- Fuel economy.



One of our dedicated rail services in the UK

www.tescopl.com/climate-change

Our carbon footprint

This year our global direct carbon footprint was 5.66 million tonnes of CO₂e. We continued to decouple our business growth from the growth in our carbon emissions: while our net sales area grew by 9%, our carbon footprint increased by 5%.

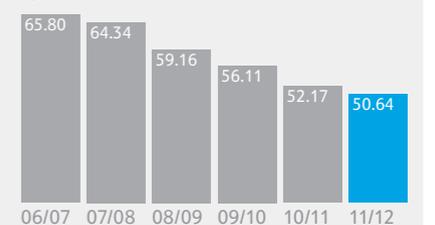
Detailed information on our carbon footprint and how we calculate it can be found on page 32 and at www.tescopl.com/carbon-calc

Independent External Assurance Summary Statement, provided by sustainability consultancy ERM Ltd:

We reviewed Tesco's approach to measuring and reporting its direct carbon emissions at Group level and in a representative sample of markets (China, Czech Republic, Slovakia, South Korea and the UK). We conclude that Tesco's global direct carbon footprint (total direct carbon dioxide equivalent emissions and percentage breakdown per emissions source) is appropriately stated.

For further details on the work undertaken and our findings please refer to the full assurance statement at www.tescopl.com/carbon-assurance

Group CO₂ emissions
kg CO₂/sq ft



Top retailer in the Carbon Disclosure Project's Global 500 index

Working with our suppliers

A resilient, efficient supply chain relies on strong, fair, mutually beneficial and long-term partnerships with suppliers. Without our suppliers we wouldn't be able to provide our customers with the great value products they need, when they need them.

Building relationships

We are building relationships with suppliers at a Group level and in our local markets so that we can provide customers with great ranges from the best sources in the world.

Products that are common across a number of countries such as bananas, chocolate, flour and sugar are sourced centrally. We are using our Group skill and scale to make these supply chains leaner, simpler and better. By building closer relationships with all of our suppliers both large and small we can put better products on the shelves at a better price for our customers.

Developing direct relationships with our suppliers and producers has many benefits – it gives us greater visibility of our supply chain, allows us to share our expertise and provides suppliers with opportunities to develop and grow their businesses.

In South Africa we meet with producers each season to review what we have learned from the previous year and what we have changed following their feedback. We discuss and agree quality improvement plans, anticipated seasonal problems and planned solutions. By working together we can make improvements that result in better products and availability for customers.

We are also working with Sustainable Development Capital to help our Chinese general merchandise manufacturers identify energy saving opportunities. We will support suppliers to deliver the identified energy savings by helping to give them access to expert implementation partners and finance.

Championing local suppliers

Our customers tell us that they like to buy local products. Our commercial teams have an important role to play in identifying great local suppliers and getting their products on our shelves. We can also open up new markets to these suppliers and provide them with export opportunities.



Regional products in Poland

We have set up Supplier Academies in all our central European operating markets. We run local supplier roadshows, conferences and awards events. Our roadshows give suppliers the opportunity to showcase their products.

In Slovakia, we held four local roadshows this year which led to over 70 new products being listed. In Poland almost 250 suppliers were involved in workshops to help develop their brands, learn about customers' needs and preferences, how to improve product quality, and how to adopt more environmentally friendly practices. In the Czech Republic we have been working with around 60 bakeries which supply our stores with over 700 local products.

In the UK we sold over £1 billion of local products this year. We launched a new-look fleet of lorries to highlight our local product lines and ran a competition called 'Best in the British Aisles' where customers voted for their favourite local foods. Several local suppliers gained national listing in Scotland including Midlands Snacks.



Watch our video about local ice cream manufacturer, Frank's: www.tescopl.com/franks

Working together for customers

This year we teamed up with Unilever to create a global campaign 'Creating a Better Future Starts at Home'. The initiative raises awareness and rewards customers for making sustainable product choices and, in doing so, helps them make small behavioural changes at home to reduce their environmental impact. To date the campaign has been run in eight markets, reaching 675,000 customers in more than 550 stores, and has led to an uplift in sales of greener products.

Together we have also been able to:

- encourage over 10,000 customers to reduce their water footprint in Turkey;
- raise funds for community programmes like planting 1,000 acres of grassland in China; and
- help thousands of people in Poland understand their environmental impact.



Tesco's supply chain ambitions are truly groundbreaking.
By working right across supply chains, impacting thousands of individual organisations, they're going to have a huge positive impact on the world."

Martin Chilcott
Founder and CEO
2degrees

The Tesco Knowledge Hub

In March 2011, we launched the Tesco Knowledge Hub. The Hub is an online community where suppliers can access resources that provide advice on carbon reduction and sustainability best practice.

Suppliers can pose questions to the rest of the group, attend webinars and visit other suppliers' sites. The Hub gives our suppliers the opportunity to share ideas and solve problems together. Over 700 people from 300 different companies have joined since launch and we are on track to double the number of supplier members in the year ahead.

The Hub is one of the ways we can collaborate with suppliers to help us achieve our ambitious target to reduce the emissions of our supply chain by 30% by 2020.

www.tescopl.com/supply-chain

Today's employee engagement webinar was really useful... It's given me lots of ideas for initiatives we could adopt here at Park Cakes."

Debra Lim
CSR manager
Park Cakes



Over
£1bn
of local products
sold in UK



The launch of our local lorry in Scotland

Ethical trading

Millions of people who work in our supply chain rely on us for their livelihoods, and our trade makes an important contribution to the communities of many more. This year we continued to strengthen our ethical trading programme 'Trading Fairly', increasing our Group resource and in-country capacity to engage with local stakeholders. We have a team of 20 ethical trading specialists across Europe, Asia, the Americas and Africa, and over 60 Ethical Champions embedded within Commercial Teams globally.

Together, we are working hard to support our suppliers to focus on improvement.

Our process of robust independent ethical audits continues with over 2,500 supplier sites audited in 2011/12. These audits provide useful intelligence on important issues for workers in our supply chain. This year we have stepped up our support for initiatives which strengthen local capacity, including a national ethical programme with the South African fruit industry and a Skills Academy to support suppliers of ready-made garments in Bangladesh.

Supporting a national ethical programme in South Africa



mechanism to give workers the opportunity to voice their concerns and know that these concerns will be listened to and acted upon. Over 3,000 workers were involved in this pilot.

Over the course of this year we have worked closely with the industry to develop a national, South African-owned, ethical programme that was officially launched in October 2011. This programme is rooted in the South African industry's own experience and expertise on ethical standards and also meets or exceeds the ethical requirements of the industry's many retail markets around the globe.

This programme is the first of its kind for ethical trade and, if successful, is likely to form a blueprint for future national initiatives.

The South African fruit industry has faced ethical challenges in recent years for a variety of reasons including low literacy rates, the vulnerability of women workers and the increasing use of migrant labour. We have been working to improve standards in this industry since 2008 – most notably by piloting a farm-level grievance

We are a member of the Better Cotton Initiative (BCI). BCI exists to make global cotton production better for the people who produce it, better for the environment it grows in and better for the sector's future.

Over
2,500
ethical audits

www.tescopl.com/tradingfairly

Improving standards in the Bangladesh clothing industry

Our F&F clothing brand sources many of its garments from ready-made garment (RMG) factories in Bangladesh. Our ethical audits and stakeholder engagement work has shown that standards need to be raised for workers in this industry and we are committed to helping support this. We are working in partnership with DFID – the UK's Department for International Development – to establish the Bangladesh Apparel Skills Foundation.

The centre, open to all RMG factories, whether or not they supply Tesco, aims to develop more constructive worker relations and improve working conditions and wages which together should result in higher productivity and improve product quality.

To date, we have recruited a full team of professional trainers and we have developed and tested the training programme. We are currently renovating the training centre and are looking forward to training our first group of managers.

“The Bangladesh Apparel Skills Foundation has the potential to be a prominent player in improving productivity and production efficiency in the Bangladeshi RMG manufacturing sector. The knock-on effects of improving management systems and management-employee relations on the production floor are just one of many expected benefits the programmes delivered by the Foundation will generate with the required support and mindset.”

DFID (UKaid)

Sourcing responsibly

We believe in making the most efficient use of scarce resources and are committed to the responsible sourcing of raw materials, and managing the impact we have on the environment and biodiversity.

There are significant challenges, particularly for commodity products which are traded on global markets where it can be difficult to achieve full traceability of supply. We believe the solution lies in working with others across the industry to help change the way these products are produced. For example, we are working with the Consumer Goods Forum to develop fully traceable, sustainable sources for forest commodities. This year we responded to the Forest Footprint Disclosure project for the first time providing information to investors on how we are managing our exposure to deforestation.



sustainability.mycgforum.com

You can read our position statements online: www.tescopl.com/sourcing

Carbon reduction projects

We are mapping the biggest opportunities to cut carbon in our supply chain – identifying carbon 'hotspots'.

Dairy in the UK

We have worked with Promar International and ERM to calculate the greenhouse gas emissions from over 400 of our dairy farms who are members of the Tesco Sustainable Dairy Group (TSDG).

We aim to use this information to assess different farming practices and provide advice on emissions reductions at a farm level.

We have been working with the University of Liverpool, where researchers have been monitoring whether giving cows different food will improve their digestion and reduce methane emissions.

We are also running a pilot programme with the RSPB and 12 of our TSDG members to find ways to improve biodiversity on dairy farms.

You can see some more great work that we are doing with dairy farmers at www.tescomilk.com



Water stewardship

Water scarcity is an issue in several of the countries in which we operate and is a problem affecting some of our suppliers. Although water used in our supply chain far outweighs that in our direct operations, we believe it's important to manage our resources carefully and this year we carried out surveys of water use across the Group.

Strengthening water stewardship in our supply chain

Lake Naivasha is the second largest fresh water lake in Kenya. The surrounding area is a major exporter of cut flowers to Europe.

Various pressures such as a growing population and an increase in agriculture and horticulture are having significant impacts on biodiversity, water availability and water quality. Careful water stewardship is necessary to reverse the degradation of the lake and protect the communities that rely on it.

We are supporting the Lake Naivasha water stewardship project. Our funding and expertise is helping to raise the water levels and reduce water pollution. Educational programmes will promote more sustainable water management practices across the community including residents and farmers.



Building our team

Our people are our greatest asset: they are our ambassadors. Without great people we wouldn't be able to provide the best shopping trip for our customers.

Creating jobs

We employ more than 500,000 people around the world and are the largest private-sector employer in the UK. This year we increased the number of people in our team by 31,000.

We are committed to providing job opportunities in areas that really need it. This year we opened our 40th Regeneration Partnership store in the UK. These partnerships match up the needs of deprived communities with our development programme and create jobs and services for the community. Over the past 11 years our regeneration stores have provided over 13,000 jobs in total, with over 4,500 of them going to the long-term unemployed in the local area. And at our Riverside distribution centre in the US we provide opportunities for Veterans who are able to work, but are struggling to find it.

Diversity

We are proud to have a diverse business and we have always valued the benefits that diversity brings. We welcomed the aspirations of the Women on Boards ('Davies') Report on gender diversity that was launched this year. We have made significant progress in recent years in developing senior women. Since 2007 the number of female Directors at Tesco has increased by 45, an increase of nearly 76%, and women in senior management positions account for 31% across the Group as a whole. There are currently four women on the PLC Board (29%).*

You can find out more about our people promises online: www.tescopl.com/people

“ At Tesco I believe the focus must remain firmly on understanding what it takes to develop women and to retain them in senior positions ... We are totally committed to showing increased percentages of female leadership, explaining our progress and sharing our experience.”

Philip Clarke, Chief Executive

Training and development

We are committed to spotting and developing talent so that our staff, wherever they work, can fulfil their potential.

In July 2011, we opened our state-of-the-art training academy in Asia to help deliver growth for the region. We invested over £30 million in this zero-carbon academy and have already run the equivalent of over 10,000 training days. At the academy, our people are trained, mentored and connected with colleagues around the world, benefiting from technology-led learning.

We are also investing in the Tesco Academy Online, an internet-based training platform that will give more of our people access to inspiring training anywhere, anytime. We have already

carried out a pilot with 5,000 of our people across the business and plan to launch local versions in the coming year.

Championing the issues that matter

Our people across the business are integral to supporting our communities and making sure we meet our Community Promises. They have the opportunity to become champions of issues that they are passionate about. We have Community Champions who coordinate activities in their local communities, Ethical Champions who work with commercial teams to ensure our suppliers are supported and Green Champions who stimulate green activities.

Health and safety

We have qualified health and safety professionals in every operating market and every business to make sure that our stores and depots are safe places to work and shop. Senior directors lead on our health and safety management and Lucy Neville-Rolfe, Executive Director, Corporate and Legal Affairs, is our designated Director from the Executive Committee. Our teams are constantly working to improve safety performance. We have reduced the number of serious incidents in our business by almost 15% this year and continue to reduce the amount of work time lost through injuries year-on-year.

* April 2012.



Martin Behan
Area Director, Czech Republic
Martin joined Tesco in the Czech Republic in 2002 after he left high school and has progressed rapidly, taking on real responsibility early in his career. He left Tesco for a short period but soon returned realising this business gave him unique opportunities to grow and try new things. He has worked in a range of roles across different parts of our Czech business from small format stores to our new department stores and is now Area Director of Hypermarkets.

“ I think that having a mentor and sponsor who I met up with each month helped me to build my skills, understand the business and progress. It's an exciting place to work and I am challenged each day.”



Alice Kim
Regional Director, South Korea
Responsible for 17 of our stores in Seoul, Alice is the first female Executive at Tesco Homeplus. Over her career at Tesco she has excelled, balancing the demands of a busy family with her work commitments. She is an inspiration for other women in our South Korean business – a country where men have traditionally dominated management positions.

She welcomed the opening of our zero-carbon training academy this year. The high-tech facilities and zero-carbon credentials make it a positive place for our management to learn, develop and share knowledge and experiences.

“ Tesco is an incredibly diverse place to work. If you have the ability, passion and commitment you can progress, no matter who you are or where you come from.”



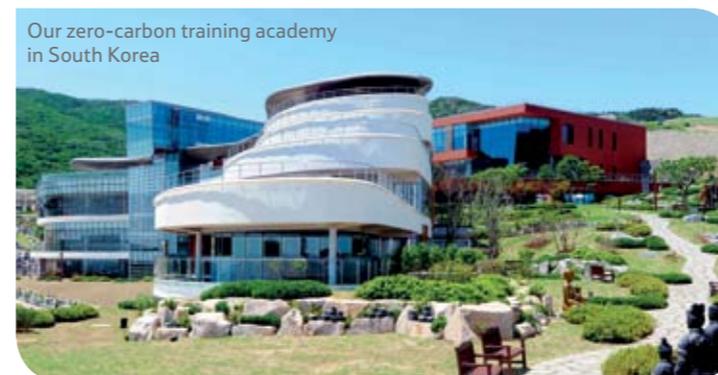
Jo Frith, MBE
Regeneration Partnership Manager, UK
Jo was awarded the MBE in the New Year's honours list in recognition of the amazing work that she has done with Tesco to help get long-term unemployed people back to work.

She began her career at Tesco over 30 years ago. It was clear from the start that she has a wonderful way with people and so she moved from checkouts to a staff training role and then became a Personnel Manager. She had great support from her immediate team and was given the opportunity to gain formal qualifications.

She has coordinated 15 of our Regeneration Partnerships, supporting over 1,500 people back into work and making a difference to families in areas where there are limited opportunities.

“ Our Regeneration Partnership programme provides much needed jobs that give a real boost to local communities, enabling growth and improving life for generations to come.”

Watch our video about our Widnes Regeneration Partnership store www.tescopl.com/widnes



Actively supporting local communities

We play a vital role in local communities providing good quality, affordable food and often much needed jobs.

Over
750
Community
Champions

Our stores live and breathe in the heart of communities. We cater for all walks of life – everyone is welcome at Tesco.

Our people in the community

We have over 750 Community Champions who help maintain and improve our relationship with local communities. They spend the majority of their working week with community groups such as schools, hospitals and local charities supporting them on a wide range of projects.

For example, our Community Champion at our Bulwell Extra store and 30 members of the team worked with children and teachers at the primary school across the road from their store to create four new gardens.

Education and schools

We can make a big difference for the future of our communities by providing support for educational programmes and initiatives.

In South Korea, for example, we have 113 Schools of Extended Education. Our 6,300 instructors teach over 400 courses such as well-being, art and English to our one million members.

In Turkey, 38,000 young students have learnt about climate change through our Tomorrow's Footprint programme and our Family Clubs provide our 60,000 members with educational opportunities.

In the US, through our Shop for Schools programme, we give participating schools \$1 for every \$20 spent in our stores. Over \$4 million (£2.5 million) has been raised by schools since the program first launched in 2009. Following this success we trialled a similar scheme in Turkey and plan to expand this work in the coming year.

We are entering our 21st year of Tesco for Schools and Clubs. Since Computers for Schools was launched in 1992, we have donated £185 million to schools and clubs around the UK.

TESCO Bank

Financial Education Partnership

We know how important it is for young people to learn how to manage their money; therefore over 100 of our experts at Tesco Bank volunteer to go into schools in Scotland and North East England to help teach students about basic finance skills.

Using our skills to support the community

Listening and being sensitive to local concerns helps us build good relationships with the communities we serve. We are keen to understand local issues and how we might offer our support to help the community thrive. For example, we have a store in Cricklade, Wiltshire, where the community were in desperate need of additional parking facilities in the town centre. Building a new car park was a big financial commitment for the local town council and they asked if there was any way we could help. We offered our support and worked with the Town Council to minimise their costs by providing project management, quantity surveying and architectural services free of charge.

Charitable work

In difficult economic times supporting communities becomes even more important.

This year we donated over £74.5 million to charities and good causes through direct donations, gifts in kind, staff time and management costs.

We supported staff and customer fundraising events to raise over £10 million including:

- £185,000 raised to support cancer charities in the Czech Republic and Slovakia through Run for Life; and
- over £100,000 donated by our customers in Thailand to help those affected by flooding.

We also give charities the opportunity to organise collections outside our stores. This year the British Legion collected £3.8 million.

I would like, on behalf of Cricklade, to thank Tesco for all its help in enabling the car park to be built, an outcome of which is expected to be a welcome knock-on effect on the vibrancy and regeneration of the High Street."

Councillor David Tetlow
Chairman, Cricklade Town Council

www.tescopl.com/communities

Responding to the floods in Thailand

In October 2011, Thailand suffered its worst floods in 70 years. The flooding had a great impact on the local communities and we provided much needed support: giving people access to food; donating resources; and partnering with the Red Cross.

Access to food

We worked tirelessly to keep our stores open and improved access to them so that people could feed their families. Our staff put the community first, even with their homes devastated by the flooding they gave up days off and travelled to work by boat.

A major challenge was getting products to our stores as distribution routes were disrupted. In response we set up temporary distribution hubs and used trains and planes to secure deliveries from Malaysia, China and Vietnam.

Donations and relief bags

We donated almost £500,000 to a total of 40 hard hit provinces. We gave over 50,000 relief bags containing essential products such as rice, water, instant noodles, fish sauce and canned fish. We also donated seven rescue boats, 15 emergency toilets, and 500 blankets to evacuees in shelters.

Food and shelter for the hardest hit

We supported flooding shelters in three provinces by setting up kitchens to feed over 3,000 people.

Disaster relief

We work closely with the Red Cross to support their relief efforts across the world. In 2011/12, we donated a total of £100,000 to the Japan earthquake and Tsunami, the East African food crisis and the earthquake in Turkey.

c.£500,000
donated



Making sure our customers could access our stores

Helping people living with dementia across the UK

This year we raised £7.5 million* for our UK Charity of the Year, the Alzheimer's Society and Alzheimer Scotland, smashing our £5 million target and making it our biggest-ever UK partnership.

We know that many of our staff and customers have friends and family affected by dementia. By hitting our target, we can help over 100,000 people access one-to-one advice through the dementia community roadshow, and fund 28 dementia support workers to reach another 10,000 families.

We hope to make an even bigger difference by using funds raised to support the work of new research looking for treatments and cures.

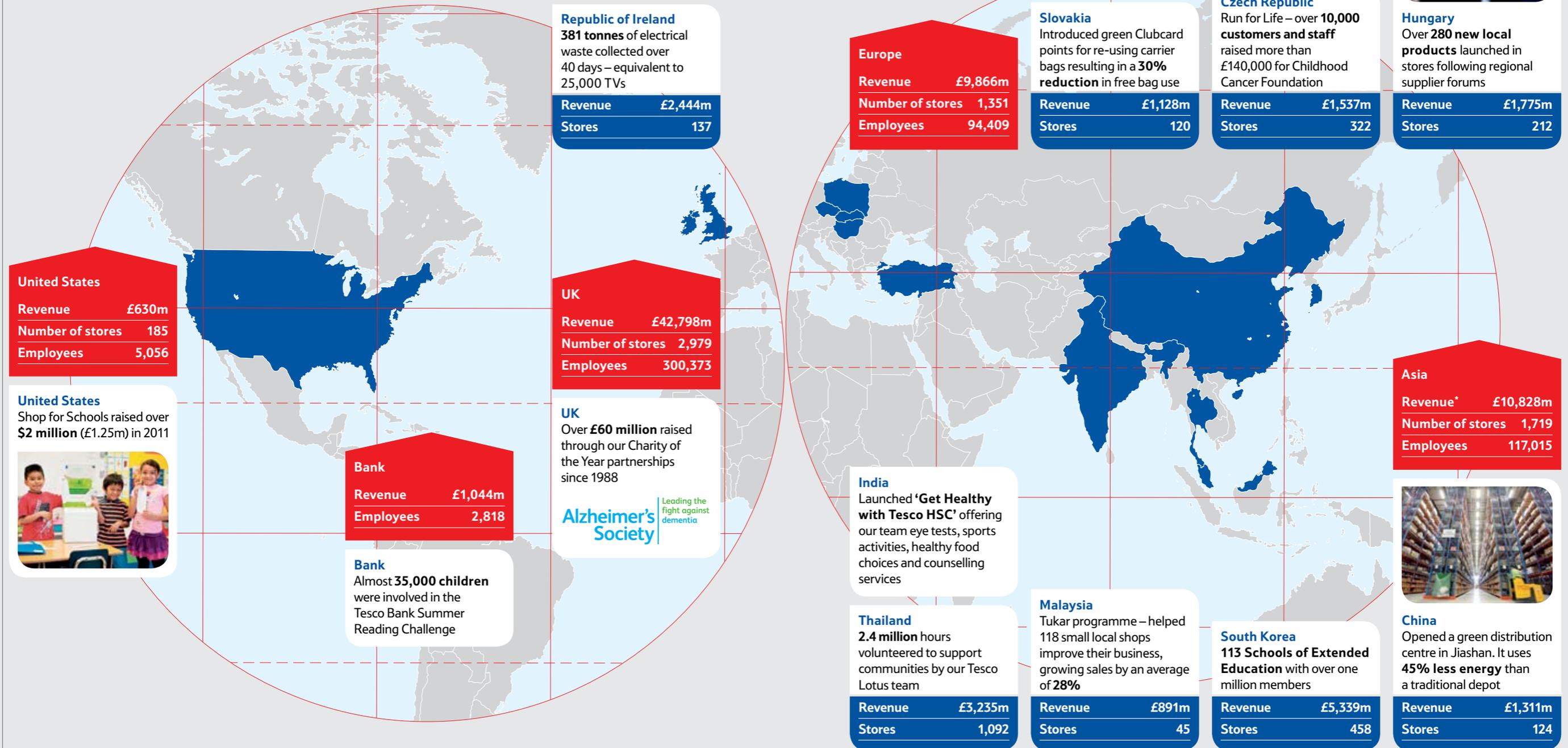


Our dementia roadshow

* Includes all money raised in 2011/12 some of which was banked after the close of the financial year.

Community activity around the Group

Headquartered in the UK, we employ around 520,000 people, and operate over 6,000 stores worldwide. This map gives a few examples of the work that we are doing across our markets to meet our Community Promises.



* Total includes revenue from our exclusive franchise agreement in India with Trent, the retail arm of the Tata Group.

Managing our responsibilities

Throughout the year we listen to stakeholders – customers, staff, suppliers, experts and other groups who are interested in our business – to find out what issues are important to them and how we can become a more responsible business. Page 28 shows some of the many ways that we do this from Customer Question Time events to supplier and staff Viewpoint surveys. Our in-country and Group teams review the progress we are making against our Community Promises and identify any issues so that we can act.

Sustainability Committee

Lucy Neville-Rolfe, Executive Director, Corporate and Legal Affairs, chairs the Sustainability Committee. This Committee is made up of Senior Executives from across our regions and business units. They meet on average four times a year to review performance against our sustainability and corporate responsibility targets, develop our corporate responsibility strategy and policies, and review risks and opportunities.

Corporate Responsibility Committee

In February 2012, we created our Corporate Responsibility Committee. It comprises four independent Non-executive Directors, and is chaired by our Non-executive Chairman, Sir Richard Broadbent. The Committee is responsible for defining and overseeing the Group's corporate and social obligations.



Review
Once a year our teams – in every country and at a Group level – review all the customer and stakeholder research that has been conducted over the year.

For example our customer research tells us a range of things from local concerns that vary from country to country to broader issues like:

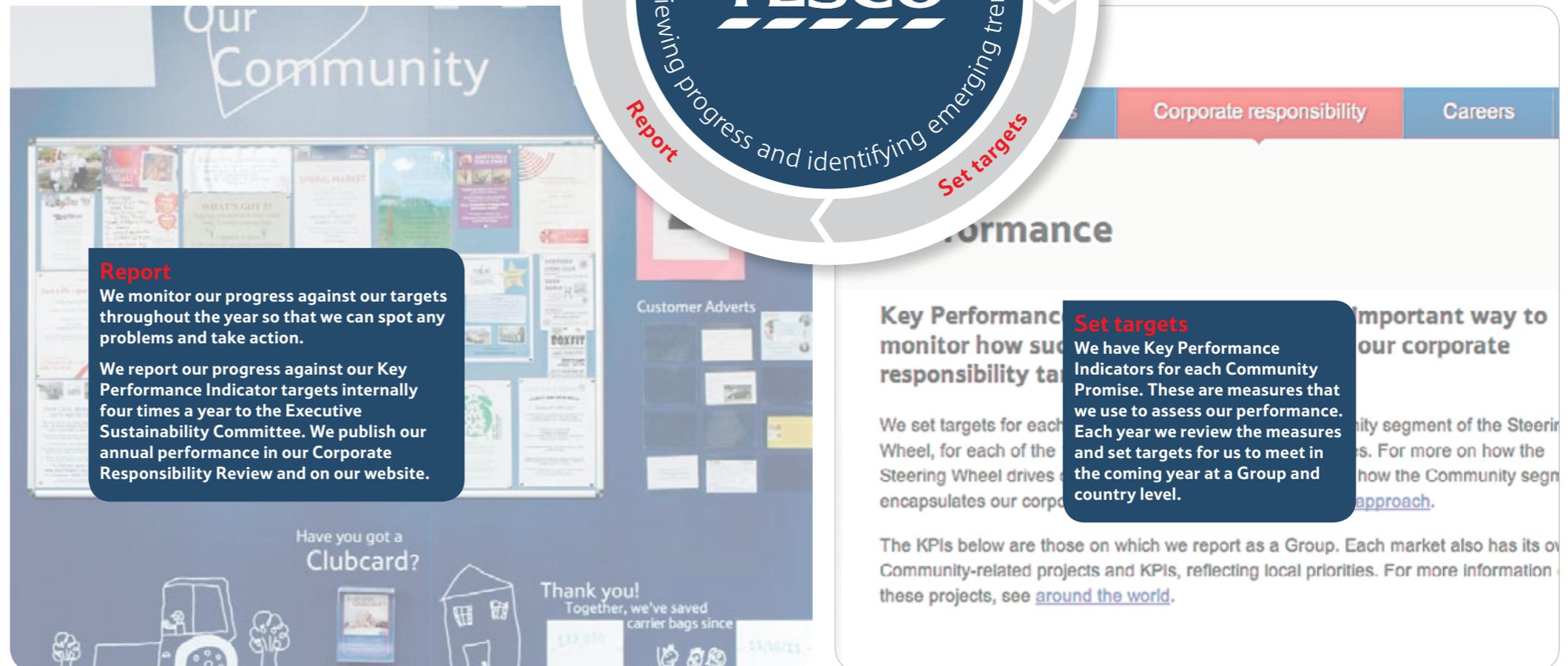
- the rising cost of living;
- the importance of providing good jobs; and
- the importance of supporting local suppliers.

Customers expect us to be active in their local community and often cite education and help for disadvantaged young people as causes that we should be supporting.



Develop
The review phase guides the development of Community Plans. These plans are developed annually in each country. They provide focus and allocate additional resources for key projects that address issues of particular concern for customers and stakeholders in that country. These projects help make a real and relevant impact to communities.

Our Group team works closely with our in-country teams to share best practice.



Report
We monitor our progress against our targets throughout the year so that we can spot any problems and take action.

We report our progress against our Key Performance Indicator targets internally four times a year to the Executive Sustainability Committee. We publish our annual performance in our Corporate Responsibility Review and on our website.

Set targets
We have Key Performance Indicators for each Community Promise. These are measures that we use to assess our performance. Each year we review the measures and set targets for us to meet in the coming year at a Group and country level.

The KPIs below are those on which we report as a Group. Each market also has its own Community-related projects and KPIs, reflecting local priorities. For more information on these projects, see [around the world](#).

Informing our strategy

To make sure that we know what matters to our communities we go to great lengths to listen to all our stakeholders and respond to their feedback. What we hear helps us to develop our strategy, plan our community activities, respond to concerns as they arise and look for opportunities to do more.

Customers



We have a range of ways of listening to customers such as our Customer Question Time events, special focus groups, home visits, surveys and ongoing research trackers. Our loyalty programme, Clubcard, is also a key tool.

“I have been impressed with Tesco’s willingness to reach out to others, including the Ethical Trading Initiative, in the past year to hear different points of view, help build their thinking and promote collaborative efforts.”

Peter McAllister
Director of the Ethical Trading Initiative

Our team



To make sure that we make Tesco a great place to work, we listen to our people through:

- our anonymous annual staff Viewpoint survey;
- staff appraisals, which can be used to identify what is working well and what isn't quite on track; and
- ad hoc feedback via a range of channels. In the UK this year we ran a programme called Listen & Fix where staff suggested improvements that could be made to all areas of the business.

Investors



- Senior management and our dedicated Investor Relations team meet and brief investors frequently.
- Lucy Neville-Rolfe, Executive Director, Corporate and Legal Affairs hosts presentations twice a year for Socially Responsible Investors.

Industry



To make a difference we need to work with others in our industry to tackle important issues and accelerate progress.

We work with a range of industry bodies such as the Consumer Goods Forum and the Institute of Grocery Distributors (IGD).

We co-chair the sustainability steering group of the Consumer Goods Forum.

Local communities



Wherever we are located in the world we want to be a good neighbour and play a positive role in the local community.

- Our Community Champions spend time in the community understanding local needs and how we can make a difference.
- Since 2007 we have had a commitment to consult with the local community each time we open a new Superstore in the UK. We now consult on Express stores too.

Governments and regulators

Wherever we operate we aim to work closely with central and local government on legislation that may impact our customers and staff.

This ranges from collaborating with the UK Department for Environment, Food and Rural Affairs to working with the Ministry of Commerce in China to share our expertise on reducing carbon emissions.



For the past ten years, Tesco has embraced Race for Life, with staff participation alone raising a staggering £7.8 million for our life-saving work. Now, we're delighted and excited to be Tesco Charity of the Year 2012, aiming to raise a further £10 million to help beat cancer through early diagnosis and detection. By working together, this partnership can make a significant contribution towards our research, helping to ensure that many more people survive cancer in the future.”

Harpal Kumar
Chief Executive, Cancer Research UK

Non-governmental organisations and charities

We learn a huge amount from working with a range of NGOs and charities from the RSPB to Mary's Meals. They help us to develop our strategy and identify key issues that we need to address.

Suppliers



We work with suppliers large and small. Our commercial teams regularly speak to suppliers, often on a weekly and sometimes daily basis.

Our suppliers answer an annual anonymous Viewpoint survey. This allows suppliers to tell us how they feel about working with Tesco.

We have also introduced networks such as the Knowledge Hub so that suppliers can share best practice and work together.

Academic institutions



We have committed £25 million to create the Sustainable Consumption Institute (SCI) at the University of Manchester. Their research includes looking at climate change, consumer behaviour and technology innovations across the supply chain.

In September 2008, we launched the Tesco Dairy Centre of Excellence, in collaboration with the University of Liverpool. The Centre offers expertise in cattle health and welfare, and we run training courses and forums for our farmers so they can learn from each other and share information.

We are members of the Centre for Sustainable Road Freight Transport, set up by Cambridge University and Heriot-Watt. The Centre will work with industry to develop practical environmental and operational improvements in the distribution sector.

Where to find out more

This review includes some of the highlights of our corporate responsibility work. It goes hand in hand with our website where you can find out more about particular projects and areas of interest.

Our business

Our Annual Report tells you more about what we do, our governance, operations and financial performance
www.tescopl.com/ar2012

Our Community Promises

Find out more about the five pillars of our corporate responsibility strategy – our Community Promises:

- Buying and selling our products responsibly
- Caring for the environment
- Actively supporting local communities
- Providing customers with healthy choices
- Creating good jobs and careers

www.tescopl.com/community-promises



www.tescopl.com/corporate-responsibility

Sourcing responsibly

Find out more about how we work with our suppliers online and also look at how we are approaching individual areas of interest including:

- Water scarcity
- Fairtrade
- Animal welfare
- Sustainable sourcing of commodities
- Seafood

www.tescopl.com/sourcing
www.tescopl.com/tradingfairly

Carbon management

Find out more about how we are tackling climate change and measuring our impact including:

- Our carbon footprint and independent assurance statement
- Carbon reduction in the supply chain
- Carbon reduction in our distribution network
- Energy efficient buildings

www.tescopl.com/climate-change

People

Find out more about how we create good jobs and careers and our people policies including:

- Rewards and benefits
- Pensions
- Inclusion
- Health and safety

www.tescopl.com/people

Health and wellness

Find out more about our work on helping customers make healthy choices including:

- Healthy eating
- Getting active

www.tescopl.com/healthy-choices

Key Performance Indicators

This year's performance and next year's targets can be found on pages 8 and 9. Our performance over time is available online

www.tescopl.com/performance

Local community activities

We have a page dedicated to the community activities in each of our markets

www.tescopl.com/countries

Partnerships and industry body memberships

- We co-chair the sustainability pillar of the Consumer Goods Forum: sustainability.mycgforum.com
- Ethical Trading Initiative: www.ethicaltrade.org
- Sustainable Consumption Institute: www.sci.manchester.ac.uk
- Other partnerships www.tescopl.com/partnerships

Our carbon footprint

Business growth is compatible with tackling climate change – provided it's low-carbon growth. Significant global carbon reductions are an urgent necessity, and the fastest way to achieve them will be by replacing high-carbon activities with lower-carbon ones.

We have a dedicated climate change team who monitor and manage our carbon footprint across the Group and work with in-country teams to calculate and report our carbon performance. The sustainability consultancy ERM has provided independent external assurance on our global direct carbon footprint (expressed as total direct carbon dioxide equivalent emissions and percentage breakdown by emissions source).

Our global direct carbon footprint in 2011/12 was 5.66 million tonnes of CO₂e. We continued to decouple our business growth from the growth in our carbon emissions: while our net sales area grew by 9%, our carbon footprint increased by only 5%.

This year impressive refrigerant gas leakage reductions were delivered in the UK, the Republic of Ireland, Malaysia, Poland and Thailand.

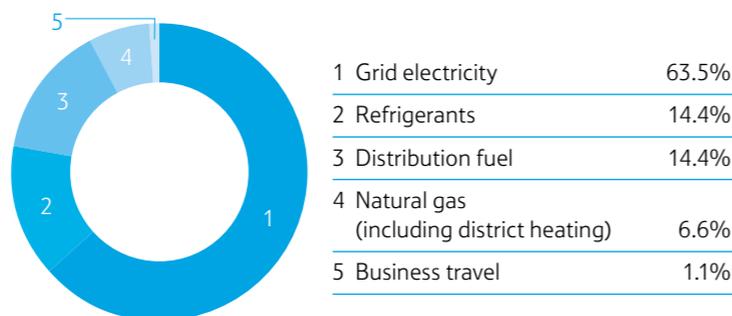
Our global direct carbon footprint is measured in carbon dioxide equivalent, or CO₂e. Different greenhouse gases have different effects on the climate, and CO₂e is a way of standardising the global warming effect of these emissions.

Total carbon footprint by market 2011/12

Country	Tonnes CO ₂ e
China	442,000
Czech Republic	239,000
Hungary	232,000
India	18,000
Republic of Ireland	199,000
Malaysia	183,000
Poland	409,000
Slovakia	93,000
South Korea	518,000
Thailand	605,000
Turkey	118,000
United Kingdom	2,480,000
United States	123,000

For more information about how we calculate our carbon footprint, including reporting standards, our definition of direct emissions, the current emissions factors and ERM's independent carbon assurance statement, see www.tescopl.com/carbon-calc

Total carbon footprint by source 2011/12



Awards

Here is a selection of the awards that we have won in 2011/12.

Top retailer in Carbon Disclosure Project's Global 500 index.

CARBON DISCLOSURE PROJECT

Carbon Award at the Guardian Sustainable Business Awards 2011.

Gigaton Award for our work on emissions reduction in the supply chain.

FTSE4Good Index. In March 2012 we achieved a rating of 95 out of 100 in this responsible investment index.

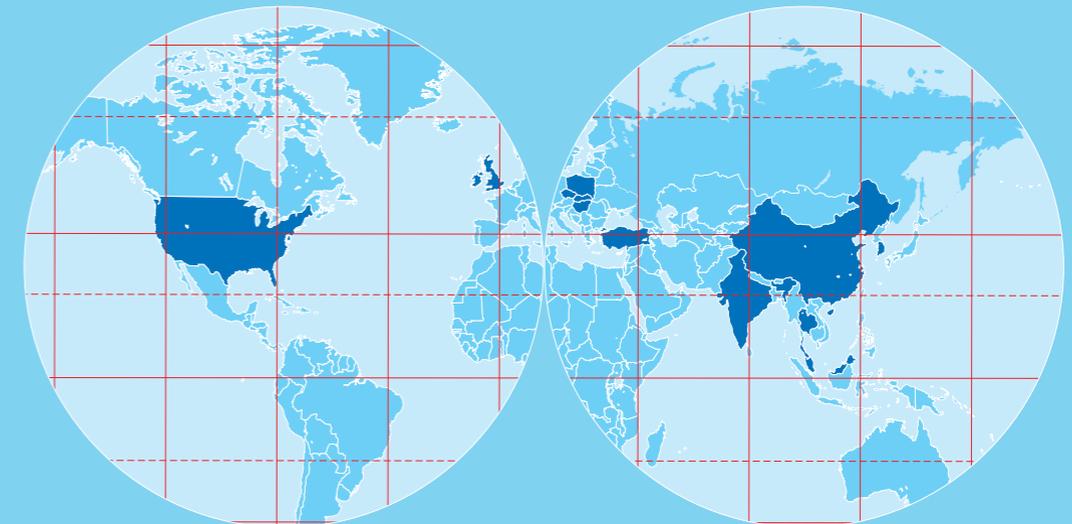


Dow Jones Sustainability Index. We have been listed in this responsible investment index since 2008.



Platinum status in the Business in the Community Corporate Responsibility Index since 2007.

Highly commended at the Grocer Gold Awards in the Green Retailer of the Year category.



China – Jiashan distribution centre awarded the 'Green Supply Chain Award' by The Global Supply Chain Council in China.

Czech Republic – Award from the Energy and Environment project for the Jaromer zero-carbon store.

Hungary – Best Corporate Responsibility Report at Good Awards 2011.

South Korea – Most Admired Company for two consecutive years.

Voted South Korea's best loved brand in July 2011.

Poland – Most ecological supermarket brand for the third year in a row in Reader's Digest European Trusted Brand list.

'Campaign of the Year – local communities' in the Stevie's International Business Awards for Tesco for Schools.

Slovakia – Second largest corporate donor 2011 in Top Corporate Philanthropist competition.

UK – Environmental Initiative of the Year award at the national Air Conditioning and Refrigeration show for our ground-breaking cool air refrigeration system at our Marlborough store.

Tesco Distribution (UK & Rol) awarded the RoSPA Gold Award 2011 for Health and Safety for a second year.



Designed and produced by
CONRAN DESIGN GROUP

This Report is printed on Revive 100 Pure White Silk paper which has been independently certified on behalf of the Forest Stewardship Council® (FSC). The inks used are all vegetable oil based.

Printed at Pureprint Group Ltd, ISO14001, FSC certified and CarbonNeutral®

