

Corporate Social Responsibility

Review 2001/02





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Introduction

by Chief Executive Terry Leahy
Section 1



Welcome to the review of our business's achievements in the UK in the area of Corporate Social Responsibility (CSR). The Review sets out our approach to CSR and how we implement it in practical ways, drawing on the strengths of our business.

Our Core Purpose and Values define the way we do business. This creates the culture and environment in which all four parts of our strategy continue to deliver strong results, and define our responsibilities to our customers and employees, and to the communities where we operate. The four parts of our strategy, strong UK core business, non-food, retailing services and international, are delivered through the Tesco Steering Wheel, our business planning tool which sets our objectives each year.

Corporate social responsibility reflects our Values - **'treating people how we like to be treated'**.

As such, we recognise our responsibility to communities and to the environment wherever we operate. Our philosophy of **'Every Little Helps'** underpins these wide-ranging responsibilities – we recognise that we cannot change the world, but we can do our bit and so play our part.

We strive to attract and retain the best people to work for us by offering support and development, reflecting another one of our Values, **'look after our people so they can look after our customers'**. This lies at the heart of our business strategy.



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The principles of sustainable development are in keeping with our policy, serving the present needs of our customers, employees and communities without compromising the needs of future generations. We endeavour to achieve the highest standards in order to ensure long-term access to quality produce and to maintain our position as the UK's No.1 supermarket.

Corporate Social Responsibility makes sound business sense. The key to our approach is our integrated business system, where environmental and social performance is managed alongside financial performance. This means we have a year on year programme of focused action to drive improvement.

The information in this, our first CSR Review, is an important part of our commitment to Corporate Social Responsibility. It illustrates the steps Tesco takes to contribute to the communities we serve, whilst outlining some of the achievements we have made through our CSR programme during 2001/02. I hope you will find it informative and we would welcome your feedback on the Review.



Terry Leahy
Chief Executive, Tesco PLC

Feedback

We welcome your feedback on the Review. Feedback is used to improve how we communicate and what we do each year. We are particularly interested to hear your views on how easy it is to use, clarity, content, and on our programme.

If you would like to make any comments please send them by email to: **CSR.team@uk.tesco.com**, or write to the Corporate Social Responsibility Department, Tesco, Tesco House, PO Box 44, Delamare Road, Cheshunt, Herts, EN8 9SL.



Profile and Scope

Section 2

Principal Activity and Business Review

The principal activity of Tesco is the operation of food stores and associated activities in the UK, Republic of Ireland, France, Hungary, Poland, Czech Republic, Slovak Republic, Thailand, South Korea and Taiwan.

A review of the business is contained in the Annual Review and Summary Financial Statement 2002, published separately. Tesco has 729 stores in the UK. The group operates in 10 countries with a total of over 979 stores internationally. We employ 260,000 people, serving a population of 60 million in the UK and a total population of 280 million internationally.

During the last five years, we have expanded from our traditional UK supermarket base into new countries and into new products and services, including Tesco Personal Finance and Tesco.com - the world's leading online grocer.

Business Strategy

Tesco has a rolling 5 year business plan. Our long-term growth strategy has four elements:

- **Strong UK core business**

Our UK business is based on our obsession of getting it right for customers. We continue to offer great value, bring new innovations and grow market share.

- **Non-food**

We are extending our brand into non-food. We now have over 4% market share and are developing a good one stop shop for customers.

- **Retailing services**

Retailing services are a great opportunity for us to bring new services to the customer. We have developed the best grocery home shopping system for the customer and Tesco Personal Finance offers great products at good prices.

- **International**

Our strategy of building an international business of scale continues to gain momentum. We have

made good progress in all markets and now operate 102 overseas hypermarkets. We are on track to have the same overseas as in the UK in 2003.

Tesco Annual results for the UK business for the 52 weeks ending 23 February 2002

UK Figures

- UK sales up 9.1% to £21.7 billion.
- UK operating profit up 10.3% to £1.23 billion, pre-tax.
- Tesco is the largest private sector employer in the UK, employing 195,000 people in the UK.

We estimate that we probably pay somewhere in the region of 50% of our profit in various direct and indirect taxes, such as corporation tax, rates, National Insurance contributions and climate change levy. Our business activities, including being the largest private employer in the UK, mean we are a major contributor to the UK economy at a national and local level.

Scope

The Tesco CSR Review for 2001/02 covers the UK business - this represents over 85%* of our business to date. Our international business operations will be featured in future Reviews, as we develop.

Our CSR policies outlined here apply to the UK business and supply chain unless otherwise stated.

* The UK business represents 85% of the Group's turnover and employs 75% of our staff.



Executive Summary

Section 3

The Corporate Social Responsibility Review 2001/02, outlines the key achievements of the UK business in the financial year ending 23 February 2002. It has been produced to give further detail than that already contained in the Annual Report 2001/02.

For the full set of financial results please see our Annual Report 2001/02. This contains detailed information on the company's performance.

The review was written with reference to the Global Reporting Initiative (GRI), DEFRA (UK Department of Environment, Food and Rural Affairs) Environmental Reporting Guidelines, and with consideration to the Association of British Insurers (ABI) Guidelines on Disclosure of Social Responsibility.

Our CSR strategy is to earn the trust of our customers by acting responsibly in the communities where we operate, by maximising the benefits we bring and working to minimise any negative impacts. We deliver this through a programme of practical community based and customer focused activity, which we monitor and evaluate annually. CSR is a win-win for our business and the communities where we operate – we aim to have a positive impact on society. By building good will and trust with our customers we can earn their lifetime loyalty – our core purpose.

The CSR Group, a cross functional team from across the business, sets annual Key Performance Indicators to drive improvement to help us achieve our goals. We listen to all our stakeholders and try to take into account the comments they have about our activities. We track public attitudes to Tesco and benchmark our performance against that of our competitors. We actively seek dialogue with our customers and staff through a daily schedule of customer question times and staff panels at local store level. Their feedback helps us focus on and deliver what customers want and understand better their expectations of us.

Our CSR strategy is backed up by a clear programme of practical activity.

See pgs 18-20 for the Summary Table of our performance in 2001/02

Highlights

Our key environmental achievements in 2001/02 were:

- Further improvement in energy efficiency - saving over £8 million and offsetting the cost of the climate change levy, introduced last year.
- UK Emissions Trading Scheme – Tesco was one of only 43 blue chip companies to actively participate in the scheme. We have voluntarily committed ourselves to save over 74,000 tonnes of greenhouse gases over 5 years. The money saved - £3.9 million, will be reinvested in further energy saving initiatives.
- Reducing water use in store by 10%, trial on collecting and reusing rainwater in Pontypridd and Bridgend stores to conserve water and reduce costs.
- Continued improvement in recycling of secondary packaging waste – saving the equivalent of 1.2 million trees and significant landfill charges and packaging waste costs.
- Continued roll out of improved merchandising systems in store – 4% increase in the use of reusable green trays for sending products into stores, replacing the equivalent of 46,000 tonnes of cardboard.
- Launch of customer focused recycling programme – mobile phones, Christmas cards and carrier bags were added to the existing store recycling facilities of paper and glass.



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- Launch of biodegradable packaging trial on organic fruit to reduce waste and respond to customer concerns over packaging on organic produce.
- Biggest organic foods retailer in the UK with the launch of a range of over 1000 products. Announced £1 billion sales target for organic products by 2006.

Our key achievements in the community were:

- Most successful year for Computers for Schools in its 10th year, having donated over £70 million worth of ICT equipment over 10 years. Record number of participating schools in 2001 - 66% of UK schools now participate in the scheme.
- Through staff fund raising and Tesco Charity Trust we raised over £2 million for Alzheimer's Society and Alzheimer Scotland Action on Dementia, who together were our Charity of the Year 2001.
- Maintained our membership of the BITC PerCent Club, donating more than 1% of our pre-tax profits - over £12 million to good causes.
- Opened a further two regeneration stores - in Dragonville, Co Durham and St Rollox, Glasgow following Leeds Seacroft last year. The two schemes created a total of 1,050 new jobs of which 371 new deal or long term unemployed local people were given training.
- Launched the Tesco Teaching Masterclass programme at Harper Adams for undergraduates, farmers and producers.
- Over 7000 regional food products stocked in local stores.

Our key achievements as an employer were:

- Talent Spotting - 800 members of staff promoted into managerial positions.
- Diversity - attracting people from different backgrounds; school leavers, graduates, postgraduates, returners and mature people, eg. one in four of our employees are over 50.
- Recruitment - launched Tesco Careers website in 2001 - the UK's biggest retailing careers website - to attract the best people to work for our business.
- 59,000 people transferred to a defined benefits pension scheme this year.

Recognition of our achievements 2001/02:

- Business in the Community (BITC) Impact Endorsement Award for Computers for Schools.
- Financial Times BITC 'Programme Impact Award' for Innovation for Leeds Seacroft Regeneration Partnership.
- 5 awards for the St Rollox, Glasgow Regeneration Scheme.
- 3 awards at Recruitment Advertising Awards, including the overall winner.
- At the New York Film Festival, Tesco won a Gold Award for our Pensions Video under the Worldwide Corporate Film category.
- Constituent of the FTSE4Good Index.
- Featured in the 2001 Business in the Environment 6th Annual Survey, ranked 2nd in sector, 22nd in the FTSE100 and 36th overall.



Vision and Strategy

Section 4

Our Corporate Social Responsibility policy objective is to earn the trust of our customers by acting responsibly in the communities we serve. This means recognising our impact on society at all levels and working to maximise the benefits we bring, whilst minimising the impacts.

Our Core Purpose and Values

Our Core Purpose and Values define the way we do business, how we treat our customers, our people, each other and our suppliers. They help to define our responsibility to the communities where our business operates.

All aspects of the Tesco strategy reflect our Core Purpose:

“To create value for customers to earn their lifetime loyalty”

The way we do things at Tesco is defined by our Values:

No one tries harder for customers:

- Understand customers better than anyone
- Be energetic, be innovative, and be first for customers
- Use our strengths to deliver unbeatable value to our customers
- Look after our people so they can look after our customers

Treat people how we like to be treated:

- All retailers, there's one team...The Tesco Team
- Trust and respect each other
- Strive to do our very best
- Give support to each other and praise more than criticise
- Ask more than tell and share knowledge so that it can be used
- Enjoy work, celebrate success and learn from experience

Sustainable Development

The principles of Sustainable Development fit with our policy, serving the present needs of our customers, employees and communities, without compromising the needs of future generations.

We strive to achieve the highest standards in order to ensure long-term access to quality produce and to maintain our position as the UK's number one supermarket.

Corporate Social Responsibility makes sound business sense. The key to our approach is our integrated business system where environmental and social performance is managed alongside financial performance - sustainability in action. An example of this is our commitment to the Marine Stewardship Council (MSC), set up by the World Wildlife Fund (WWF) to investigate ways to conserve fish stocks throughout the oceans of the world.

Tesco is a member of the WWF95+ Group who are committed to finding ways of conserving the world's forests by sourcing from well managed sustainable forests.

The Tesco approach to Sustainable Development in developing new stores focuses on our construction techniques, materials and processes. Examples of this include significant reductions in the quantity of steelwork and concrete in the construction of our latest concept stores and the replacement of traditional brickwork and blockwork with composite sandwich panels. Both of these have dramatically reduced the amount of embodied energy used in the construction of our stores and also represent our overall approach to store design, minimising the capital costs at the same time as ensuring the business develops using sustainable methods of construction.



Policies

Section 5

The CSR strategy corresponds with the Tesco Core Purpose and Values. We aim to set robust policies backed by a comprehensive programme and to communicate these effectively.

We have a key accountabilities matrix which sets out the respective responsibilities of the departments and Directors for each area.

We have divided our policies into three sections, Economic, Social and Environment in accordance with GRI Guidelines. Although we have divided our CSR policies into these categories, many of them, such as regeneration, straddle all three areas.

Economic Policies

Section 5.1

Corporate Governance and Risk Management

Tesco is committed to high standards of corporate governance. To read the full statement of 'Application of Principles of the Combined Code' please go to pages 7-9 of the Tesco Annual Report and Financial Statements 2002.

In the UK, Tesco has established a cross-functional Corporate Social Responsibility Group under the Chairmanship of the Group Corporate Affairs Director to discuss key and emerging issues, monitor and track progress against targets and implement plans. The objective is to protect and promote the brand and consideration of risk is an integral part of the CSR Group's function. The Chairman reports annually to the Executive Board on strategy, and quarterly with the rest of the business on progress towards achieving the CSR key performance indicators (KPIs). Environmental, social and ethical issues are incorporated into risk analysis at each level.

Business Ethics

Tesco is committed to conducting business in an ethical and socially responsible manner.

This relates to all aspects of our business, treating employees, customers, suppliers and shareholders in a fair and honest manner and ensuring that there are constant and open channels of communication. This is in keeping with our Values of **'treating people like we like to be treated'** and **'trust and respect each other'**.

Tesco has a Code of Ethics for its staff which includes a policy on the receipt of gifts. Tesco has a confidential telephone helpline. It is for anyone who wishes to raise concerns relating to alleged criminal offences, failure to comply with legal obligations, miscarriages of justice, health and safety issues, damage to the environment and concealment of any of these issues.

Political and Charitable Donations

Contributions to community projects and to charity, including gifts in kind, amounted to £8,983,000.

Tesco does not make political contributions. During the year 2001, the Group made contributions of £3,200 spread equally in the form of sponsorship for events at political conferences.



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DTI Code of Conduct

The Department of Trade and Industry introduced a Code of Conduct regulating trading relationships between the four largest UK supermarkets and their suppliers in 2001.

Tesco already abides by the key principles of the Code and has always made it clear that it fully supports it. Our Buying Teams have been trained in accordance with the Code of Conduct, and this will be reviewed annually in line with DTI requirements.

See pg 23 for an explanation of how our Supply Chain Works.

Regeneration

Our regeneration schemes aim to bring together public services, employers and community groups to yield social, economic and environmental change in deprived urban areas.

They are based around the development of a new store to serve the local community. By investing in these areas we hope to attract other companies to invest there too, thus bringing improvements in economic prosperity. In the last two and a half years, Tesco has forged 13 regeneration partnerships to deliver practical support creating better places to live and work and real prospects for a secure economic future.

See pg 24 for Regeneration case study.

Agriculture

As the biggest customer indirectly of UK agriculture, Tesco has a long standing commitment to source as much UK produce as possible where availability and quality permit.

We actively promote it to customers through clear and honest labelling, including using the British, Welsh and Scottish flags and by stocking over 7,000 regional lines in local stores.

Our announcement to grow the organic market to £1 billion of sales by 2006 included a challenge for UK farmers to help us meet the target by producing more organic produce. We are working with the NFU to see how this can be done practically.

We have a commitment to open and transparent communication with producers and suppliers and actively seek opportunities to share knowledge and improve transparency within the Supply Chain. We encourage the two way flow of information within the Supply Chain, for example through our suppliers' producer club meetings. We are committed to dialogue with representative farming groups.

As part of our commitment to UK agriculture, we have a policy of investing in agricultural research that supports the future of the UK food and farming industry and creates value for our customers.

See pg 23 for Communication in the Supply Chain case study, pg 22 for Tesco Centre for Organic Agriculture case study and for the FAI, our Animal Welfare initiative case study.



Social Policies

Section 5.2

People

We depend on the skills and commitment of our people. Staff at every level are encouraged to make their fullest possible contribution to Tesco success.

A key business priority is to serve customers better. Ongoing training programmes seek to ensure that employees understand the Group's customer service objectives and strive to achieve them.

The Group's selection, training, development and promotion policies ensure equal opportunities for all employees regardless of gender, sexual orientation, marital status, race, age, colour, ethnic origin or disability. All decisions are based on merit. Employees are encouraged to become involved in the financial performance of the Group through a variety of market leading schemes, principally the Tesco employee profit-sharing scheme, the savings related option scheme, Save As You Earn, SAYE, and the partnership share plan, Buy As You Earn, BAYE.

To attract and retain the best staff and support the Group objectives Tesco is committed to paying amongst the best rates of pay for store staff. All staff are entitled to the same benefits, including pensions, staff discounts, profit sharing, flexible retirement, career breaks and parental leave.

Above all, our commitment to live the Values - treating people how we like to be treated, working

together as one team, and looking after our people - are what make the difference.

Go to pg 25 for Living the Tesco Values case study.

Training and Development

We recognise that our staff are our best asset. We provide opportunities for all members of staff to develop their talents to the full, aiming to make Tesco an enjoyable and satisfactory place to work.

Tesco is committed to the education and development of its staff. We aim to create a culture of lifelong learning, driven by a training and development programme to help our people achieve their potential. 'Talent spotting' has been introduced to ensure that all our people are given the opportunity to develop within their existing role and are given realistic prospects for promotion on merit.

Go to pg 24 for the Life-long learning case study.

Diversity

Tesco aims to manage people openly, honestly and fairly.

We aim to employ people who reflect the diverse nature of society and we value people and their contribution irrespective of age, sex, disability, sexual orientation, race, colour, religion or ethnic origin.

Tesco has a policy of recruiting and retaining the best people to help the business grow for the future. We are a broad church recruiting people from different backgrounds and countries as they bring new ideas and innovation to the company.

We have four recruitment campaigns - the young, aiming to recruit school leavers and students. Graduates - we are the biggest graduate recruiter in the country, and we have recently expanded



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into post-graduate recruitment, being the first company to have introduced an MBA graduate programme. The mature market – we aim to recruit mature workers, for example 1 in 4 of our staff are over 50.

Four out of five applicants for jobs at Tesco are our customers. This helps us in our aim for our staff to be representative of the diverse mix of the local communities where we operate.

We aim to understand what potential employees want from work.

[Go to pg 25 for the Recruitment case study.](#)

Pensions Policy

We seek to give our employees the certainty and security for their retirement that they deserve, whilst trying to protect the group and its shareholders from open-ended liabilities.

To this end, and in stark contrast to many other employers, in the last year we have moved 59,000 employees who were on a defined contribution scheme onto a defined benefits scheme. This scheme is based on career average earnings, rather than final salary, so that each year, our people know exactly when their pension will be, and the company knows what liability it has to fund. In this way, we believe we offer an industry leading benefit to our employees, whilst allowing us to manage the groups exposure.

Performance Related Remuneration

Senior managers are rewarded through a performance related bonus scheme.

Managers only receive bonuses where the company has met its targets for the year. Bonuses are based on a sliding scale according to the level of achievement on the corporate steering wheel. At the end of each year, every KPI in the Steering Wheel is reviewed to determine whether the business has met its objectives, and this shapes the level of remuneration for senior management.

The CSR KPIs form part of the operations segment of the Steering Wheel.

Workplace health, safety and welfare

A safe place of work goes beyond legal requirements: it is about providing a safe working environment for our people and our customers. Good health and safety is good business.

The commitment to health and safety comes from the Board through our Health and Safety Policy, and they review the performance of the business on a regular basis.

Achieving our goals depends upon all our people working together. Managing health and safety successfully demands investment in our people through training, support and setting standards.

We strive to ensure that health and safety is fully integrated into the way we work. With over 195,000 staff and 12 million customers visiting our stores every week we take safety very seriously. To achieve our goals we constantly review how we are performing and seek improvements in the way we work to ensure the shopping and working environment is right for our people and our customers.

Supply Chain Labour Standards

The welfare and safety of the employees of our suppliers is important. We expect all Tesco suppliers to extend fair and honest dealings to their employees and to all whom they do business with.

It is our aim to act responsibly in our commercial and trading activities. We cannot claim to have all the answers to complex ethical or social issues. We aim to be good citizens, acting responsibly where ever we operate, and we will endeavour to meet our customers' expectations.



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Ethical Trading Initiative (ETI)

Tesco has been a member of the ETI since it was founded in 1998. We are committed to ensuring that the principles of the ETI Base Code on worker welfare are followed throughout our UK supply chain for our own Tesco brand products. Managing standards across our large and complex own brand supplier base is a challenge, but Tesco is committed to working with our suppliers to maintain, develop and improve standards.

[Go to pg 23 for the Supply Chain Standards case study.](#)

Community

In recognition of the importance of our role in the communities where we operate, we are committed to sponsoring community based projects that bring practical benefit to local communities.

We support projects and initiatives which benefit children, education, people with disabilities and the elderly in areas local to Tesco stores. We aim to be a member of the BITC PerCent Club, giving 1% of pre-tax profits to good causes.

Charity

Tesco Charity Trust

The Tesco Charity Trust was set up in 1987. The Trust aims to help local and national charities, as well as voluntary organisations to provide practical support for children, the elderly and people with disabilities. Donations from the Tesco Charity Trust are given to registered charities or organisations recognised by the Inland Revenue as having charitable status.



Tesco Charity of the Year

Each year, Tesco adopts a national charity with a strong community network to be the main focus for staff fundraising activities.

[Go to pg 24 for the Charity of the Year case study.](#)

Education

As one of the UK's leading companies, Tesco believes it has a responsibility to contribute to the capabilities of tomorrow's workforce.

By working in partnership with education, Tesco aims to build its local community reputation while making a real contribution to young people's learning and development. This is best demonstrated through our award winning Computers For Schools scheme, now in its 11th year.

[Go to pg 21 for the Computers for Schools case study.](#)

Healthy Living

The Tesco Healthy Living project supports a growing desire amongst our customers to lead a healthier lifestyle.

We aim to create the best Healthy Living product range so that we are the retailer customers trust to meet all their Healthy Living needs. We will promote 'Healthy Living for all', ensuring that a healthy lifestyle is accessible, affordable and appeals to all our customers. We will talk to our customers and staff about healthy living - through information, education and promotion in-store, and via events such as Race for Life.

[Go to pg 26 for the Healthy Living case study.](#)



Environment Policies

Section 5.3

Tesco is committed to protecting the environment, using its commercial strength to put principles into practice. Our standards apply to every aspect of our business and Tesco also asks its suppliers to adhere to many of these environmental practices.

Tesco Environment Policy

Tesco aims to apply the principle of sustainable development, meeting the needs of the present without compromising future generations:

- Tesco, its directors, officers and employees will at all times comply with all applicable laws and regulations relating to the environment.
- We will develop, maintain and implement policies, procedures and management systems to assess and monitor, on a continuous basis, the environmental impact of our operations. We will set targets annually in order to achieve continuous improvement. All senior management shall be responsible for ensuring compliance with the Tesco policy including the establishment of programmes and reporting requirements throughout their organisation.
- We will incorporate in our environmental practices the best available technology that is economically achievable. We will minimise the use of all materials and energy and not use any materials derived from endangered species. We aim to apply the principles of reduction, reuse and recycling to the management of our products and their packaging.
- This policy applies to our UK business and we are working to adopt these principles throughout our international business operations as we grow.
- We will communicate regularly with our stakeholders, including shareholders, staff, and customers, on matters of environmental policy and practices.

- Tesco is committed to reporting on its environmental performance through our web site.

Climate Change

Tesco fully supports the UK Government's commitments to the Kyoto protocol on climate change.

Tesco is committed to reducing its energy consumption and emissions of greenhouse gases responsible for climate change. We welcome the Government's initiatives to develop the renewable energy industry, and are actively looking at the possibility of using energy from these sources.

We recognise that climate change will have an effect on the availability of water resources in the future. We are committed to reducing our water consumption in stores and finding economically sound ways of achieving this.

Waste and Recycling

Tesco is committed to minimising the amount of waste produced and to recycle it wherever possible.

We have a comprehensive recycling programme for our own operations and for our customers. Secondary product packaging is kept to a minimum and recycled where possible. Paper, polythene and other consumable items used by Tesco, as well as some non-food products and consumer packaging, contain a proportion of recycled materials wherever possible. Tesco has its own recycling units, recovering paper, cardboard and plastic that would otherwise be consigned to landfills or incinerated. We are always looking for new and innovative



ways to minimise packaging, such as biodegradable packaging for organic fruit and our reusable green trays scheme to deliver products to store.

Our pioneering use of green trays won the Queen's Award for the Environment for 2000. Since then green trays systems have begun to be used throughout the food and retail supply chain, not just in Tesco. By sharing best practice in this way we have helped make other businesses more efficient and save thousands of tonnes of waste.

Go to pg 31 for Green Tray Use graph.

We recognise that we have a responsibility to encourage our customers to act responsibly as well and so have introduced a range of customer recycling initiatives and campaigns.

Go to pg 21 for Mobile Phone Recycling scheme case study and for Christmas Card Recycling scheme case study.



Biodiversity

All produce must be attractive to look at and good to eat. Tesco is determined that this is achieved through production practices which protect, and where possible enhance, the well-being and biodiversity of the environment.

Nature's Choice Code of Practice

Tesco developed Nature's Choice to help achieve this. All food production causes some disruption to the natural environment, but Nature's Choice is about identifying and adopting farming systems and practices which will lessen this effect.

The Code sets demanding but achievable standards of production with an Integrated Management Plan, incorporating the need for environmental protection and enhancement and the development and sustaining of biodiversity. A key element is developing a wildlife and landscape conservation and enhancement policy and action plan.

The Code covers the rational use of pesticides, fertilisers and manures, pollution prevention, protection of human health, efficient use of energy, water and other natural resources, recycling and re-use of materials, wildlife and landscape conservation and enhancement.

The Code was produced by Tesco Technical staff with ADAS Consulting Ltd.



Genetic Modification - GM and GMOs

Tesco has removed GM ingredients from all own brand products and has increased non-GM options for our customers by launching the largest organic range.

To address customer concerns about GM food, Tesco is committed to providing proper information and clear labelling so customers can make an informed choice when shopping. A survey of our customers confirmed that many of them are concerned about GM.

Tesco is seeking reliable sources of non-GM ingredients for our products, and of non-GM animal feed for our meat products.

Animal Welfare Policy

Tesco aims to be associated by customers with high standards of animal welfare and best industry practice in its supply base. We will do this by using up to date knowledge of animal welfare, ethics, scientific knowledge and legislation.

We are committed to devising and implementing Codes of Practice which ensure that the requirements of the Tesco Animal Welfare Policy are met in all animal husbandry systems. Tesco has a programme of independent animal welfare auditing to ensure the effective application of those Codes.

Tesco is committed to achieving an integrated supply base to allow, wherever possible, whole-life traceability. The range of Tesco animal welfare standards may extend to include the husbandry of animals that may not directly be used to supply food for customers, for example breeder stock.

Tesco Animal Welfare Policy endorses the 'Five Freedoms' concept proposed by the Farm Animal Welfare Council (FAWC).

We will continue to communicate honestly and clearly to our customers about the animal welfare standards under which our food is produced.



Management System

Section 6

The Tesco Steering Wheel

The 'Steering Wheel' lies at the heart of the company's business planning strategy. The Steering Wheel has four quadrants: People, Finance, Operations and Customer with each quadrant subdivided into segments.

We define the key deliverables to achieve our goals in each segment. This is a balanced approach to assessing business performance. In other words, by being customer-focused, striving to be more efficient in our operations, and keeping our people at the heart of all we do we get the right emphasis and so the finance will deliver itself.

The Steering Wheel is a diagnostic management tool helping us decide when adjustments need to be made to stay responsive to our customers and our people. The Steering Wheel is linked to every person's objectives, linking strategy to their day to day work and so making it meaningful.

Each segment sets the business priorities for the year ahead and is driven and monitored by Key Performance Indicators (KPIs), which set challenging but achievable targets for the business. Each KPI is backed by a sound business case, quantifying the benefits.

Go to pg 27 for the Tesco Steering Wheel.

CSR performance is incorporated into the Operations quadrant of the Steering Wheel, under the 'Support for the Business' segment.

KPIs are measured using a traffic light system. This system is simple, visual and transparent. Every department and store has a Steering Wheel on display showing whether they are on track or not. Where KPIs are not on track, action plans are put in place.

The KPIs are measured and reported quarterly to the Board to ensure the business is on track to meet its objectives. A summary report is sent to the top 2,000 managers in the company to cascade on to staff.

To ensure our Corporate Social Responsibility (CSR) policy is delivered, the CSR Group sets the CSR KPIs each year. The CSR Group is cross-functional involving all the stakeholders in the business brought together under the chairmanship of the Group Corporate Affairs Director. Responsibility for delivering specific KPIs is devolved to relevant business areas. Each store has its own individual Steering Wheel with specific deliverables.

At the end of each year, every KPI in the Steering Wheel is reviewed to determine whether the business has met its objectives, and this shapes the level of remuneration for senior management.

In this way CSR performance is integrated into the Tesco business planning system alongside other priorities. We believe that integrating environmental and social factors into everyday management is a good way of managing the triple bottom line effectively.

Verification

The CSR KPIs are set annually and progress is reported quarterly to the Board.

They form one part of the corporate Steering Wheel, the business planning tool used to implement change, set targets and monitor progress. The Group Steering Wheel is audited at a strategic level by the Group's auditors, Price Waterhouse Coopers (PWC).

Internal verification is carried out by the departments responsible for the individual KPIs using independent sources where possible, including market share data, independent surveys, utilities and services bills, and compliance schemes for packaging waste. Where these are not available, internal budget controls are used.



Performance

Section 7

KPIs

Each year, the Corporate Social Responsibility steering group sets Key Performance Indicators (KPIs) for the key areas where Tesco has or can have an impact. A full explanation of how the management and KPI systems work in practice is contained in Section 6 of this report.

The programmes aim to be challenging but achievable. The table below summarises our CSR performance in key areas during the 2001/02 financial year. They are divided into environmental and social key performance indicators. Some programmes are a year long, but some are longer term with anything up to an 8 year time scale. Consequently, for some the long term objectives have yet to be achieved and so are described as 'On Track' where achievements have been made in this current year, 2001/02. Programmes that have met their aims are 'Completed' and so described as such, where these have out performed they are described as 'Exceeded Expectations', and where programmes have not progressed, they are 'Under Development'.

| KPI's | Achievement | Under | On | Completed | Exceeded |
|--|--|-------------|---|-----------|---|
| | | Development | Track | | Expectations |
| Environment | | | | | |
| Energy Efficiency: 8 year programme to reduce electricity and gas consumption in stores per square foot by 35% by 2006. Go to pg 28 to see graph. | Achieved: 7.8% reduction in energy consumption in stores in 2001/02. On track to meet 2006 objective. Achieved through staff training and awareness campaign, by introducing energy saving initiatives in stores, replacing inefficient equipment, fitting energy saving devices, regulating the power supply. | |  | | |
| Fuel Efficiency Programme: Improve distribution fleet fuel efficiency by 3%, as part of an on-going programme to drive efficiency in our supply chain. Go to pg 28 to see graph. | Achieved: improvement in distribution fleet fuel efficiency of 2% using a new fuel management system called Isotrack. This saved 64,500 gallons of fuel last year, a saving of 750 tonnes of CO2. Since 1999 our fuel efficiency programme has saved 150,580 gallons of fuel and 1.8 million tonnes of CO2. | |  | | |
| Water conservation: reduce water consumption in store by 10% in 2001/02. Set up a trial in 2 stores to collect rainwater for non-potable use. Go to pg 29 to see graph. | Achieved: reduced water consumption by 10% in stores. Achieved by peer group reporting to highlight poor performing stores and to target mains leaks, using cistern dams and percussion taps. Trial underway to collect rainwater in Pontypridd and Bridgend stores. | | | |  |



The Tesco Corporate Social Responsibility Review 2001/02

| KPI's | Achievement | Under | On | Exceeded |
|---|--|-------------|---|---|
| | | Development | Track | Completed |
| Environment | | | | |
| Waste and Recycling Programme: Increase percentage of secondary packaging waste recycled to 70% and no. of green trays used by 5 million by year end 2001/02. Go to pg 30 to see graph. | Achieved: 69% of all cardboard and 80.5% of secondary plastic packaging waste recycled. This amounts to 173,889 tonnes of cardboard, 12,314 tonnes of plastic and 162 million green tray trips an increase of 6 million trays (green trays have replaced cardboard boxes for sending goods into stores). | | |  |
| Biodiversity Programme: 60% of fresh produce suppliers sign up to Nature's Choice Code of Practice. Go to pg 32 to see graph. | Achieved: 60% of suppliers signed up to Nature's Choice code of practice. Nature's Choice is a Code for growers that covers environment, habitat, wildlife and good agricultural practice. | |  | |
| Develop new stores on brown field sites: 80% of new stores and extensions to be developed on brownfield sites. | Exceeded: 90% new stores and refits development programme built on brown field sites. Brownfield sites are areas of land that have been previously used for development. These sites often need clearing and improving environmentally prior to development. | | |  |
| Organics Aim: To be No. 1 UK supermarket for organics. Measured by TNS market share data. | Achieved: No.1 UK retailer for organics, with of a total of 28% of UK market share. Biggest annual sales growth compared to competitors. Achieved by increasing the range to over 1000 products and improving the availability in stores. | | |  |
| 6 th annual BiE Survey of Business in the Environment Index 2001: To be in top 3 supermarkets. | Achieved: 2 nd by supermarket sector. 22 nd in FTSE100 and 36 th overall. | | |  |
| Social & Community | | | | |
| Training and Development: Aim: Introduce 'talent spotting' to ensure all our people are given the opportunity to develop for the future, to help Tesco achieve its customer service objectives. | Achieved: Promoted 800 of our people into managers last year and 60% of staff completed new training package. (Bronze, Silver, Gold) Programme is on track to deliver talent planning programme. | |  | |



The Tesco Corporate Social Responsibility

| KPIs | Achievement | Status | | |
|---|---|-------------------|----------|-----------------------|
| | | Under Development | On Track | Exceeded Expectations |
| Social & Community cont... | | | | |
| Employment opportunities: Aim: To create permanent new jobs as part of a sustainable growth strategy for the UK business as we increase the number of stores and sales floor area. | Achieved: Created 10,686 permanent new jobs last year. | | | |
| Staff retention: Staff turnover to be 18.5% or less for stores, 8% or less for distribution and 8.5% or less for head office, for all staff with more than one year's service. | Achieved: Met or exceeded aims for each of these figures - 18%, 7% and 8% respectively. | | | |
| Regeneration: Develop ongoing programme of urban regeneration partnerships. | Achieved: 3 partnerships completed in Leeds, Durham and Glasgow, delivering over 1,000 jobs to long term unemployed local people. A new programme is underway in Alloa, Leyland, Batley and Beckton. 5 further programmes announced, but subject to planning consent. | | | |
| Business in the Community PerCent Club: To maintain membership of PerCent Club by contributing 1% of pre-tax profits to the community. | Achieved: Contributions exceeded £12.2 million last year. | | | |
| Education – 'Computers for Schools' Programme: £70 million worth of equipment given to schools, 22,000 schools participate. | Achieved: £71.16 million worth of ICT equipment given to schools in 10yrs. 22,094 schools participated in scheme, the highest no. to date. | | | |
| Communication in the Supply Chain: Launch Supply Chain Masterclasses for Farmers and suppliers with Harper Adams University College and NFU. | Achieved: 2 Masterclasses run in 2001/02 on fresh produce and retail supply chain. 4 more planned for 2002/03, including regional organic masterclasses. | | | |
| Local Sourcing: Initiative to help local suppliers by marketing local products in store. | Achieved: 3,000 local lines and 7,000 regional food products ranged in local stores. Over 1,000 Scottish and over 500 Welsh lines. British local foods including Cornish clotted cream, cheese and early season new potatoes. Products clearly labelled with Scottish, Welsh and British flags, county name and where possible the farm where it was grown. | | | |
| Supply Chain Labour Standards: Develop and deliver training and awareness programmes to all Technical and Buying Managers on ethical issues. | Achieved: Training package on ethical trading developed and delivered to 25% of our Buying Managers, as part of a trial. SA8000 training delivered to 75% of Technical Managers. | | | |



Case Studies

Section 8

Our key successes are summarised in the Executive Summary Section of this Review.

The following case studies help demonstrate the range of our extensive programme and the benefits we can bring:



Case Study: **Mobile Phone Recycling Scheme**

In November 2001, Tesco launched the scheme to encourage customers to recycle old and unwanted mobile phones and help raise money for charity at the same time.

Our target is to recycle 1 million mobile phones. Special envelopes are available at Tesco stores and a donation is made of £5 to charity or £2.50 to charity and 250 Clubcard points, for every mobile phone recycled. Customers have the choice of three charities for the donation to benefit: Alzheimers Society, NCH, or the Cystic Fibrosis Trust. To date, the scheme has recycled 95,000 phones and raised £150,000 for charity.

The scheme has good environmental and social benefits. It is estimated that of the 4 million mobile phones replaced each year, only 5% are recycled and so many end up in landfill sites. The scheme reconditions the newer phones for use in developing countries, and where this is not possible the phones are broken down into their component parts for recycling and reuse, such as precious metals. In this way, fewer phones are sent to landfill, toxic metals are removed safely, benefiting the environment. The recycling

operation is carried out by XS Tronix.

Case Study: **Christmas Card Recycling Scheme**

Tesco teamed up with the Woodland Trust, the UK's leading woodland conservation charity, to encourage people to recycle their Christmas cards.

Recycling bins were put in stores during January and February 2002 and proved to be very popular. Tesco customers collected a fantastic 16.8 million cards, or 330 tonnes, the equivalent of saving over 2,310 trees. So, Tesco customers have not only saved trees, but also have reduced the amount of waste going to landfill sites and raised additional funds for the Woodland Trust to plant more woodland across the UK.

Case Study: **Tesco Computers for Schools** **The Tesco Computers for Schools scheme enables local schools to claim the latest ICT equipment, providing pupils with invaluable computer skills.**

In 2001, we celebrated a decade of Computers for Schools – the longest running schools' promotion. Since the start of the scheme Tesco has given away over £70 million worth of ICT equipment to over 22,000 schools across the country.

2001 was an extremely successful year, in which over 4,000 computers and 66,000 other items of computer equipment were given to schools. Over 1,500 new schools signed up to the scheme last year, bringing the total number of schools



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registered to over 66% of the UK's schools.

Greenside Primary School in Stevenage is a perfect example of how Computers for Schools helps local education. Greenside is a small special needs school that found, due to its size, it never received enough vouchers from pupils and their families. The school asked Tesco for help and we suggested a number of ways for them to try to increase the number of vouchers they collected, such as linking with local elderly homes and appeals on the local radio station. We also suggested that they apply for a Tesco Community Award. As a consequence, Greenside tripled the amount of vouchers they collected and won a Tesco Community Award, enabling them to get two new PCs, software and two new digital cameras.

Case Study:

Tesco Teaching Masterclass

Tesco and Harper Adams University College joined forces 2 years ago to set up the Tesco Teaching Masterclass – an innovative scheme that aims to develop high quality graduates for the retail and food supply chain sector.

This has resulted in the introduction of new retail modules and the opportunity for undergraduates to have a one-year paid sandwich placement with Tesco or one of our suppliers. Students gain unique access to the retail industry and an opportunity for graduate recruitment at the end of the degree. Tesco staff made 8 presentations to classes and conferences in the last year, and Sir Terry Leahy was the Guest of Honour at the Graduation Ceremony in 2001.

The Supply Chain Masterclass programme includes one-day seminars, for farmers and people from the food industry on agriculture and the supply chain. One of the most successful was the Organics Masterclass, organised to help producers understand the challenge of working together to

meet the growing demand for organic food in the UK. The event consisted of a series of talks from industry experts and was attended by representatives from all parts of the supply chain to discuss the challenges facing organic farmers and producers, to improve communication, and encourage a partnership approach within the industry.

Case Study:

Tesco Centre for Organic Agriculture

The Tesco Centre for Organic Agriculture based at Newcastle University, was set up to provide research, development support, advice and training for the organic food and farming industry.

The research aims to find solutions to the particular problems of organic agriculture that cannot be treated in conventional ways, such as pests and diseases, and to look at the viability and sustainability of large scale organic farming versus conventional techniques. The learnings will be shared with the whole agricultural industry as it is envisaged they will aid both organic and non-organic farmers.

Case Study:

Animal Welfare

Tesco sponsors the Food Animal Initiative (FAI) at Oxford University Farm, which is run on a commercial basis with the support of the University's research teams, particularly the Department of Zoology.

FAI aims to demonstrate that good animal welfare makes good business sense through the practical and commercial application of welfare systems, to share knowledge, and provide training for farmers and the food industry. FAI will also work on education programmes which aim to raise



awareness of food and farming. The research is non-invasive based on observing the behaviour of animals in their environment.

Case Study: **Supply Chain Labour Standards Training**

In 2001, we developed a new course for our Buyers to raise their awareness of ethical issues, the ETI and worker welfare.

The 'Buying with Your Eyes Open' training course was very well received. It was successfully trialed in our Fresh food team and will be rolled out to other commercial teams in the future. In addition, Tesco Technical Managers have been trained to SA8000 ethical auditing standards and in the principles of the ETI.

Case Study: **How our supply chain works**

It is a commonly held belief that Tesco buys food directly from farmers and primary producers. This is not the case. Customers buy products from Tesco which are either Tesco own brand or branded goods - such as Heinz, Coca Cola etc.

Tesco buys its own brand products from suppliers. All products are supplied to Tesco in a finished state, ie they have been washed, processed and packed prior to delivery to the Tesco store and so no processing is done by Tesco.

The suppliers buy the raw materials for their products from a variety of other suppliers or producers or growers or farmers and then process the product in some way to produce the finished product that Tesco sells.

So, the trading relationships are between Tesco and our customers and between Tesco and our suppliers, the latter of which are covered by the DTI Code of Conduct. Our suppliers have trading

relationships with their own suppliers who could be secondary suppliers, packers, processors or growers or farmers, i.e. primary producers.

So, Tesco does not buy directly from any primary producers, growers or farmers. That is why Tesco is indirectly the biggest customer of UK agriculture.

Take for example, liquid milk for sale in Tesco stores. Dairy farmers produce milk and sell it to a processor or dairy, who collect it from the farm and take it to a factory for processing. Here it is heat treated e.g. to produce pasteurised or UHT liquid milk. It also undergoes processing to meet legal and technical standards for example, to make semi-skimmed or skimmed milk, by removing some of the fats. The processor/supplier then packs the milk in retail pack sizes for customers, and then packs it for distribution to stores. The processor will then deliver the retail packs of milk directly to stores. Once it reaches the store, staff put the packs of milk on the shelves for customers to buy. So, Tesco buys retail packs for sale to customers from the processor/supplier, not from farmers or producers. Nor do we process the product.



Case Study:

Tesco Charity of the Year

With our staff we aim to raise at least £1 million per year for our Charity of the Year. Our past Tesco Charities of the Year have been Alzheimer's for whom we raised over £2 million, and in 2000, Macmillan Cancer Relief for whom Tesco raised over £3.2 million – the largest amount raised in a single year by one organisation for a charity.

Staff involvement is the key to the success of our Charity of the Year Initiative. For example, last year, our staff arranged a triathlon - 400 staff took part, in teams and as individuals raising a total of £500,000 for Alzheimers - the 2001 Charity of the Year.

The Tesco Charity of the Year 2002 is the Cystic Fibrosis Trust and Tesco staff throughout the year will be taking part in events and activities to raise funds. Tesco encourages staff fundraising for charity by adding a 20% top up from the Tesco Charity Trust to all the money they raise. This applies to the Tesco Charity of the Year as well as other local charities we fund raise for.

Case Study:

Regeneration

Through our regeneration schemes Tesco has restored derelict brown field sites in urban areas, often by cleaning up polluted land. The programme addresses the barriers to unemployment in the area, provides job skills training to local people and helps long-term unemployed local people get permanent jobs with Tesco.

Seacroft, Leeds was our first regeneration partnership culminating in the opening of the store in October 2000. The key to its success was understanding the barriers to unemployment in the area and tackling these. At Seacroft, it was access to child care facilities and local transport links. The Seacroft partnership involved Tesco, Leeds City Council, The Employment Service, East Leeds Family Learning Centre, USDAW, Asda St James (developers) and Quarmby Construction and created 500 jobs, including the employment of 243 long-term unemployed.

St Rollox in Glasgow opened in November 2001 following a partnership between Tesco, Glasgow Chamber of Commerce, Glasgow North, North Glasgow College, the local authority and USDAW. This created 600 jobs, 200 of which were given to long-term unemployed local people.

Case Study:

Life-long learning

We believe that all our staff - from warehouse staff or general assistants at the start of their career, through to our most senior managers - should benefit from the best support and training that we, as an employer, can provide.

It is essential that we develop all of our people to the best of their abilities. Our People Managers play a key role in ensuring that our staff understand how their individual performance and role supports Steering Wheel plans. Every person has a personal development plan to ensure that they have the skills to do their job and access to world-class training and skills development.



We are developing a new training and development scheme called 'Life-long learning'. It has been trialed in our Welham Green depot in partnership with USDAW and Hertford College. It provides the option of either on-line learning or facilitated courses. So far 25% of the employees in Welham Green have participated and it has improved motivation and employee relationships. It will be rolled out to four other distribution centres in the near future.

Case Study:

Our Commitment to Our People

Last year we launched a new way of communicating with all our people.

Each week, every member of staff has a 5 minute briefing - called

Team 5, carried out by their manager who has been specially trained.

We deliver 3 key messages for the week which could be about customers, staff or what is happening in stores.

This is backed up by posters in the staff areas of the store. The feedback from our staff is that this has really helped them understand how to keep up to date with the latest information. We support this with regular handover meetings of the management team, to ensure that everyone knows what is happening, and supported by a Steering Wheel meeting to review the store's performance each week.

We have set ourselves a target to reach all our staff every week, and we check how we are doing through our viewpoint survey, our annual staff survey. 65% of our staff say that they are getting Team 5 each week, and we aim to improve on that this year.

Case Study:

Living the Tesco Values

At the heart of everything we do at Tesco is the core purpose 'To create value for customers to earn their lifetime loyalty.' The way that we achieve this is by working by our Values. They shape and underpin everything we do.

To recognise and celebrate those who have shown examples of living the Values, we give Values Awards. One of our Values Awards winners was Lynn Mucklin, who works on the dairy section in our Hull store.

Lynn went far beyond the call of duty when she saved the life of a customer. Lynn raised the alarm when she realised that an elderly customer who shopped in the Hull store at the same time every week had failed to turn up. Lynn alerted the police who found the elderly lady collapsed in her home, where she lived alone. She has now made a full recovery and police told Lynn that her dedication to her job and quick thinking had saved the lady's life.

Case Study:

Recruitment

As part of our business strategy to serve customers better, we wanted to build our in-store pharmacy offer, but to do this we needed to recruit pharmacists.

Recruitment proved challenging and so we carried out research to understand what pharmacists wanted from their work. From this research we established that many pharmacists see themselves first and foremost as clinicians with patients and that they valued less the retailing part of their role. The irony of this was that Tesco



wanted to recruit pharmacists to fulfil the role of clinicians in store to give customers advice and so serve them better.

So we devised a visual recruitment campaign aimed at showing pharmacists that we wanted their skills as clinicians. By understanding what people want from work we applied the right marketing skills and so could recruit the right people for the business.

Looking forward

Tesco has already announced several new schemes that will be integrated into our CSR programme for 2002/03 and beyond.

Case Study:

Race for life

Tesco is proud to announce it is sponsoring Race for Life 2002.

Race For Life is a series of 100 events throughout the country where women of all ages come together to walk, jog or run 5km to help raise money for research into cancers that touch women's lives.

Working with Cancer Research UK, through Tesco stores and in the local community, we aim to help increase the number of women taking part from 160,000 in 2001 to 250,000 including 10,000 of our staff, and the amount of money raised from £9million to £12million. This follows our very

popular campaign last summer to promote the '5 a day' message to encourage people to eat fruit and reduce the risk of cancer.

Case Study:

Missing Child Initiative

Tesco will be working with the charity PACT (Parents and Abducted Children Together) and ACPO (Association of Chief Police Officers) to launch missing child posters in Tesco stores.

Posters will go up in over 700 Tesco stores around the country appealing for information on some of the thousands of youngsters who have been missing for many months.

Last year approximately 40,000 children went missing in the UK. Of those, 1,300 were still missing two weeks after being reported to the police – and almost half had been abducted. Experience shows that posters are one of the most effective ways of helping the public to help the police locate and retrieve missing children. With 12 million customers passing through Tesco stores every week, we hope to raise awareness of the thousands of missing children and help reunite them with their loved ones.

Case Study:

Royal Highland Education Trust

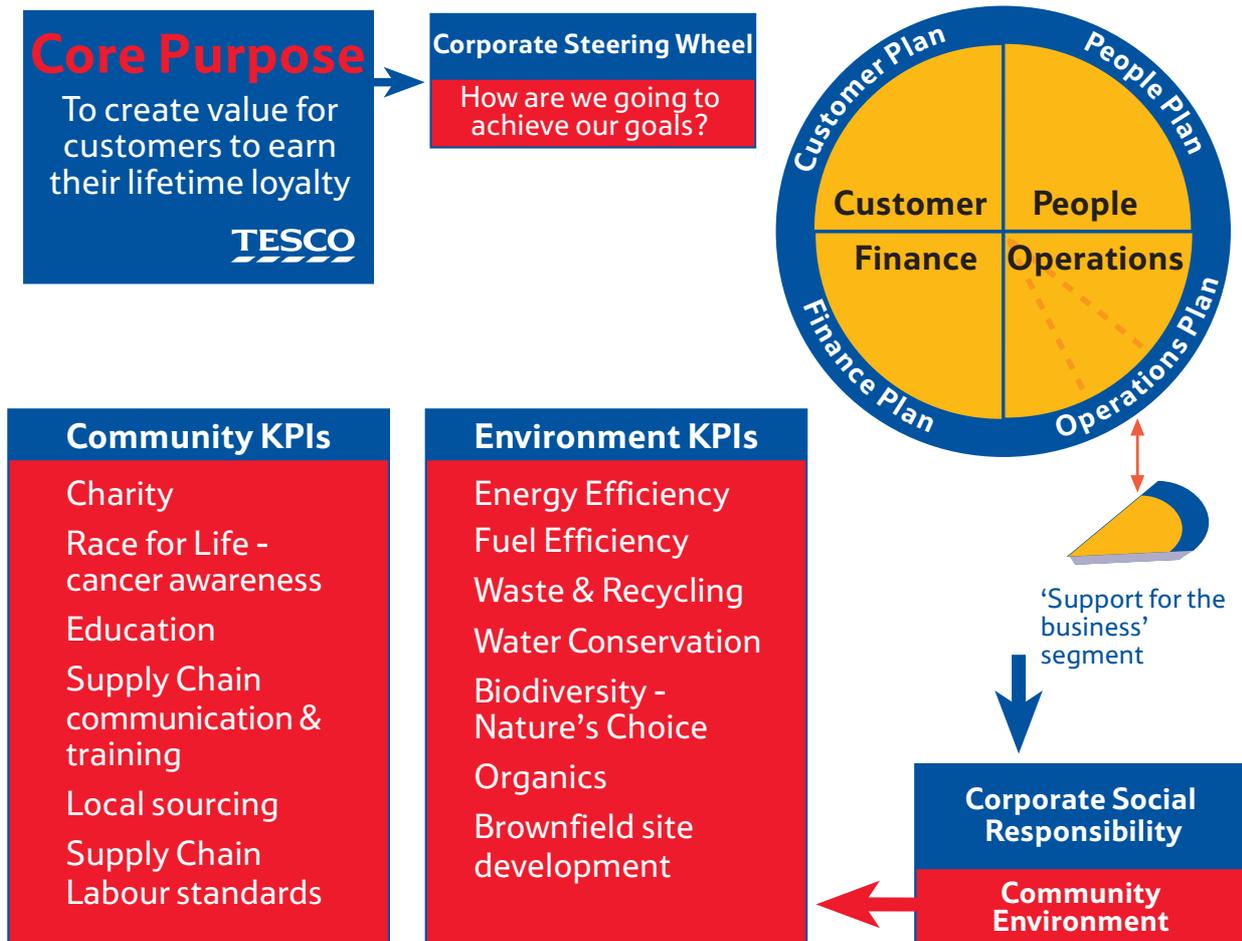
Tesco is sponsoring the 'Taking the Classroom into the Countryside' project with the Royal Highland Education Trust.

The project will give children living in Scotland the chance to learn first-hand about food production and farming - connecting the consumers of the future with their food and how it is produced.



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How Corporate Social Responsibility fits into our corporate business plan

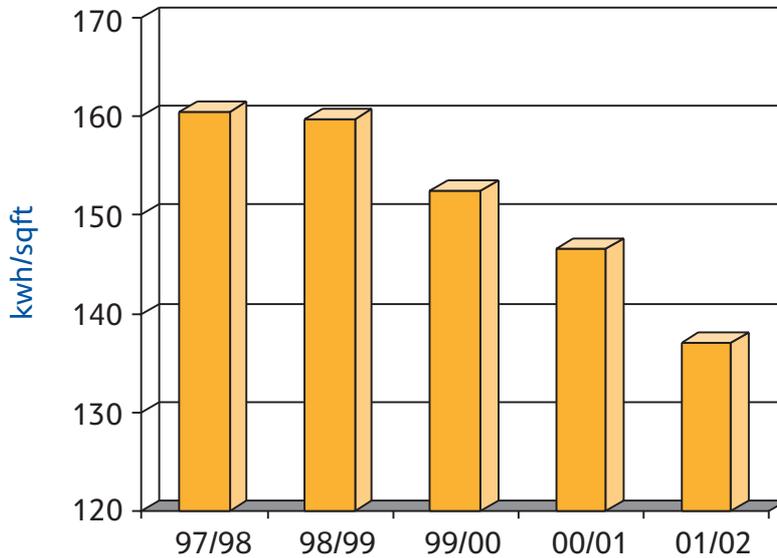


There are a series of KPIs within the other 3 quadrants of the Steering Wheel. For example, the people quadrants of the Steering Wheel. For example, the people quadrant contains KPIs on staff training, development, retention, morale, etc.



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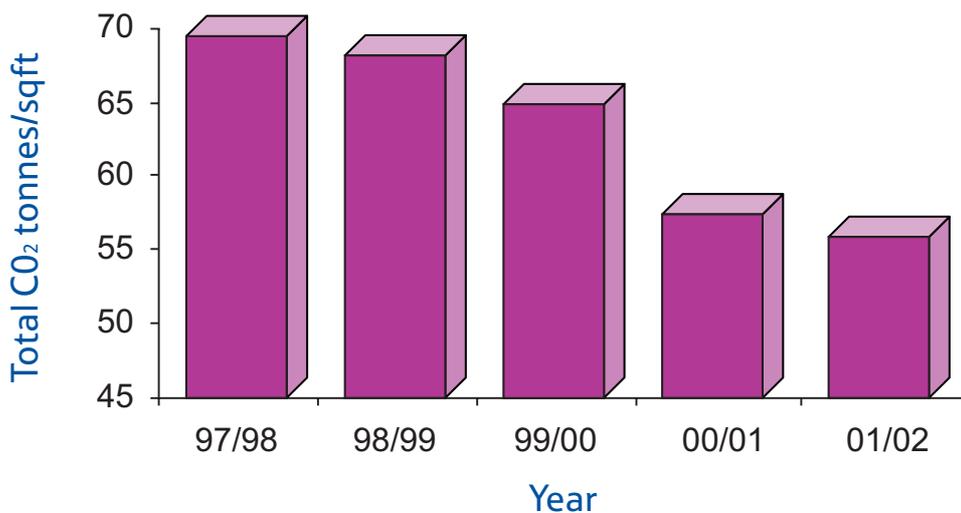
Total Energy Consumption (UK stores) - sqft/pa



Tesco aims to reduce its energy consumption in order to reduce carbon dioxide emissions, the impact on climate change, and reduce costs. We are on track to complete our 8 year programme to reduce our energy consumption per square foot by 35% by 2006.

Data for core business in UK.

Total CO₂ Emissions tonnes/sqft/pa

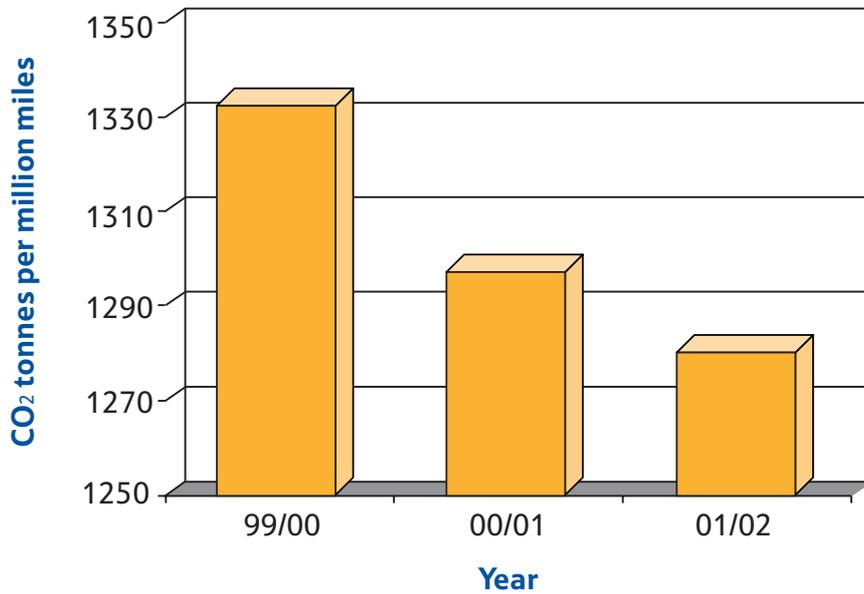


A key source of carbon dioxide is the burning fossil fuels. Carbon dioxide is generated through electricity consumption and from vehicle emissions. Our goals to reduce our energy consumption and improve fuel efficiency will reduce the volume of carbon dioxide generated per square foot on a like for like basis.

Notes: Data for UK. DEFRA conversion factor used.



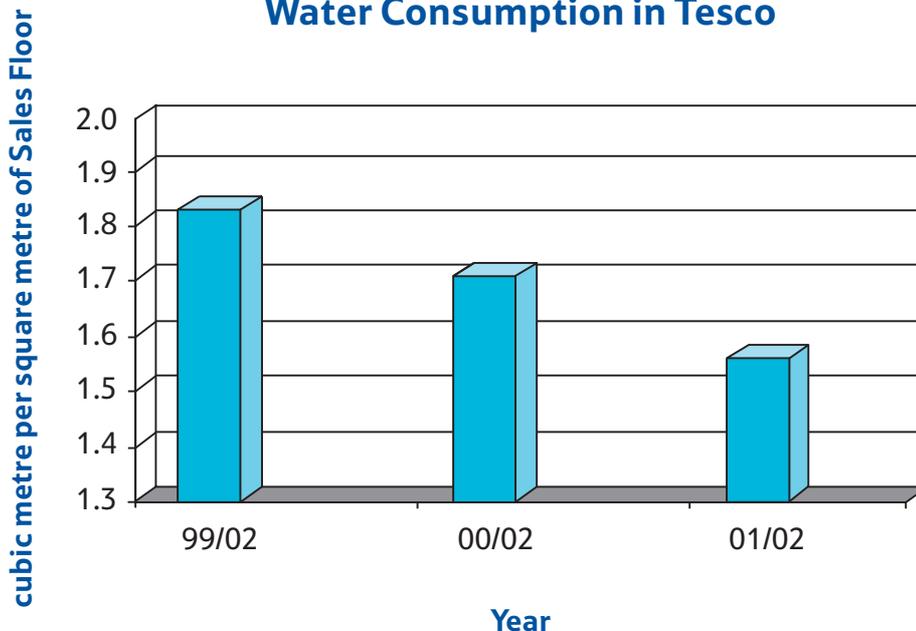
Tesco lorry fleet carbon dioxide (CO₂) emissions



Tesco uses large fleets of lorries for its distribution system between its depots and stores. Since 1999, we have improved the fuel efficiency of our fleet year on year. This has resulted in savings of 150,580 gallons of fuel and 55,257 tonnes of CO₂ per million miles travelled. In total, since 1999, our fuel efficiency has saved the equivalent of 1.8 million tonnes of CO₂.

Notes: Data for UK LGV distribution fleet only. DEFRA conversion factor used.

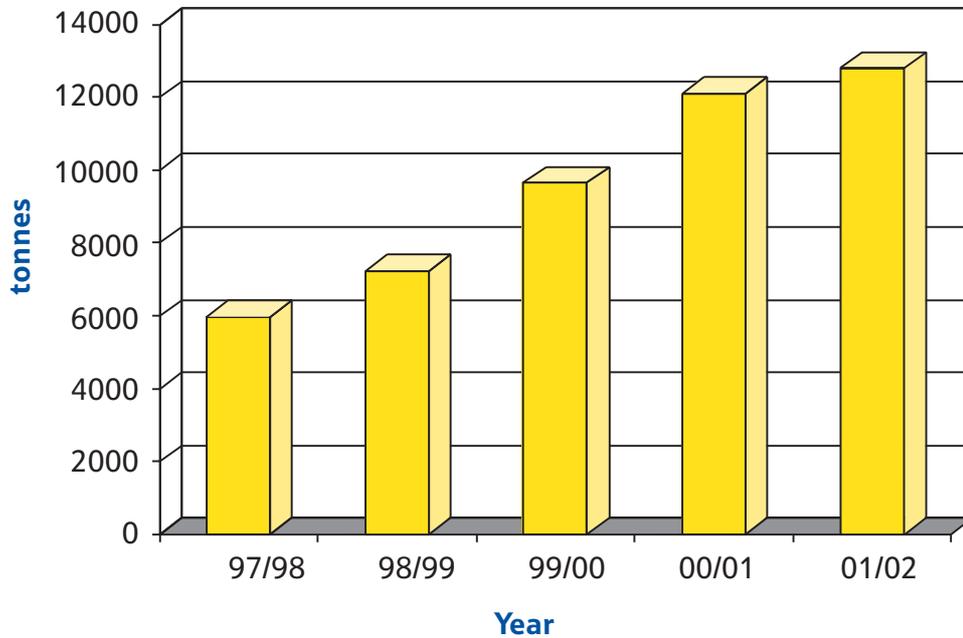
Water Consumption in Tesco



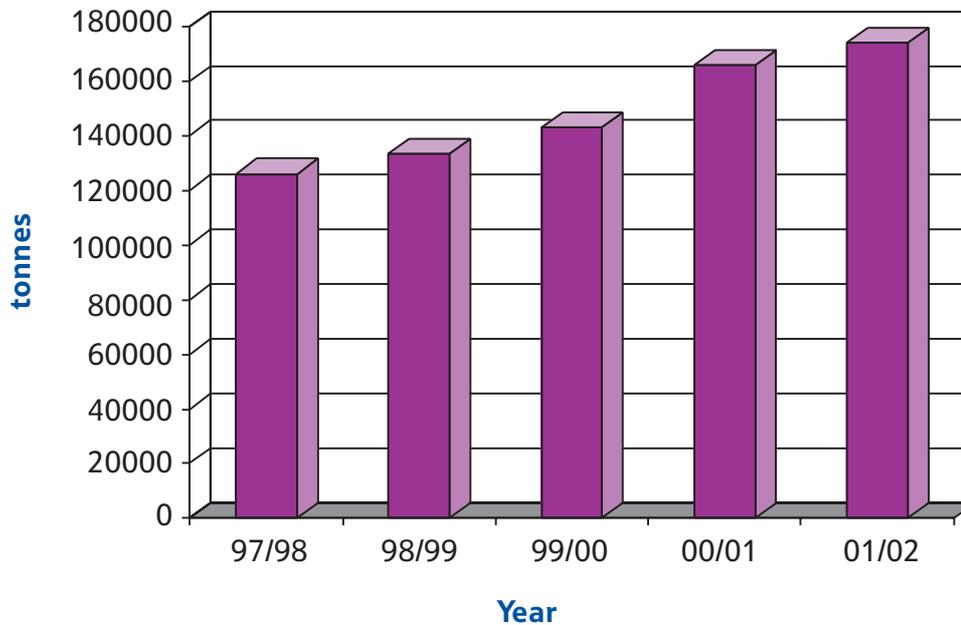
Tesco reduced water consumption in stores by 10% last year. Using water wisely is an important environmental initiative to reduce the overall impact of our stores as water will be an increasingly scarce resource. It has financial benefits by reducing store overheads. These savings form part of our step change programme and are reinvested to create value for customers and thus earn their lifetime loyalty.



Plastic Recycling (in thousand tonnes)



Paper/Card Recycling (in thousand tonnes)

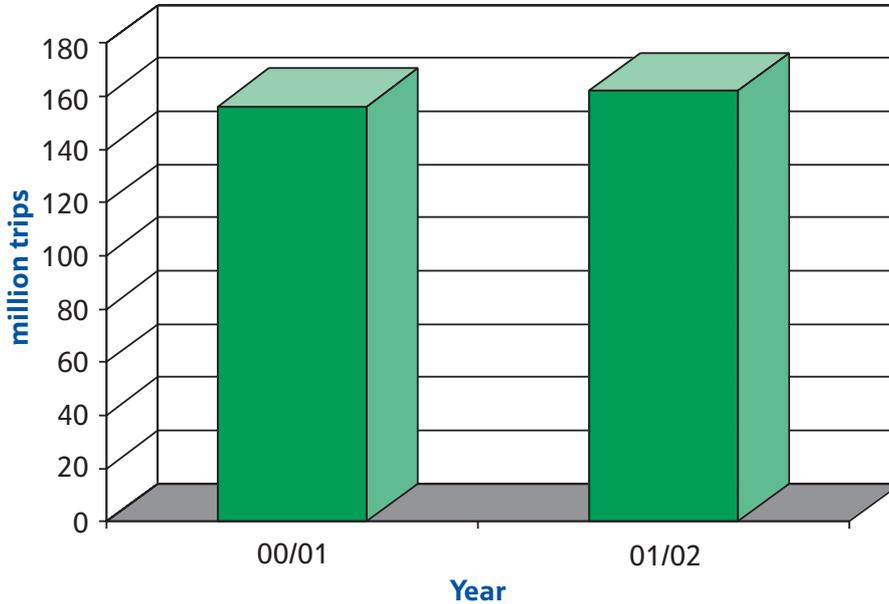


Last year, through recycling and waste minimisation programmes, Tesco reduced the amount of packaging used by replacing secondary packaging with green trays to transport goods to stores. We recycled 173,889 tonnes of cardboard and 12,314 tonnes of plastic from our own operations.

Notes: Data for UK only.

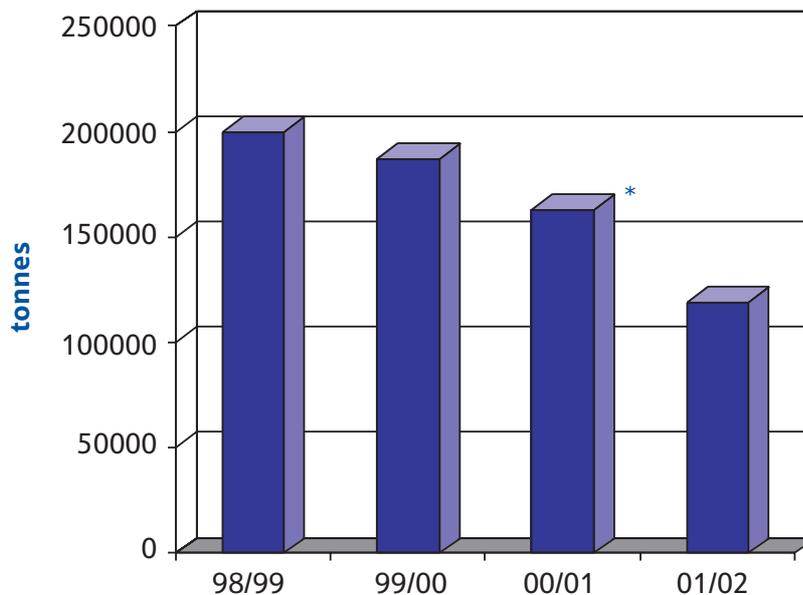


Green Trays



Our re-usable Green Tray scheme was incorporated into our distribution system to deliver products to stores. This saves secondary packaging and waste. Not only have the Green Trays replaced the cardboard boxes and other packaging that would have previously used, but they also reduce the amount of damage to products and thus product waste. This system has saved over 46,000 tonnes of cardboard a year - the equivalent of 322,000 trees.

Volume of Waste to Landfill (in thousand tonnes)



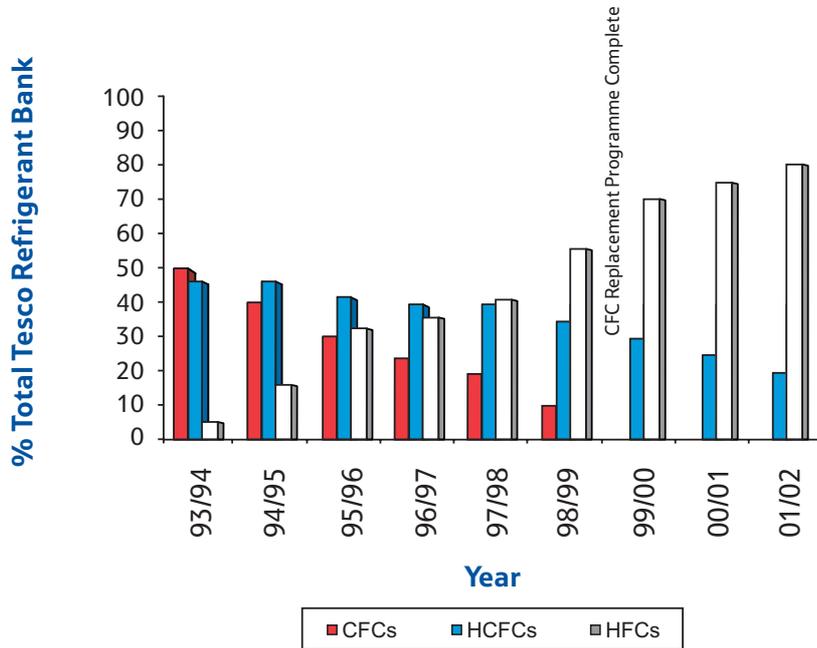
Since 1998 Tesco has reduced the amount of waste sent to landfill by 82,000 tonnes. This was achieved through initiatives to reduce the amount of waste put into the business by using more efficient merchandising units and green trays.

Note: Date for the UK business, based on budget figures.

** Figures for estimated waste to landfill*

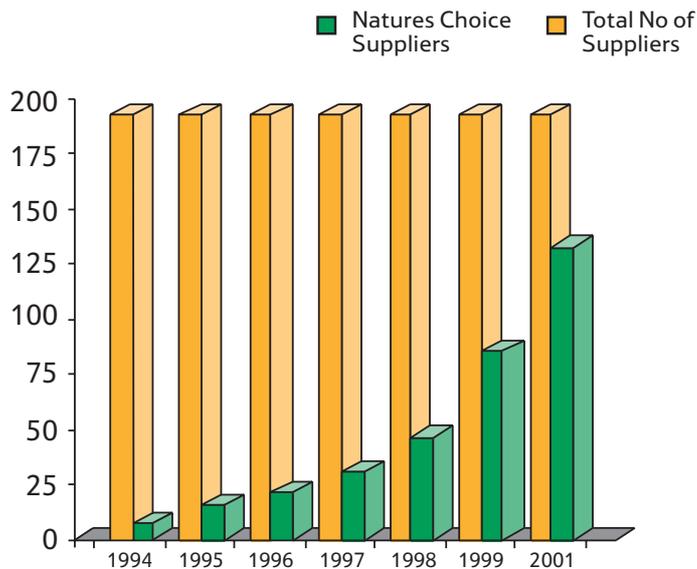


TESCO - Refrigerant Replacement Programme



Tesco completed its CFC refrigerant gas replacement programme for UK stores at the end of 1999. We are on track to complete the replacement of HCFC refrigerant gases by 2004, ahead of the legal deadline to do so. CFC and HCFC refrigerant gases are ozone depleters and have to be phased out by 2006 following the Montreal protocol.

Number of Suppliers Accredited for Natures Choice in UK and Worldwide



Nature's Choice is a code of practice covering biodiversity, good agricultural practice, conservation and environmental management. This scheme was developed by Tesco and ADAS (Agricultural Development Advisory Service) for farms that supply Tesco with fresh fruit, vegetables, salad. Having accredited the majority of our UK suppliers to the code over the last decade, we are now focusing on our overseas suppliers to the UK.