



Corporate Responsibility Report 2011



www.tescopl.com/corporate-responsibility

4.2m
customers active
with Tesco Lotus
in Thailand

PROVIDING CUSTOMERS WITH HEALTHY CHOICES

Achievements

- Helped over 7 million people get active across the Group, including 4.2 million in Thailand alone
- Reformulated over 600 products in the UK to reduce their sugar, salt or saturated fat content
- Participated in 31 Community Alcohol Partnerships in the UK, working collaboratively with alcohol retailers, schools and the police to encourage responsible drinking

Challenges

- Making health programmes such as 5-a-day relevant in more of our markets
- Promoting healthy products across the Group, driving customer demand in markets where it is currently low

£64.3m
donated to
charities and
good causes

ACTIVELY SUPPORTING LOCAL COMMUNITIES

Achievements

- More than doubled the number of Community Champions across the Group from 270 to over 650
- Donated £64.3 million to charities and good causes across the Group
- Provided access to education for children and adults on low incomes across the world
- Responded to emergency relief efforts, including the earthquake and tsunami in Japan

Challenges

- Ensuring community programmes feel local and relevant wherever we operate
- Using our online presence and social media to promote community engagement
- Finding the most effective ways to help quickly when disasters strike

8

new Regeneration
Partnerships
across the UK

CREATING GOOD JOBS AND CAREERS

Achievements

- Created 21,000 new jobs across the Group
- Ensured that 6.2% of staff are being trained for a higher level job
- Increased pay for under-18s to match adult pay in the UK
- Created 667 jobs for long-term unemployed people through eight new UK regeneration schemes
- Increased the number of women in senior management positions

Challenges

- Doing more to ensure women are better represented at senior levels wherever we operate
- Developing more leaders in each market
- Ensuring that we offer the most competitive pay and benefits packages
- Understanding how engaged our employees are and working to increase their engagement

Achievements and challenges

Below is an overview of our key achievements and challenges over the past year. More information can be found online. Our performance against our Key Performance Indicators is on page 58.

BUYING AND SELLING OUR PRODUCTS RESPONSIBLY

£1bn
locally sourced
products sold
in the UK

Achievements

- Sold £1 billion of locally sourced products in the UK
- 25% of own-brand canned tuna caught by pole and line in the UK
- Committed to zero net deforestation by 2020
- Built ethical standards into our core 'preferred supplier' scheme in UK clothing
- 82% positive responses in Supplier Viewpoint survey

Challenges

- Bringing about positive change in responsible sourcing where we do not have a strong own-brand presence
- Getting responsible sourcing onto the global agenda
- Tackling the water footprint of our supply chain

CARING FOR THE ENVIRONMENT

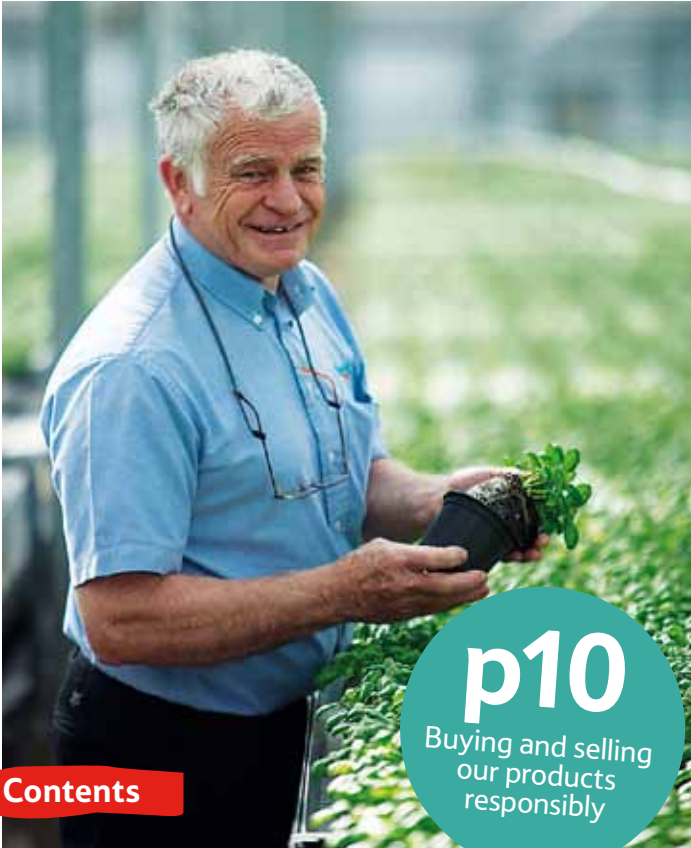
No.1
retailer in 2010
Carbon Disclosure
Project

Achievements

- Named the top retailer in the Carbon Disclosure Project's 2010 UK FTSE 350 and Global 500 reports for carbon reporting and performance
- Showed that greener growth is possible: we reduced absolute UK carbon emissions for the second year running
- Opened our first overseas zero-carbon store in the Czech Republic
- Carbon footprinted over 1,000 and labelled over 500 everyday products in the UK

Challenges

- Growing our carbon footprinting programme to accelerate the number of products footprinted and labelled
- Involving international suppliers in our target to reduce supply chain emissions by 30% by 2020
- Finding solutions where carbon reduction is in conflict with wider sustainability issues
- Increasing customer understanding and use of carbon labels



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Welcome to Tesco's 2011 Corporate Responsibility Report.

This report is about how we create value for our customers by respecting their values and staying true to our own. It's about doing business in a socially responsible and sustainable way.

Unless otherwise stated, the statements and data relate to our financial year 2010/11, the period March 2010 to February 2011. This is the period we are referring to when we describe an activity as taking place 'this year'.

More information can be found on our website about how we approach corporate responsibility in each of our markets, specific initiatives and targets, as well as case studies and video content showing what it means for Tesco day-to-day.

This report and online content together form the basis of our reporting on corporate responsibility.

Chief Executive's introduction

Welcome to my first Corporate Responsibility Report as the Group CEO at Tesco.

I have had the privilege to serve Tesco and its customers for 37 years, first in the UK and more recently in our growing international business. I have seen at first hand how, despite the enormous diversity of the 14 countries in which we operate, our customers and our staff express the same desires: to lead healthy lives, to be part of strong communities, to care for the environment, and to give their loyalty to businesses that provide good jobs and buy and sell their products responsibly.

We give expression to these universal themes through our Community Promises, and they form the backbone of our corporate responsibility work.

Looking back over the past year, many families in many countries have found economic conditions challenging. Led by the Asian economies, prospects have since improved and we can anticipate a brighter future, even in countries where the pace of recovery is slow. Tesco is making a positive contribution to economic recovery in many markets: investing in growth, building relations with new suppliers, and providing rewarding jobs and careers, not only in retail and financial services but also in emerging areas like low-carbon engineering, logistics and resource management.

Throughout the global downturn, by improving productivity and by bearing down on inflation and other costs, Tesco has played a big part in helping families balance their budgets. We must never forget that providing safe, nutritious and affordable food is one of our most valued contributions to corporate responsibility.

At times like these, people tend to value their local communities more, but at the same time to worry that they are under greater threat. Whether it is expressed through Professor Robert Putnam's seminal work on the decline of civic engagement in the US, or through UK Prime Minister David Cameron's idea of a Big Society, we can see a desire to strengthen the fabric of communities in difficult times. Business must play a positive role in this work, and businesses like Tesco, which live and breathe in the very heart of communities, have a particular responsibility. I am the first to believe that there is always more we can do. But I am pleased that we are making a real contribution, whether it is through our Schools of Extended Education which are such a vital part of our stores in South Korea; our Community Fairs in the UK which helped local charities to recruit a fantastic total of over 10,000 new volunteers last summer; or the work of our Community Champions in several countries – dedicated members of the Tesco team who every day make a positive difference for local schools, charities and voluntary groups.

After the failure to secure a global agreement on climate change at Copenhagen at the end of 2009, we saw more positive signs in Cancun last December. I share the real hope that further advances can be made in Durban later this year. Whilst the pace of political progress may appear slow, one really positive development has emerged. As we have come to realise that the politicians cannot by themselves shoulder the burden of tackling climate change, we have begun to understand the extraordinary potential contribution that business can make.

Again, I believe that retail and the broader consumer goods industry has a hugely exciting opportunity. Under the outstanding leadership of my predecessor, Sir Terry Leahy, Tesco set itself firmly on the path to be a low-carbon business by 2020 and a zero-carbon business by 2050. We are on track with our targets, opening low-carbon and zero-carbon stores around the world, and are reporting for the second successive year absolute emissions reductions in the UK, our largest market.



For me though, the prize is even bigger than this. Emissions in our supply chain – in growing, manufacturing, processing and transporting the goods we sell – are at least ten times those of our own business. Recognising this, we have set ourselves a goal to reduce carbon emissions from the products we sell by 30% by 2020. It is here that I see the extraordinary potential of the consumer goods industry. Our supply chains operate across national boundaries, encompass every continent, and involve thousands of different products and processes. By engaging our thousands of suppliers across the globe, by sharing knowledge, and by collaborating with other global businesses and NGOs, Tesco and our industry can have a transformative effect.

We have made a start. Through our joint leadership of the global Consumer Goods Forum programme on sustainability, Tesco and many other businesses are committed to the hugely significant goal of helping to end global deforestation by 2020.

This work brings home clearly that the challenges we face on sustainability are interconnected. Climate change cannot be tackled without a solution to rainforest destruction. The survival of our rainforests will not be achieved unless we find a way to increase global food production sustainably. This in turn depends on concerted advances in tackling water depletion and in reducing waste.

So there is much more to be achieved on sustainability in the coming years. Tesco has a huge contribution to make, and I want that to be a major focus of my leadership.

In corporate responsibility as in other areas, partnership is key. I see two areas of focus here.

First, as a retailer, the customer must be at the heart of our strategy. Any business can make progress through its own actions and through its commercial relationships. A trusted brand like Tesco can inform, enlist and empower many millions of customers around the world. Our work in incentivising green choices is a start, and there is so much more we can do. I am confident that the Sustainable Consumption Institute which Tesco endowed at the University of Manchester can guide us and others in this work.

Secondly, our work on corporate responsibility cannot succeed without the collaboration, support and candid guidance of the many NGOs and other members of civil society who share our passion for community and sustainability. I want partnership in this area also to be a mark of my leadership.

I hope you enjoy reading this latest Corporate Responsibility Report. It is very important work. I welcome your feedback and your engagement.

Philip Clarke

Tesco around the world

Headquartered in the UK, we employ 492,714 staff in 14 markets, and operate 5,380 stores worldwide.

UK

Revenue*

£40,766m

Number of stores

2,715

Employees

293,676

Selling space (sq ft, % of Group)

36.7m sq ft
35.4%



US

Revenue*

£495m

Number of stores

164

Employees

4,134

Selling space (sq ft, % of Group)

1.7m sq ft
1.6%



Tesco Bank

Revenue*

£919m

Employees

1,274

Employee figures represent the average number of employees during the year

* Revenues are sales excluding VAT and exclude the impact of IFRIC 13 (customer loyalty schemes)

GDP growth: Economist Intelligence Unit

Europe

Revenue*

£9,192m

Number of stores

1,082

Employees

89,559

Selling space (sq ft, % of Group)

30.2m sq ft
29.2%



Asia

Revenue*

£10,278m

Number of stores

1,419

Employees

104,071

Selling space (sq ft, % of Group)

35.0m sq ft
33.8%



India

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.

Our approach

Corporate responsibility helps to shape all we do at Tesco. At the heart of our overall business strategy is our core purpose: ‘to create value for customers to earn their lifetime loyalty’.

Everything we do is rooted in two key values:

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

OUR STEERING WHEEL

Our core purpose and values are the foundation of the management tool which drives our day-to-day approach and prioritises the key issues for the business. This is called our Steering Wheel, and consists of five segments: Community, Operations, People, Finance and Customer.

‘Community’ is our term for what others call ‘corporate responsibility’ or ‘sustainability’. For us, this means acting responsibly in the communities in which we operate, and fulfilling our commitments, or Community Promises. Our approach to helping communities touches every part of our business, and so some priorities and activities are found in other parts of the Steering Wheel. This is one of the key ways in which we communicate, manage and monitor corporate responsibility activity across the Group.

TESCO COMMUNITY PROMISES

Our Values are reflected in the five pillars of our corporate responsibility strategy, which we call Community Promises.

1. Buying and selling our products responsibly
2. Caring for the environment
3. Actively supporting local communities
4. Providing customers with healthy choices
5. Creating good jobs and careers

Tesco managers are measured according to their performance against targets in the Steering Wheel, including the Community segment. Each store also has its own Steering Wheel, which reflects the targets that are most relevant to them.

This means a store manager in Shanghai will have some similar responsibilities on Community to one in Edinburgh. His or her store will have to report on carbon reduction and waste targets as well as community initiatives. Similarly, managers in every market will be contributing to our charitable giving targets, and helping to get people active.

Corporate responsibility plays an important part in our commercial decisions. Thanks to the Steering Wheel, looking after communities is not a specialist function at Tesco – it is part of everyone’s job.

In each of our markets we build annual Community Plans which focus and target local and national activities. These plans reflect both Group targets and local and national priorities, ensuring local ownership of specific issues.



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Providing customers with healthy choices, p32



Creating good jobs and careers, p48

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Creating a sustainable growth business

Corporate responsibility at Tesco is about creating a sustainable core for a successful growth business.

As highlighted by Forum for the Future in our 2010 Corporate Responsibility Report, there are opportunities for Tesco to take the lead in developing new retail business models and realise our ambition to use our size as a force for good.



Buying and selling our products responsibly

Buying and selling our products responsibly helps us build trust among all our stakeholders. Trust in the Tesco brand enables us to grow our existing business, as well as diversify into new business areas such as personal finance and telecoms.

Strong relationships with our suppliers allow us to innovate to meet changing customer needs and to attract new suppliers to work with us. As supply chains increasingly come under strain from environmental change and population growth, we are working to make them more sustainable.



Caring for the environment

At the most basic level, reducing our environmental impact saves us money, as well as ensuring that we remain sustainable and competitive. Between 2000 and 2008, we halved our energy use per square foot. If we had not made these savings – and those we have made since 2008 – our energy use would be more than double its current level. At today's energy prices, we are saving over £150 million per year in energy costs.

Our focus on the environment has taken us into new business areas such as our Home Efficiency Service, offering insulation and solar energy products to UK homeowners. Having a reputation as a green pioneer helps our expansion in new growth markets such as China and South Korea, where we are able to share our experience.

£150m
saved per year
in energy costs

“**Strong relationships with our suppliers allow us to innovate to meet changing customer needs and to attract new suppliers to work with us.**”



Providing customers with healthy choices

In some markets, customers expect basic food safety as a given; in others, it remains front of mind. If we have a reputation for selling safe food in a market where food safety is an issue, it helps us build trust, giving us a significant competitive advantage and the opportunity to work with governments to improve standards.

Helping customers eat more healthily allows us to open up new business opportunities, especially in markets where obesity is a major issue. Our 'get active' programmes around the world help our customers get fit, as well as increasing their loyalty.



Actively supporting local communities

Businesses that are in tune with the needs of their communities, sensitive to their concerns and that help them meet their goals, are rewarded with more customers and greater loyalty.

Understanding local communities allows us to serve our customers no matter what their background and provide them with new services and products.



Creating good jobs and careers

Our success depends on our 492,714 staff worldwide doing a great job for customers. This means attracting the right people and helping them to develop. As we grow, we create new jobs, and help staff fulfil their potential so that they can deliver for customers and communities.

If we fail to attract and retain good people, we find it harder to serve our customers well. As a result, they may choose to go elsewhere. Providing good jobs and careers and helping staff to feel good about the company they work for means they will thrive and stay longer with us, and do the best job for customers.

492,714
staff doing a great
job worldwide

Buying and selling our products responsibly





Responsible trading

2010/11 in numbers

1,600

Independent ethical audits carried out on supplier sites

£1 billion

Locally sourced products sold in the UK

100%

New UK target to catch own-brand canned tuna by pole and line by 2012

20%

Palm oil in Tesco UK own-brand products from an RSPO certified system

Throughout the world, our customers want safe, affordable products. Many also want to know that what they buy is sourced to robust ethical and environmental standards. We believe it is possible to provide for all our customers, whatever their needs, whilst upholding strong standards across our business and in our supply chains.

Buying and selling our products responsibly 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 our suppliers' employees 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.

We work in partnership with our suppliers to ensure our products are sourced responsibly. Our technical teams across the world, working alongside our commercial teams, ensure that our standards are met in every area of our business, and we have ethical trade managers in key sourcing countries. For more information see www.tescopl.com/tradingfairly.

In some markets, products certified as being responsibly sourced are increasingly important to our customers. In others, it is a new concept. True leadership means making responsibly sourced products much more widely available, so that making a more responsible choice is an affordable, everyday decision.

We have committed to reducing the carbon emissions of the products in our supply chain by 30% by 2020. For more information see page 27.

“**Buying and selling our products responsibly 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.**”

SUPPLIERS

Labour conditions in our supply chain

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. In turn, we rely on our suppliers to provide us with products our customers want. Ensuring good labour standards throughout our supply chain is not only the right thing to do, but also makes good business sense.

We were a founder member of the Ethical Trading Initiative (ETI) and we expect all suppliers to meet the standards set out under the ETI Base Code and ensure their workers the rights within it. For more information see www.ethicaltrade.org.

While suppliers operating in developed markets mostly comply with the provisions of the Base Code, compliance in other markets remains more challenging. We support our suppliers, wherever they are based, to meet the standards we require. In 2009, we launched Trading Fairly, a new approach to ethical trading, based on four key principles:

- values – ensuring we work with suppliers who share our values;
- monitoring – getting to the truth about conditions for workers in our supply chains;
- improvement – supporting our suppliers to improve; and
- transparency – being open and honest, working with others.

This year, we extended our Trading Fairly programme to our own corporate purchasing. This covers the goods we buy for our own use, and services contracted with third parties: everything from carrier bags to car washes.

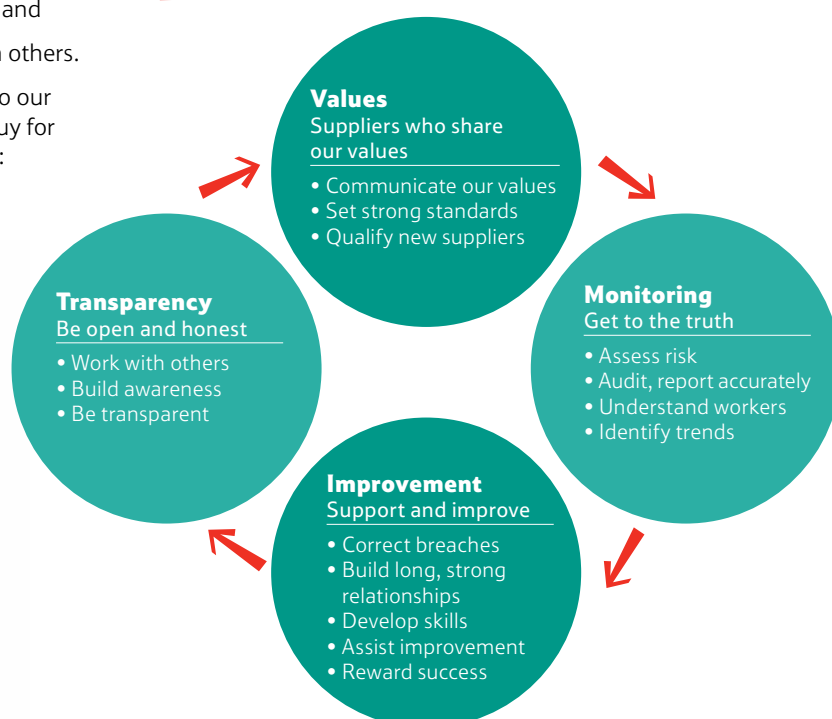
Relationships with suppliers

To make Trading Fairly a reality, we invest substantially in supporting suppliers to deliver it. Our ethical trade managers in Bangladesh, China and South Africa help suppliers and stakeholders address local and national challenges.

At the same time, we fund projects to address specific local needs.

- We are setting up a Skills Academy in Bangladesh to provide training for our suppliers, helping them improve efficiency, making them more cost-effective and improving conditions for workers.
- Our Leadership Academy in South Korea, scheduled to open in July 2011, will also provide training for suppliers. Initiatives like this can mean that governments look more favourably on our suppliers as examples of best practice, and recognise the value of our trade as a force for good in local economies.

Trading Fairly model



We aim to build long-term relationships with suppliers, so getting regular feedback from them is a high priority. The results of our annual survey of suppliers, Supplier Viewpoint, form one of our Group Key Performance Indicators (see page 58 for more on KPIs). The anonymous survey is managed by an independent third-party provider.

Suppliers are asked in detail about their relationship with Tesco, including whether Tesco treats them with respect and professionalism, and how committed we are to meeting their customers' requirements. In 2010/11:

- the response rate of 54% was the highest to date, although slightly below our target of 60%; and
- we exceeded our target of 80% positive responses, achieving an average of 82% positive responses from 3,887 suppliers worldwide.

Robust supplier audits

Our auditing process works to identify key issues and focus resources. If we discover that workers' human rights are not respected, we work closely with the supplier to address the issue immediately. If the supplier shows a lack of commitment, we move to terminate the relationship. Our industry-leading Auditor Recognition Programme ensures that we only accept audits conducted by vetted, independent auditors.

During 2010, over 1,600 supplier sites were subject to independent ethical audits and Tesco staff made an additional 4,300 visits. For more information see www.tescopl.com/tradingfairly.

Rewarding suppliers

To manage our supply chain in UK clothing, we now classify suppliers in three categories – Gold, Silver and Bronze – through our 'preferred supplier' scheme. We aim to develop a three-year business plan with our Gold suppliers, allowing them to plan for their labour needs and wages over the long-term, and benefit from higher volumes of trade. In order to qualify for Gold status, suppliers must demonstrate quality, reliability and good ethical performance. This scheme has been successful in motivating suppliers to focus on ethical standards, and is scheduled for roll-out to other products in 2012/13.

Our Trading Fairly Awards reward those suppliers who are making particularly strong efforts to improve conditions for workers. For more information see www.tescopl.com/tradingfairly.

Growing exports

We strengthen our supply chains' sustainability by helping exports grow.

- In India we have been working with the Joint Economic Trade Committee (Jetco) to help Indian exporters access international markets, and held a Tesco Meet the Buyer event in Mumbai in 2010.
- In the UK, we hold an annual showcase for Thai goods in the UK. This year, a three-week event was held in more than 430 stores, promoting fresh Thai fruit.
- This year, we held a Turkish Week event in 110 stores in Central Europe, in which we sold a special range of products from Turkey. During the week, we sold £1.2 million worth of products.

“We aim to build long-term relationships with suppliers, so getting regular feedback from them is a high priority.”

CENTRAL EUROPEAN SUPPLIER PROGRAMME

Feedback from suppliers has highlighted that some small suppliers in our Central European markets worry about the potential impact that Tesco could have on them. As a result, in the coming year we will focus on extended programmes for our suppliers in the Czech Republic, Hungary, Poland, Slovakia and Turkey. We will hold regional meet-the-buyer roadshows to increase the number of products we sell from small, regional producers.

UK Bribery Act

The UK Bribery Act becomes law in 2011, creating a new criminal offence for UK companies which fail to prevent bribery being committed by employees and associated persons acting for or on the company's behalf. A company's only defence is that it had adequate procedures in place to prevent such contraventions occurring.

We already have well-established policies and processes relating to bribery and gifts, and our Code of Business Conduct provides very clear guidance for staff around the world on the high standards of behaviour we expect. These will be updated before the Act comes into effect and will be supported with training and communication across the Group.



9,700

.....
In Poland, we sell more than 9,700 regional products.

RESPONSIBLE SOURCING

We are committed to the responsible sourcing of raw materials for our own-brand products wherever possible, and to managing the impact we have on biodiversity. We have made most progress in the UK, and are working to improve standards in all our markets.

Together with Unilever, Tesco co-chairs the Sustainability Steering Group of the Consumer Goods Forum, and is leading the project announced in December 2010 to achieve zero net deforestation by 2020. This work involves developing and committing to sustainable supply chains for each of the commodities below.

Palm oil

Palm oil and its derivatives appear in small quantities in many of our products, and we are working to ensure that they come from sustainable sources. We are full members of the Roundtable on Sustainable Palm Oil (RSPO) and of the coalition of over 50 UK-based companies calling on the industry to stop all deforestation of rainforest and peat forests for palm oil expansion.

In 2010, we set a target of using 100% certified sustainable palm oil in all our UK own-brand products by 2015, and sourcing all our oil from an RSPO-certified system such as GreenPalm by 2012. This is a challenging target, as the traceability and certification of palm oil and its derivatives is still in its infancy.

- We have issued all of our own-brand suppliers with a timeline and code of practice, setting out our detailed expectations.
- From 2012, we will only accept UK products using palm oil that is fully traceable – so that by 2015 all the palm oil in our UK own-brand products will come from certified sustainable sources.

This year, we have continued to make progress against our target. Around 20% of the Tesco own-brand products that contain palm oil or its derivatives now comply with our code of practice, representing progress towards our 2012 and 2015 targets.

Timber

We are committed to purchasing timber and timber products for the UK market only from legal, sustainable sources.

- The four million till rolls we use per year in the UK are certified by the Forest Stewardship Council (FSC).
- The Tesco Media Publishing Centre, which prints the Tesco Direct catalogue, flyers and leaflets is fully certified by FSC and the Programme for the Endorsement of Forest Certification (PEFC).
- In 2010, we took the difficult decision to delist Asia Pulp & Paper as a supplier to our UK and Chinese businesses, as we could not satisfy ourselves of the sustainability of their sourcing.

Soy

In the UK, our own-brand soy products come only from sustainable, non-GM sources. We are signatories of the Brazilian moratorium on the sourcing of soy from the Amazon, which has been successful in reducing deforestation from soy production. Our internal systems track all soy-related ingredients to ensure they come from a non-GM source outside of the Amazon biome.

We also track the soy used as animal feed by our meat suppliers through FEMAS – an independent assurance scheme for feed – and can trace this back to a source outside the Amazon biome. This system also guarantees non-GM poultry feed for both meat and eggs.

Local sourcing

Buying local products helps to develop and sustain the communities in which we operate, and is often what our customers demand. We have run initiatives in several markets to boost our offer of local products. For example, this year we ran two regional supplier forum events in Hungary, sourcing and signing up new local suppliers.

Many of our markets have sold local products for some time because imports are more expensive. In Poland, we sell more than 9,700 regional products.

In other markets, there is increasing demand from customers for locally produced and sourced foods. In the UK, customers tell us that buying local foods is important to them for many reasons, including support for the local economy. Local lines are those produced and sold within a county or neighbouring county in England, or within the country in Ireland, Scotland and Wales.

We have five dedicated regional buying offices across the UK. This year we increased sales of local products to £1 billion, from £850 million in 2009.

Tesco is the first UK retailer to launch a website dedicated to local foods, at www.tesco.com/local.

Fairtrade

Fairtrade products are most successful in our more established markets. In the UK, we now have the largest range of Fairtrade cotton school uniform items on the high street, and every year we participate in Fairtrade Fortnight, offering promotions on Fairtrade produce, chocolate, tea and coffee. This year we launched Fairtrade products in Poland. For more information see www.tescopl.com/fairtrade.

DIRECT SOURCING IN CHINA

In China, we work with the Government on a large number of agricultural projects. We have 123 direct sourcing bases in 40 cities, and sell 1,400 items that are sourced directly from farmers, helping them improve their margins. For example, in Shandong we work with leading agricultural companies to purchase 20,000 tonnes of Fuji apples directly every year, benefiting more than 50,000 farmers.

Seafood

As the UK's biggest fishmonger, with more than 480 fish counters, we share global concerns about the sustainable sourcing of seafood, and are committed to taking fish only from responsibly managed sources. We are developing a robust system for evaluating fisheries in association with the Sustainable Fisheries Partnership, guided by principles and practical recommendations from leading industry bodies such as the Marine Conservation Society and the Marine Stewardship Council.

We share concerns about certain methods of tuna fishing. In 2010, we hit our target of sourcing 25% of our own-brand canned tuna by pole and line, and this year we committed to sourcing 100% in this way by the end of 2012, provided that this can be achieved in a sustainable way. Meeting this challenging target will require us to work with our suppliers to effect real change in the industry.

We also recognise our responsibility to offer customers alternative species of fish. In the UK, where customers tend to purchase only a few species – cod, haddock and salmon – we are helping to introduce customers to other species such as dab, pouting (see box) and coley. We now have up to 40 species available through our UK fish counters.

In each of our international markets, seafood preferences and sources of supply are different. We are therefore working with our suppliers to develop a programme to improve the sustainability of our offering in our international markets. This year, we signed WWF's shared statement on the EU Common Fisheries Policy, calling for the 2012 reform of the policy to deliver sustainable fisheries throughout Europe.

For more information see www.tescopl.com/seafood.

HELPING CUSTOMERS TO TRY NEW SPECIES OF FISH

Earlier this year, our UK business began to sell pouting, a responsibly sourced, low-cost white fish. Despite being the most common species of fish in UK waters, pouting was little known among customers. Soon after its launch at Tesco, we were selling half as much pouting as cod, the UK's most popular white fish. Pouting is not a 'target species', so promoting it to customers helps to take pressure off stocks of other white fish such as cod and haddock.



40
species available
through our UK
fish counters

Buying and selling our products responsibly

Animal welfare

We have high standards for animal welfare – not only because our customers demand them, but because it is the right thing to do. As with many of our responsible sourcing policies, customers and other stakeholders around the world have differing views on animal welfare.

We are the only major supermarket to insist on the same high standards for all fresh meat sold in the UK, even if it is imported. For example, we do not allow the use of sow stalls in pig production anywhere in the world.

We are also the only major supermarket to carry out independent welfare audits above the minimum industry standards. All fresh meat and poultry suppliers to our UK business are inspected at least every 15 months by Integra FoodSecure, an independent, accredited audit company.

This year we committed to working with our suppliers to ensure all abattoirs that supply our UK market will have CCTV, monitoring compliance with our high animal welfare standards.

For more information see www.tescofarming.com.

Animal testing

We do not support testing on animals for cosmetic or household products, and do not carry out or commission such tests on our own-brand products or the ingredients they contain. We support the Fund for the Replacement of Animals in Medical Experimentation (FRAME), which seeks to end animal testing.

Tesco Naturally and Natural ranges do not use any ingredient that has been tested or retested on animals for cosmetic purposes since 31 December 1990. All other Tesco products operate a fixed cut-off date, for ingredients, of 31 December 2007.

Water

Water scarcity is an issue in many of the countries in which we operate – including China, India, Turkey and the US – and affects many of our suppliers. In the next year, we will conduct detailed surveys of water use in our UK stores, and trial water-saving initiatives, so we can set a water reduction target for our UK stores and depots.

However, water used in our direct operations represents around 1% of the total water footprint of the products we sell. We estimate that over 850 billion litres of water are used in our supply chain each year, and an additional 1,000 billion litres are used when customers use our products. In 2011/12, we will work with two priority product groups – fresh produce and clothing – to develop water stewardship strategies with suppliers in water-scarce regions. We will also share best practice on water management with our suppliers through our Knowledge Hub (see page 27).



100%

In 2010, we reached our target of catching 25% of our own-brand canned tuna by pole and line, and this year we committed to sourcing 100% in this way by the end of 2012.

“All fresh meat and poultry suppliers to our UK business are inspected at least every 15 months by an independent, accredited audit company.”

TESCO BANK

At Tesco Bank, we have a duty to our customers to sell our products responsibly. We assess all credit applications against our credit scoring and affordability criteria.

When customers find themselves in financial difficulty, we will work with them to understand their circumstances and agree suitable payment plans to help them repay their debts.

For more information see www.tescopl.com/countries.



PROGRESS ON SELECTED 2010/11 PRIORITIES

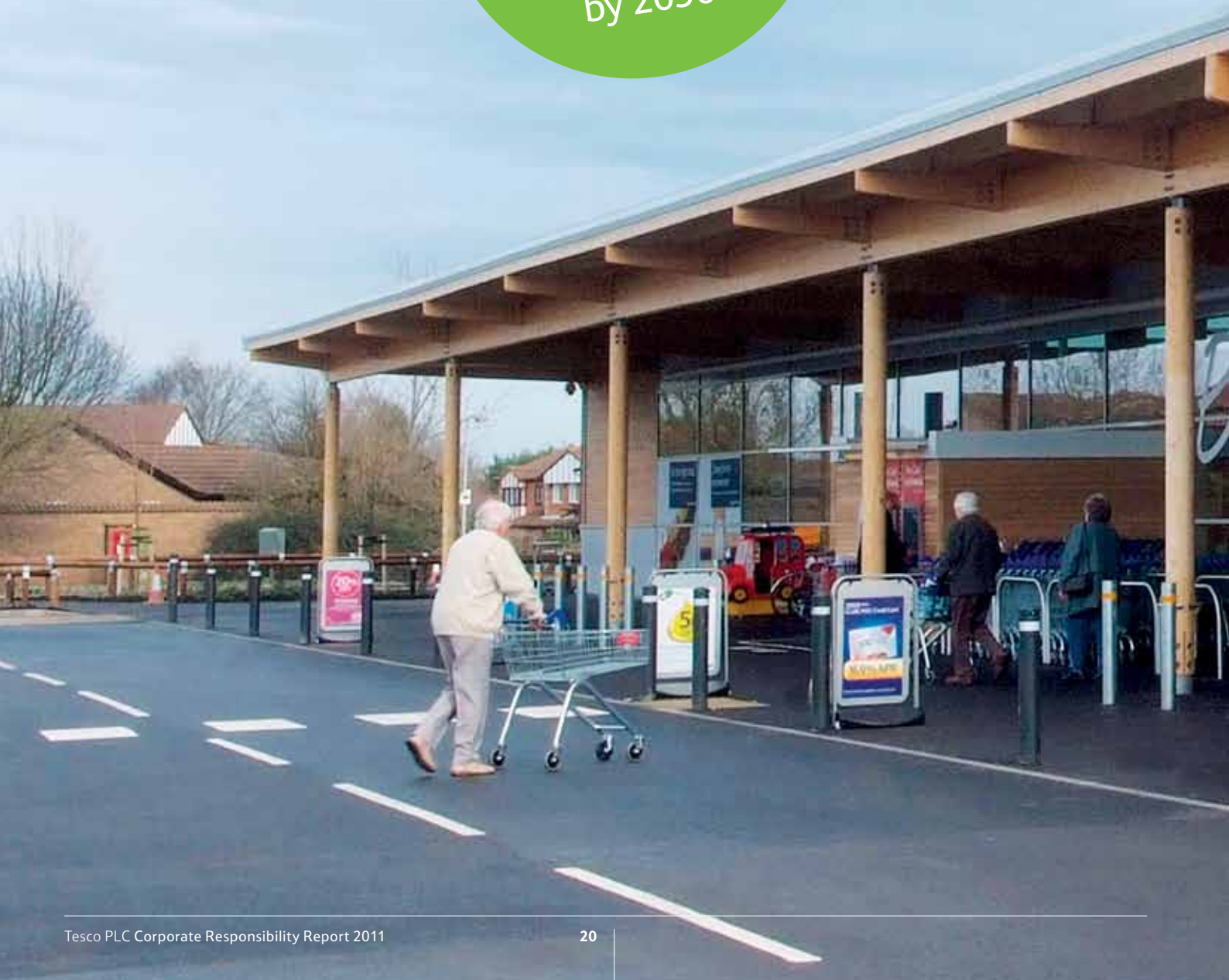
Czech Republic/ Slovakia	Create opportunities for local suppliers through supplier engagement events	Achieved – as a result of these events, we now sell local breads in our Czech stores
Malaysia	Increase sales of products from small businesses by RM630 million (£129 million)	Achieved – we increased sales of products from small businesses by RM670 million (£137 million)
Poland	Run training for 50 regional suppliers	Achieved – we ran training for 130 regional suppliers
UK	25% of our canned tuna to be caught by pole and line by 2010	Achieved – our target is now 100% by 2012



Caring for the environment

Zero

We aim to be a zero-
carbon business
by 2050





A growing, green business

2010/11 in numbers

Zero

Our first overseas zero-carbon store in Jaroměř, Czech Republic

1,100

Carbon footprints calculated for everyday Tesco products in the UK

1 billion

Green Clubcard points awarded to UK customers each year

24,000

Children in Turkey educated on the impact of climate change

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

Our aim is to create more sustainable ways of doing business. We are reducing our impact on the environment, including energy use and waste. We are working with our suppliers to manage resources more carefully in our supply chains: for example, reducing water usage or tackling deforestation. We are empowering our customers who, together, can have a positive impact on the environment that far outweighs our own, to create a mass movement in green consumption.

CLIMATE CHANGE

Climate change is one of the greatest threats mankind faces. It transcends national boundaries, and threatens to affect us all in many different ways: from risks to supply chains, to the direct impact that changes in the climate will have on our customers' lives and the operation of our stores.

Retail businesses can play a powerful role in tackling climate change. We are determined not only to play our part, but to play a leading role.

For Tesco, leadership on climate change means:

- setting a clear example through our challenging long-term targets, and making genuine progress against them;
- working with other businesses to transform the consumer goods industry by tackling carbon 'hotspots' in the global supply chain;
- using our position as a trusted global brand to inspire our staff, customers and neighbours to take action to protect the environment. With 492,714 employees and millions of customers worldwide, we can have a positive influence on millions of people every single day; and
- working with governments across the world to build an understanding of climate change and the actions needed to tackle it. For example, we have advised the UK Government on reducing carbon emissions across the Government estate, and we organised a conference in Shanghai in summer 2010, bringing together the Chinese Government, academics, NGOs and the private sector to discuss how to meet the challenge of climate change.

OUR COMMITMENTS

We have set ambitious targets to reduce our own footprint, reduce the emissions from our supply chain, and help our customers to reduce their footprints too.

To become a zero-carbon business by 2050

By 2012, we will halve distribution emissions of each case of goods delivered, against a baseline of 2006

By 2020, we will halve emissions from our 2006/7 baseline portfolio of buildings

New stores built between 2007 and 2020 to emit half the CO₂e of a 2006 new store

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

To find ways to help our customers reduce their own carbon footprints by 50% by 2020



HOW WE CALCULATE OUR CARBON FOOTPRINT

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.

Each year, we update our carbon footprint calculations to reflect the latest UK Government guidance, allowing us to assess our performance accurately over time. Last year, we reported our 2009/10 global direct carbon footprint as 5.17 million tonnes of CO₂e. We have recalculated this figure with the latest emissions

factors, and have also incorporated a revision due to an error with some emissions factors within our carbon reporting tool. The revised 2009/10 global direct carbon footprint is 5.35 million tonnes of CO₂e.

For more information about how we calculate our carbon footprint, including reporting standards, our definition of direct emissions, and the current emissions factors, see www.tescopl.com/reporting.

Our performance

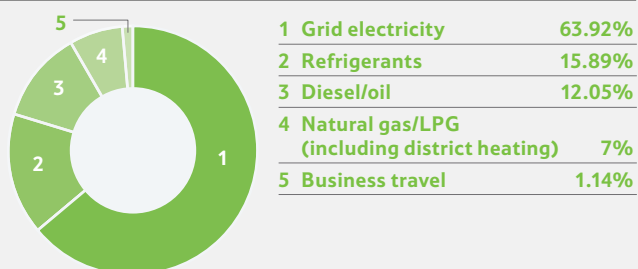
Tesco is a global business growing at a significant rate. Business growth is compatible with tackling climate change – provided it is low-carbon growth. Significant global carbon reductions are an urgent necessity, and the fastest way to achieve them will be by replacing high-carbon activities with lower-carbon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

We are making progress in becoming a low-carbon enterprise. This year Tesco was named the top retailer in the Carbon Disclosure Project's 2010 UK FTSE 350 and Global 500 reports for our carbon reporting and performance.

Our global direct carbon footprint in 2010/11 was 5.44 million tonnes of CO₂e (see box on page 23 for details of how we calculate our carbon footprint). This year, we continued to decouple our business growth from the growth in our carbon emissions: while our net sales area grew by 8.8%, our carbon footprint increased by only 2%.

We have made particular progress this year in reducing emissions from refrigeration. In the UK alone, we have saved around 165,000 tonnes of CO₂e by reducing leakage of fridge gas, which has a global warming effect thousands of times greater than CO₂.

TOTAL CARBON FOOTPRINT BY SOURCE 2010/11



In 2009/10, our UK business recorded an absolute reduction in CO₂e emissions of 1% (revised from the 2% stated in our 2010 report – see box on page 23 for details), despite significant business growth. This year, thanks to a relentless focus on refrigerant emissions as well as further progress on energy efficiency, we have reduced our absolute CO₂e emissions in the UK by 5%.

TOTAL CARBON FOOTPRINT BY MARKET 2010/11

Country	kgCO ₂ e
China	357,835,896
Czech Republic	206,063,393
Hungary	227,607,623
India	16,769,044
Ireland	224,158,169
Japan	30,079,003
Malaysia	166,494,221
Poland	410,182,360
Slovakia	77,781,743
South Korea	492,770,531
Thailand	533,940,207
Turkey	109,890,505
United Kingdom	2,486,454,492
United States	100,339,734

Getting to zero

Achieving our ambition of becoming a zero-carbon business by 2050 will require us to reduce our absolute carbon emissions across the Group. We aim to achieve this not by purchasing carbon offsets but by generating our electricity and heat/cooling from renewable sources. If there are any residual emissions that we cannot eliminate, we will generate more renewable energy than we need and pass the excess to others.

ASSURANCE SUMMARY STATEMENT

Environmental Resources Management Limited (ERM) has provided independent external assurance of our 2010/11 global direct carbon footprint for this report. Here is their response:

“We reviewed Tesco’s approach to measuring and reporting its direct carbon emissions at Group level and in a representative sample of markets (China, Ireland, the UK and the US).

We conclude that Tesco’s global direct carbon footprint (total direct carbon dioxide equivalent emissions and percentage breakdown per emissions type) is appropriately stated. For further details on the work we undertook and our findings, please read our full assurance statement at www.tescopl.com/reporting.”

Please note that the 2008 Tesco accounting year was 53 weeks long rather than the usual 52 weeks. As in CR reports for 2008/9 and 2009/10, the 2008 figures have been adjusted to a 52-week year to allow like-for-like comparison with other years.



66%

Our heating and cooling system at Ramsey uses 66% less energy than a typical store of a similar size.



TESCO



me to **TESCO** Ramsey



Helping you spend
less every day

6m fewer miles

This year, our UK rail network saved six million road miles and over 8,000 tonnes of CO₂e.



BUILDINGS

Low-carbon stores

Since 2005, we have been cutting the carbon footprint of Tesco stores across the world. We have an ambitious programme of carbon reduction in our new and existing stores, designing in features such as increased natural daylight to our standard new stores. In our existing estate, we are working to replace old equipment with new technology to help our staff cut carbon (see box).

Zero-carbon stores

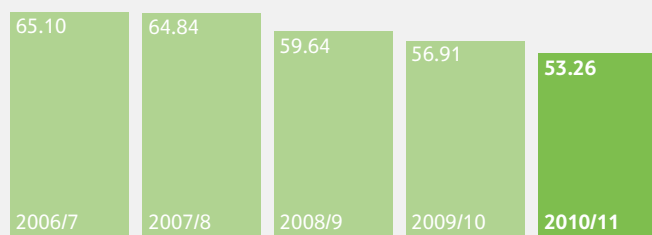
We opened the world's first zero-carbon supermarket in Ramsey, Cambridgeshire, in 2009. This year, we opened our first overseas zero-carbon store in Jaroměř, Czech Republic, and completed two more zero-carbon stores in the UK, in Welshpool and Bourne. These stores allow us to test new technologies that we can roll out to future new stores.

Our zero-carbon stores are designed to use as little energy as possible. For example, our heating and cooling system at Ramsey uses 66% less energy than a typical store of a similar size.

- We generate our own energy on site from a Combined Heat and Power (CHP) system, which uses a sustainable biofuel made from waste fish oil to generate heat and power.
- Excess electricity that we generate is exported to the National Grid.
- Ramsey is saving the equivalent of 2,000 tonnes of CO₂e per year, compared to a similar new store.

We will shortly open our first zero-carbon buildings in Asia. Our first zero-carbon store in the continent will open in the second half of 2011 in Bang Phra, Thailand, and Tesco's Leadership Academy in South Korea, to be completed in July 2011, will also be zero carbon.

CARBON FOOTPRINT PER SQUARE FOOT kgCO₂e/retail selling space



ENERGY BOARDS

We are installing interactive energy boards in our stores in the UK and Ireland. The boards have an interactive touchscreen to show where the store is using energy in real time, allowing staff to take action. They are projected to save 15,000 tonnes of CO₂e, equating to a cost saving of £2 million, every year.

The energy boards won Best Energy Reduction Project of the Year at the Energy Event 2010, and helped Tesco to win the Platts Global Energy Award for Best Energy Reduction Programme.

Natural refrigeration

The refrigerant gases used in almost all refrigeration systems – known as hydrofluorocarbons (HFCs) – can make a very significant contribution to climate change. They comprise 16% of Tesco's global carbon footprint and we are committed to finding alternatives. We have already installed non-HFC 'natural refrigeration' systems in Hungary and the UK, and in our existing stores in the UK we have reduced HFC emissions by 15% compared to 2009/10. We will pilot a natural refrigeration system in Turkey in 2011/12.

In November 2010, along with other members of the Consumer Goods Forum, we pledged to begin phasing out HFC refrigerants from 2015, where this is permitted by local and national regulations, and works in the climate and with the store format. We are actively looking at non-HFC systems that could also work in tropical climates like Malaysia and Thailand, and in smaller format and existing stores.

Renewable energy

Even the most energy-efficient buildings and distribution systems need to use some energy. Generating our own renewable energy is therefore a key part of our climate change strategy, and we are trialling several technologies, including photovoltaic roof panels and cladding, solar hot water generation, CHP and ground source heat pumps.

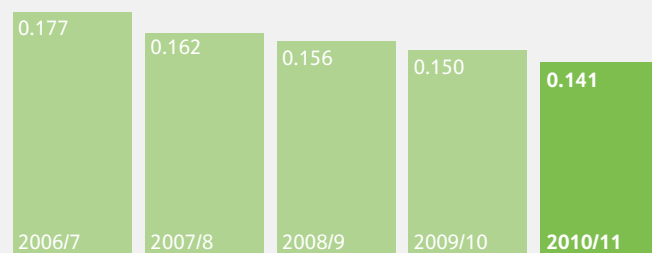
This year, we installed four wind turbines to power three UK depots using renewable energy. Each turbine will produce enough energy to power 500 homes, saving around 3,200 tonnes of CO₂e. Any surplus power generated will be exported back to the National Grid.

In 2007, we installed one of California's largest roof-mounted solar installations on our distribution centre in Riverside. This year, the installation generated enough energy to power more than 400 homes. In 2011/12, we will install solar panels on ten of our stores in Arizona, which will generate about 20% of the energy used in-store.

TRANSPORT

In 2010/11, our total carbon footprint from transport was 655,669 tonnes of CO₂e, 12% of our global direct carbon footprint. This year, we have continued to reduce carbon emissions per case of goods delivered.

CARBON FOOTPRINT PER CASE OF GOODS DELIVERED
kgCO₂e/case



Saving fuel

Despite significant business growth, we have not increased the size of our UK distribution fleet for four years. We train our drivers to make driving more efficient, by accelerating smoothly, using the highest possible gear, and maintaining a constant speed. We are now reducing the maximum speed of our UK vehicles to 50 mph. This is projected to reduce our fuel consumption by up to 3%.

- This year, our UK rail network saved six million road miles and over 8,000 tonnes of CO₂e. We also continued to increase the number of double-decker trailers we use to deliver to stores, saving 12.5 million road miles and nearly 17,000 tonnes of CO₂e.
- Thanks to a change in EU legislation this year, we can now buy trailers with a 12% greater capacity, allowing us to deliver more goods in fewer journeys. We have started to buy these in the Czech Republic, Hungary and Poland.
- We are currently rolling out our transport management system in Thailand, where it is projected to save 8,600 tonnes of CO₂e in 2011/12. This system finds the most efficient route for delivering products to stores, and has already helped us reduce carbon emissions from transport in Slovakia and the UK.

LOW-CARBON DEPOTS

We have opened our first depot to be powered entirely by renewable energy in Widnes, UK. The depot is not connected to the National Grid, but instead is supplied with heat and electricity through a partnership with logistics company Stobart and recycler PDM. Each year, PDM's CHP plant will turn 230,000 tonnes of food waste – from food retailers including Tesco – into renewable heat and electricity, saving 7,000 tonnes of CO₂e.

Our Daventry depot, due to open in May 2011, has direct rail freight access for up to eight trains per day, which is projected to save nearly 20,000 tonnes of CO₂e per year.

June 2011 will see the official opening of our low-carbon depot in Jiashan, China. The building will use around 30% less energy than a depot built in 2006, through better use of natural light and renewable energy technologies such as ground source heat pumps.

Network optimisation

As well as saving fuel, we are working to relocate our depots so that they are in the best possible place for stores in their region. This year, 'network optimisation' has saved 12 million road miles in the UK, and over 16,000 tonnes of CO₂e.

Many of our non-UK businesses are still growing their distribution networks. This gives us the opportunity to position our depots in the best locations, to achieve efficiency in distribution and carbon.

SUPPLY CHAIN

In 2009, we set ourselves the ambitious target of reducing carbon emissions in our supply chain by 30% by 2020. The carbon emitted in growing, manufacturing, processing and transporting the products we sell adds up to around ten times our direct carbon footprint. And we know that reducing emissions by conserving resources in our supply chain can pay big dividends on other priorities, such as ending deforestation, reducing waste and using water more effectively.

With hundreds of suppliers in many countries, many with expertise in different aspects of sustainability, the best way to make progress is to share knowledge through our supply chains, across the industry, and across national boundaries. This year, we asked the suppliers to our UK market to complete questionnaires on their carbon reduction, water-saving, and waste and packaging reduction projects.

Sharing knowledge

To share knowledge and expertise more widely across our supply chain, we have set up a Knowledge Hub, an electronic space to share best practice with our suppliers on a daily basis to help them gain the confidence they need to invest in carbon reduction. We currently have over 150 members of our Knowledge Hub, and aim to increase this to 300 in 2011/12.

Piloting carbon reduction projects

We are mapping the biggest opportunities to cut carbon in the supply chain – our 'carbon hotspots' – and will use this information to drive collaborative projects with our suppliers to reduce emissions. We are developing an improved carbon data management solution, which will help us to accelerate our carbon footprinting.

We are piloting this approach in three high-volume categories in the UK – milk, baked beans and wine. As we learn more, we will extend the programme to more sectors.

Our milk pilot uses research by the Tesco Dairy Centre of Excellence at the University of Liverpool, where researchers have been monitoring whether giving cows different food will improve their digestion and reduce methane emissions. In 2011/12, we will get carbon footprints of many of the farms that produce the milk we sell. Farmers will then be able to compare their performance with other Tesco dairy farmers. We will also use this information to give farmers a best practice guide with practical ideas about how to reduce carbon emissions, from manure management to investing in renewables.

£1.3bn

In the UK, carbon-labelled products account for £1.3 billion of sales each year. We have also labelled 33 products in South Korea.



CUSTOMERS

Climate change will only be tackled successfully if people become champions of a low-carbon lifestyle. Our role is to show customers that living greener lives can be attractive and affordable. In the UK we know that our customers' carbon footprint is around 100 times greater than Tesco's direct carbon footprint, so we have a real opportunity to tackle climate change by mobilising our customers to make small changes that add up to a big difference.

In 2009 we made a commitment to help our customers halve their carbon footprints by 2020. We have carried out customer research in every Tesco market to identify the key barriers and actions needed to help customers reduce their carbon footprints. Price, information, practical barriers and a sense of disempowerment are common themes. Every market has produced a roadmap outlining measures planned to help customers cut carbon.

In Malaysia, Poland and South Korea, we involve children in green educational programmes and run environmental competitions. Our Tomorrow's Footprint educational programme in Turkey helps children understand the impact of climate change, and has so far reached a total of 24,000 children. In China, we are introducing green shuttle buses and electric car charging points at stores. More information on initiatives in different markets can be found at www.tescopl.com/countries.

Incentivising green behaviour

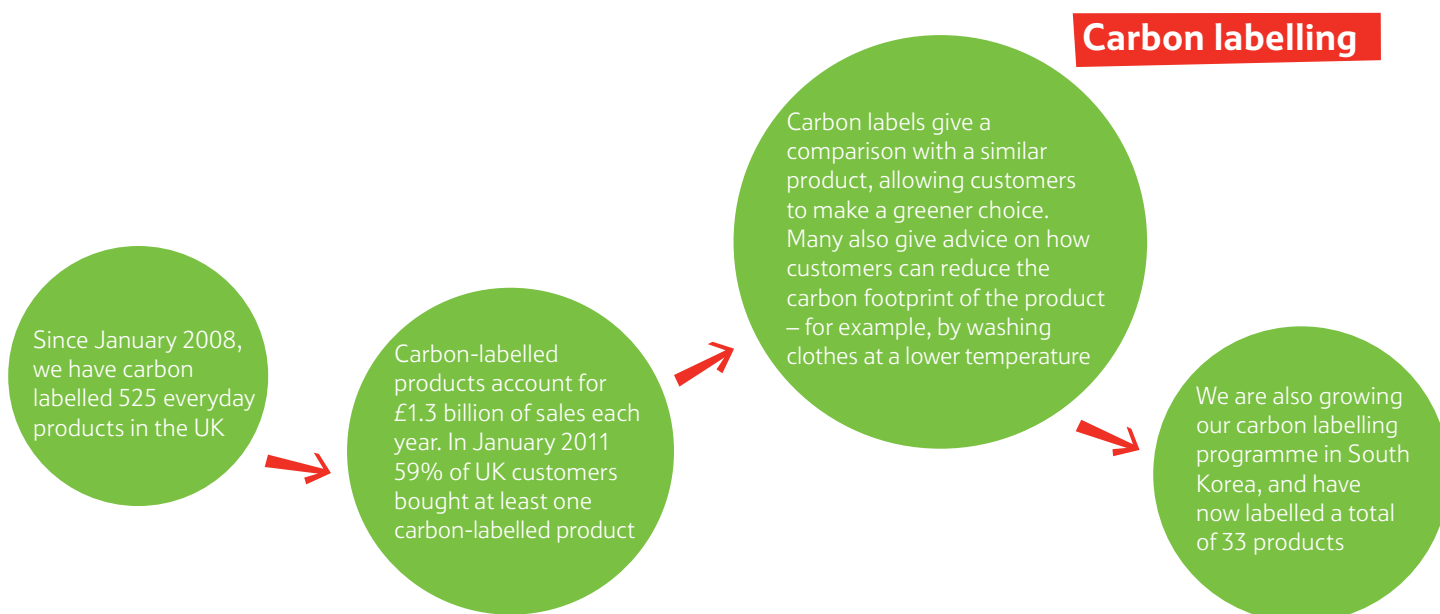
In the UK, we give out over one billion green Clubcard points, worth over £10 million, every year to customers who recycle aluminium cans at our automated recycling machines, recycle printer cartridges and mobile phones, choose bagless home delivery, buy home insulation or reuse carrier bags.

This year, we launched green Clubcard points in Poland to add to existing schemes in Malaysia, South Korea, Thailand and the UK. In 2011/12, we plan to launch the scheme in China, Hungary and Turkey.

Carbon labelling

Carbon footprinting our products gives us valuable new information about where emissions are concentrated in the supply chain, and where there are good opportunities to reduce those emissions. Since January 2008 we have carbon footprinted 1,100 products in the UK.

We want to encourage customers to consider the environmental impact of the products they buy. We have therefore worked with the Carbon Trust and other stakeholders to develop a universal carbon footprint label that describes the emissions associated with each product. Since January 2008 we have carbon labelled 525 everyday products in the UK.



Greener products and advice

This year, we launched our Green Things range of environmentally friendly household products in the US, which is proving popular with customers.

In the UK, our Greener Living products help our customers make greener choices, and the Greener Living website provides advice on how customers can cut their carbon footprint. 37% of visitors to the website say they have changed their behaviour as a result, and 28% say they have purchased a green product after visiting the site.

In 2011/12, we plan to launch or expand green websites in our Central European markets to raise awareness and help customers save money at the same time.

Low-carbon services

In 2010, we launched a total Home Efficiency Service in the UK, offering customers insulation and solar energy products, as well as information about planning issues and government funding. This has helped customers save almost 400,000 tonnes of carbon.

As part of a UK Government scheme, we have also installed more than 6,000 free insulation upgrades for some of our most vulnerable customers, helping them to stay warm and reduce their energy bills. For more information see www.tesco.com/homeefficiency.

SUSTAINABLE CONSUMPTION INSTITUTE

In 2007, Tesco committed £25 million to create a new Sustainable Consumption Institution (SCI) at the University of Manchester. The SCI is a multidisciplinary centre of global excellence, researching major national and international issues associated with sustainability and encouraging consumers to adopt more sustainable lifestyles. Among its flagship projects, the SCI is focusing on understanding consumer behaviour, and identifying new technologies and innovations across the supply chain. For more information, see www.sci.manchester.ac.uk.

CLIMATE WEEK

In March 2011 Tesco was the headline partner of the UK's first ever Climate Week. This national event highlighted the many positive steps that are already being taken in workplaces and communities to combat climate change. We supported Climate Week in our stores, through our products, in our publications and with staff. The event was supported and endorsed by UK Prime Minister, David Cameron, former UN Director General, Kofi Annan and former US Vice President, Al Gore.



Engaging our staff

We have in-store Energy Champions in the Czech Republic, Hungary, Ireland, Malaysia, Poland, Slovakia, South Korea, Thailand, Turkey and the UK. Their role is to find ways to save energy in our stores, and help their colleagues understand the need to save energy.

In autumn 2010, we recruited over 70 Green Champions from across our UK business. Champions come from all levels and functions of the business. Their role is to act as catalysts for green activity across Tesco, and we support them with regular training sessions and an online networking tool, allowing them to share their plans and experiences.

“37% of visitors to the Greener Living website say they have changed their behaviour as a result, and 28% say they have purchased a green product after visiting the site.”



300,000

We are the largest retail recycler of cardboard in the UK, processing nearly 300,000 tonnes a year.



WASTE, RECYCLING AND PACKAGING

Waste

Reducing waste is a priority for Tesco. Balancing the need to ensure staple products are always available to customers against the need to minimise waste is a normal part of store management. Each of our businesses has its own targets to reduce waste and improve recycling, working within the limits of local infrastructure. Every Tesco store in the UK has waste targets that are reported on a weekly basis.

Since 2009 we have sent no waste from our UK stores directly to landfill – the only major UK retailer to do so. If waste cannot be recycled, we make sure that, where possible, it is used to make alternative sources of energy.

Recycling

- In China we achieved our target for cardboard recycling, and our performance for vegetable oil and fresh waste improved.
- We have plans to operate a Recycling Service Unit in the Czech Republic and centralised waste recycling through distribution centres in Slovakia.
- In Ireland we held Waste Electrical and Electronic Equipment Collection Days at 28 stores, allowing customers to bring back their old electrical appliances for recycling. We recycled a total of 286 tonnes of electrical waste, the equivalent of 19,000 televisions or 150,000 hairdryers.
- In Turkey some new stores are being served by a new waste contractor, which helped us exceed our recycling target. We recycle paper, nylon, certain plastics and tin, as regulation requires us to give other plastics and cardboard to specialised companies for free.
- In the UK we recycle all our cardboard, metal, office paper, plastic, chicken fat and cooking oil. We are the largest retail recycler of cardboard in the UK, processing nearly 300,000 tonnes a year. The cardboard we recycle is made into new packaging, a process that takes just 14 days. We recycle around 22,000 tonnes of plastic a year, often turning it into bin liners.
- In 2010 we rolled out battery recycling points to all our UK stores. These have proved popular and our customers have recycled 228 tonnes of batteries this year. We also installed innovative new information screens on our UK automated recycling machines, which communicate how much CO₂ is being saved by recycling.

Packaging

Packaging can appear to be one of the biggest environmental issues. However, packaging protects the products we sell, helping to reduce food waste – and therefore carbon emissions. Independent research shows that, in developing countries, the lack of packaging or inadequate packaging causes up to half of all food to decay before it reaches the consumer, leading to more waste. In the UK, with more efficient packaging, the figure is only 3%.

Nevertheless, we are committed to reducing packaging where we can do so without compromising its role in protecting and preserving the product. Our policy is based on five key principles. Packaging should:

- be fit for purpose;
- use the lightest weight materials;
- use materials from the most sustainable sources;
- maximise opportunities for recycling and recovery; and
- be designed to have the lowest carbon impact keeping in mind the product and value chain.

We have already reduced packaging on our own-brand products in the UK by more than 15% since 2007.

In the UK, Tesco is a signatory to WRAP's (Waste and Resources Action Programme) Courtauld 2, an industry-wide commitment to reduce packaging and waste by 2012, against a baseline of 2009. We have committed to:

- reduce the weight, increase recycling rates and increase the recycled content of grocery packaging, lowering its carbon impact by 10%;
- reduce UK household food and drink waste by 4%; and
- reduce product and packaging waste in the supply chain by 5%.

We have also signed a voluntary agreement through the industry body IGD to play our part in an industry target to recycle 150,000 tonnes and eliminate 75,000 tonnes of waste by the end of 2012, against a baseline of 2009.

HANGER RECYCLING

Since 2009, we have prevented 1,600 tonnes of plastic going to landfill through our UK hanger recycling programme. Customers leave their hangers at the checkout, and they are either reused or recycled. From 2011/12 onwards, we aim to prevent 5,000 tonnes of plastic going to landfill each year.

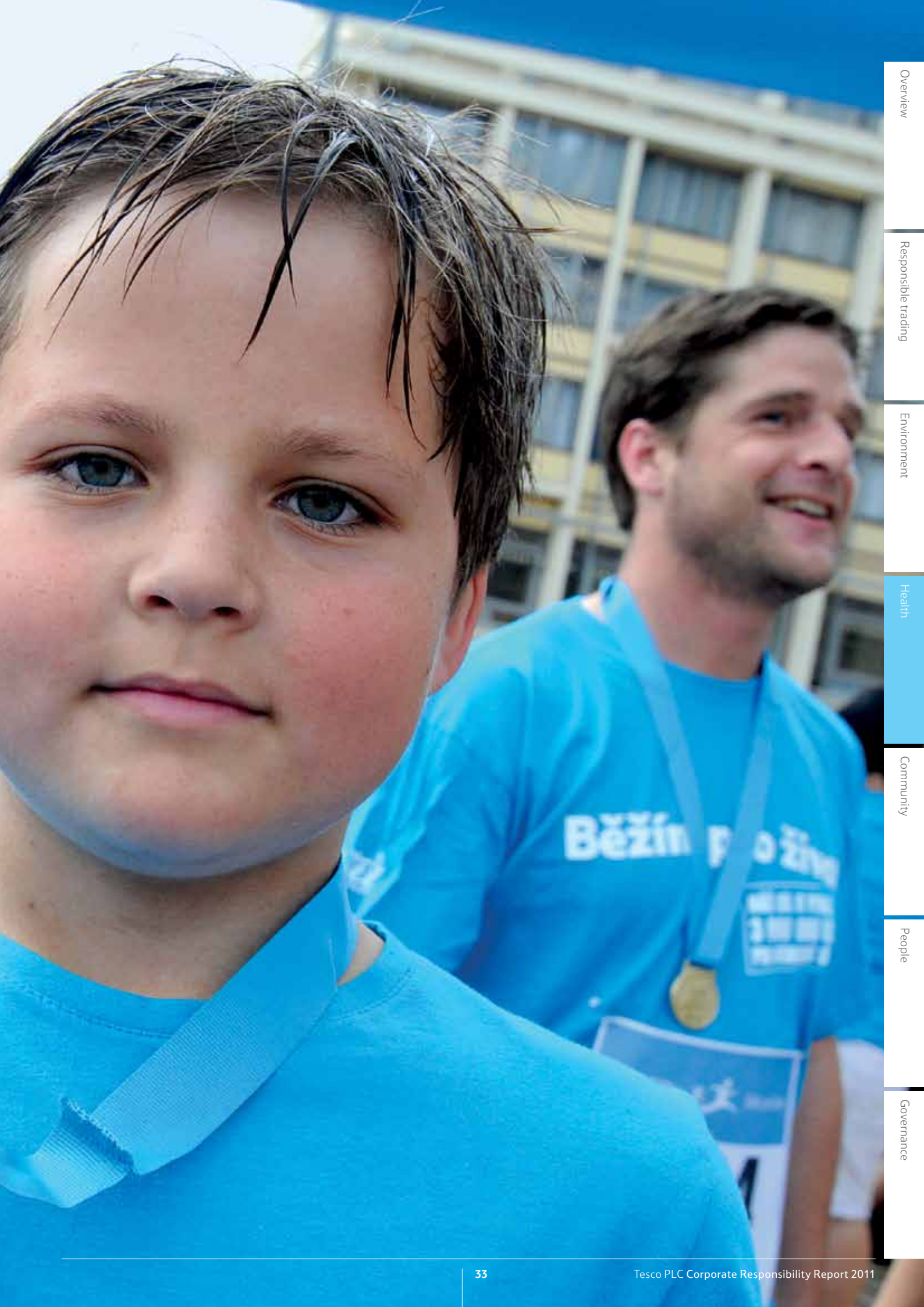
PROGRESS ON SELECTED 2010/11 PRIORITIES

Ireland	100% of waste diverted from landfill by 2011	Not achieved – at the end of 2010/11, 90% of waste was diverted from landfill. We have sent no waste from our UK stores directly to landfill since 2009
Japan	Reduced carrier bag use by 20%	Not achieved – a Tesco Japan customer now uses around 10% fewer carrier bags than in 2009
South Korea	76,000 places in the eParan Green Leaders Programme	Achieved – we provided over 90,000 places this year
Turkey	Run education programme on climate change for 12,000 children	Achieved – over 13,000 children have been educated on the impact of climate change this year, bringing the total to 24,000
UK	Increase number of products with carbon label to 500 and increase customer awareness of the label	Achieved – since January 2008, we have carbon labelled 525 products. 24% of Tesco customers have seen the label on a product, rising to 30% among 16-24-year-olds
UK	Reduce carrier bag use by 70% by end of 2010 (compared to 2006)	Not achieved – a Tesco UK customer now uses around 60% fewer carrier bags than in 2006. For more details, see www.tescopl.com/carrierbags



Providing customers with healthy choices





Helping our customers eat well and get active

2010/11 in numbers

4.2 million

People got active in Thailand through aerobics, walking and football

1 million

Schoolchildren who took part in the UK's Great School Run

£33m

Annual sales value of the Tesco Free From range in the UK

3,600

Products reformulated since 2005 in the UK to reduce their salt, sugar or saturated fat content

18,000

Children who participated in the Tesco Bank Football challenge

We want to help our staff and customers to lead healthy lives.

As a global business, we know that 'healthy lives' means different things in our different markets. We aim to work with our industry partners, academic and technical experts, and governments to understand and help tackle key public health issues – for example, food safety, obesity and alcohol misuse.

Our first priority is to provide safe, good value food for our customers. This is more challenging in some markets than in others, and we are committed to upholding high standards of food safety across the world.

We have a clear role to play in making high-quality foods affordable to everyone, and in giving customers the information they need to make healthy food choices. We can also use our trusted brand to encourage our staff and customers across the world to adopt healthy, active lifestyles.

For Tesco, providing customers with healthy choices means:

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



HEALTHY OPTIONS

Food safety

Basic food safety remains a primary concern for customers in some of our markets. Here, we can play an important role in spreading best practice and improving standards.

For example, there is an enormous level of interest in food safety in China. Tesco is supporting the Chinese Government as it codifies the rules on food safety. At the same time, we are supporting the Chinese authorities in building capability within the supply chain, sharing our knowledge on food safety in storage and distribution.

Healthy eating brands

Our healthy eating brands contain nutritionally balanced products with controlled amounts of fats, sugar and salt. We offer them in seven markets. For example, our Eat Well range in the US features reduced calories, fat, saturated fat and salt.

This year, we rebranded the UK range and introduced a new 'wave' logo at the top of packs, helping customers find healthier options more easily. We have a Light Choices range of products in the UK, all of which have less than 3% fat or at least 30% less fat (or 30% fewer calories) than the equivalent Tesco standard product.

Changing the formula

We have been cutting levels of salt, sugar and saturated fat across our ranges since 2005, and since then have reformulated over 3,600 UK products to improve their nutritional content – 600 this year alone.

In the UK and US, all our own-brand products contain no artificial trans fats and no artificial colours or flavours.

We continue to lead on reformulation: for example, in 2010, the UK Food Standards Agency set a target for salt reduction in ready meals. The average Tesco ready meal already contained 10% less salt than the target. In the US, we have removed high-fructose corn syrup from all Fresh & Easy products.

In every market in which we operate, we work with governments to help them achieve their health targets. We are currently working with the UK Government on its Public Health Responsibility Deal (see box).

“We have a clear role to play in making high-quality foods affordable to everyone, and in giving customers the information they need to make healthy food choices.”

QUANTITY NOT QUALITY

Research shows that people tend to eat by volume – filling their plates or bowls – rather than by the calorific content of their meal. So reducing the calorie content of food can, in some cases, be more successful than encouraging people simply to eat less. Tesco is working on calorie reduction as part of the UK Government's Public Health Responsibility Deal, where we are looking at ways to help customers reduce their calorie intake – for example, by reducing the sugar content of full sugar soft drinks. This year, we removed 430 tonnes of sugar from our carbonated drinks and squashes, equivalent to a 4% reduction across the range.

BETTER INFORMATION

Nutrition labelling

All of our eligible own-brand food lines across the globe have nutrition labelling. The only exceptions are food cooked in-store and products where it would be impractical to add a label, such as herbs and spices. Our nutrition labelling uses Guideline Daily Amounts (GDA) and tells customers how many calories and how much sugar, fat, saturates and salt they will eat in one serving, along with the percentage GDA for a typical adult.

In 2005, Tesco was the first UK retailer to put nutrition information on the front of food packs. This year, after a successful trial in our staff restaurants, we introduced nutrition labelling on the food we serve in our UK in-store cafes. For more information, see www.tescopl.com/labelling.

The UK Government recommends that people consume five individual portions of fruit or vegetables every day. We communicate this to customers through '5-a-day' labels on appropriate products. The 5-a-day message is now well known in the UK, but not in other markets. In 2011, we will roll out 5-a-day labelling in China.

In the UK, we are working with the industry body IGD to encourage the Department of Health to include composite foods in the 5-a-day scheme, helping people eat more fruit and vegetables. Currently, the official 5-a-day branding only applies to fruit and vegetables where no salt or sugar has been added. This means that if a customer serves a portion of peas alongside one of our ready meals, for example, it would count towards their 5-a-day. But if we added the peas to the meal, it wouldn't count, even when the meal itself is a healthy option. We are working with the Department of Health and colleagues in industry to find a solution.

FREE FROM

In 2003, Tesco was the first UK retailer to launch an own-brand range for customers suffering from allergies or intolerances to wheat, gluten and/or milk. The Tesco Free From range is now worth around £33 million each year, and research tells us that providing the range has a positive impact on customer loyalty. We work closely with Coeliac UK, the leading charity for people with coeliac disease, to understand the needs of those with gluten intolerance.



Change4Life

To help customers make healthier choices, we support the UK public health campaign Change4Life. Our support includes:

- fruit and vegetable promotions in-store, and promotions with suppliers on Breakfast4Life (encouraging healthy breakfasts, particularly among children);
- articles on healthy eating in Tesco Magazine; and
- local initiatives organised by our in-store Community Champions (see page 44).

For more information, see www.nhs.uk/change4life.

Being responsible on alcohol

Our position as a major retailer of alcohol brings with it a duty to ensure that we sell it responsibly. We use recommended Department of Health labelling on all our own-brand alcohol in the UK, showing customers the number of units of alcohol in the bottle. We have strong measures in place to prevent sales of alcohol to under-age customers.

We support the UK Government's action on alcohol through Community Alcohol Partnerships, which are run by local governments, working collaboratively with alcohol retailers, schools and the police to encourage responsible drinking. We have already taken part in 31 of these partnerships, and are participating in the first central London partnership in 2011.

We were also the only UK retailer to support the Government's call for a minimum price per unit of alcohol in 2010. We have consistently made it clear that we would play a constructive role in any discussions on introducing a more effective minimum price, provided these discussions are led by Government to ensure any action is effective and complies with competition law.

For more information, see www.tescopl.com/alcohol.

ACTIVE LIFESTYLE

We encourage people to lead more active lives, helping them manage not just the energy they take in, but also the energy they expend. Last year we got more than 7 million staff and customers active, exceeding our targets in all our markets.

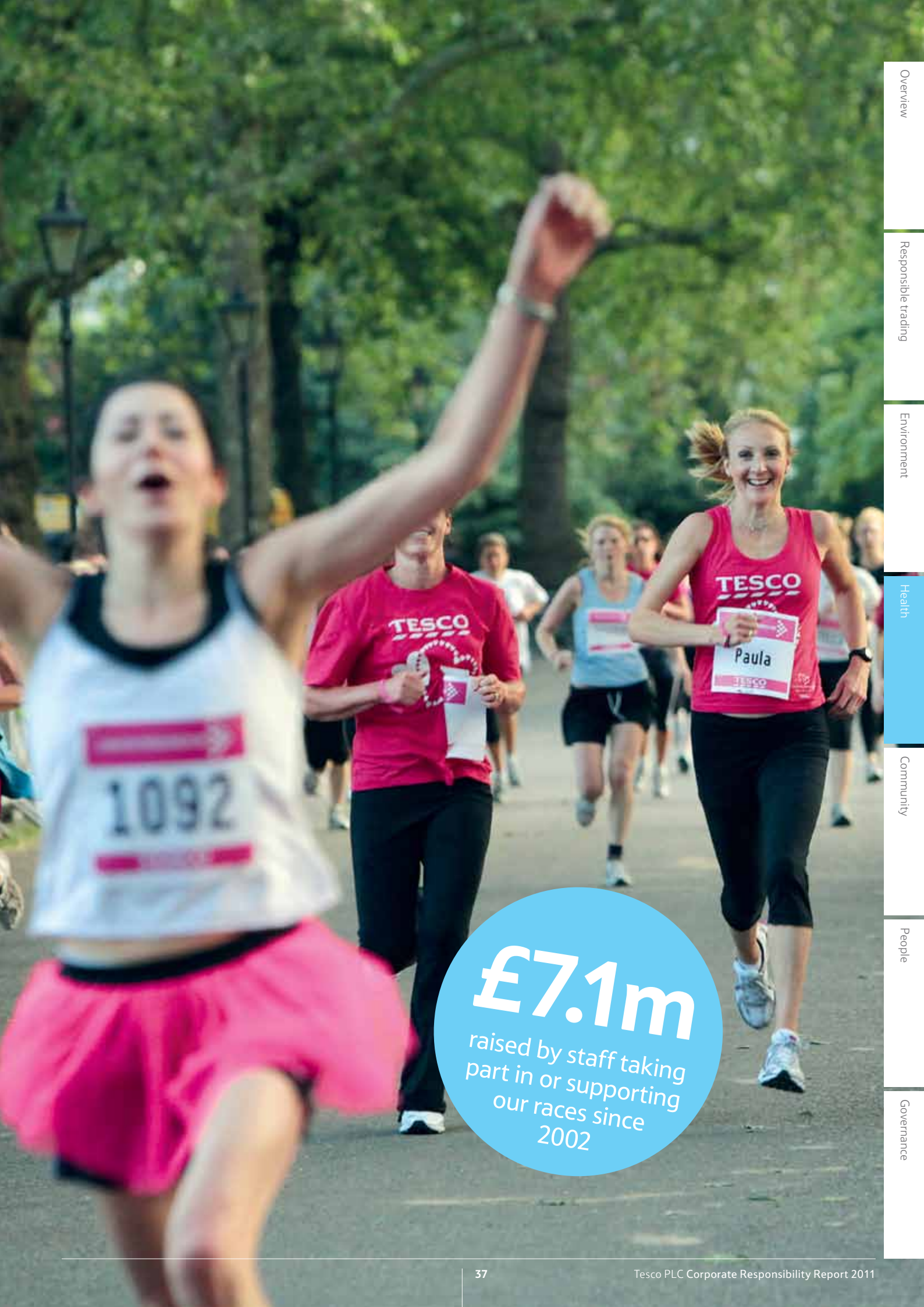
One of our most successful programmes is 'Get Healthy with Tesco Lotus' in Thailand. Last year, we got 4.2 million people active through participation in a national aerobics competition, the annual Tesco Lotus Walkathon and our football clinics.

In the UK, our 2010 Great School Run involved over one million primary school children, and over 700,000 staff and customers took part in Cancer Research UK's Race for Life and Run 10k. Since 2002, nearly two-thirds of our staff have taken part in or supported our races, raising a total of £7.1 million.

In the 2010 Run for Life in the Czech Republic and Slovakia, we increased significantly the number of participants (from 9,000 to over 17,000) and the amount raised for cancer research. In Malaysia, 4,000 people joined our Walk for Kids, raising over RM50,000 (£10,300) for Rumah Nur Salam, the Charity of the Year (see page 45). In India, staff took part in the Bangalore Midnight Marathon, aimed at restoring greenery in the city.

TESCO AND CANCER RESEARCH UK'S RACE FOR LIFE 2011

2011 will be our tenth year of supporting Race for Life, and marks a new stage in our relationship. This year we will work in closer partnership than ever before, making a joint effort to recruit more women and raise more money than ever for the fight against cancer. To achieve this, we have launched a major new recruitment campaign, including TV advertising, branding our lorries, producing a special supplement in the Tesco Magazine, allowing participants to pay their registration fee through Clubcard vouchers, and greater engagement with schools.



£7.1m

raised by staff taking
part in or supporting
our races since
2002



Football

Football continues to be an extraordinarily popular and effective way of engaging with children across many of our markets.

- Working with the English Football Association, we fund 106 coaches throughout the UK, who teach football skills to boys and girls aged 5–11. The FA Tesco Skills programme forms the FA's central strategy for encouraging children to play football and building the future health of the game. This year, we provided over 740,000 places on the programme.
- We also work with Everton Football Club and the Shanghai Disabled Persons Federation to help children with disabilities learn football skills. In the last three years nearly 1,500 disabled children have received football training. This year, we ran football summer camps in Beijing, Guangzhou, Shanghai, Taizhou and Tianjin.
- In April 2011, we will launch the eParan Youth Football Club in South Korea. The club will operate on two levels: 'elite', a team of 30 specially selected children given professional coaching, and 'hobby', a weekly football class for children at all skill levels.

TESCO BANK FOOTBALL CHALLENGE

In January 2010, Tesco Bank invested £1 million in a new football programme for children in Scotland, in partnership with the Scottish Football Association. Over four years, the Tesco Bank Football Challenge aims to reach over 70,000 boys and girls in at least 1,600 primary schools across the country. This year, 18,000 children have participated in the programme, and feedback has been overwhelmingly positive, from pupils and teachers alike.

Canoeing

We are proud to be helping prepare British athletes for the 2012 Olympic Games, by becoming the Gold sponsor of GB Canoeing in partnership with the British Canoe Union. GB Canoeing is dedicated to supporting the most talented athletes in the Olympic disciplines of Canoe Slalom and Canoe Sprint Racing, and we're particularly pleased to support their training at the Olympic slalom course near our Cheshunt Head Office.

GETTING ACTIVE WITH TESCO

Market	Number of people who got active
China	36,000
Czech Republic	9,400
Hungary	6,100
Malaysia	16,600
Poland	5,100
Slovakia	8,300
South Korea	378,000
Thailand	4.2 million
Turkey	29,000
UK	2.55 million

Total number of people getting active with Tesco: over 7 million

“In January 2010, Tesco Bank invested £1 million in a new football programme for children in Scotland, in partnership with the Scottish Football Association.”

PROGRESS ON SELECTED 2010/11 PRIORITIES

China	Roll out technical support for suppliers to improve food safety and quality	Achieved – we rolled out technical support for suppliers to improve food safety and quality of own-brand products
Hungary	Launch a GDA education programme including a toolkit for students	Not achieved – we have instead focused on developing healthier products for our customers
Malaysia	Launch 50 Lite Choices lines	Partially achieved – we have launched 24 Lite Choices lines in-store
UK	Expand FA Tesco Skills programme to 4.5 million places by 2014	Achieved for 2010/11 – we provided over 740,000 places on the programme this year





Actively supporting local communities

£64.3m
donated to charities
and good causes



Making a positive contribution in our neighbourhoods

2010/11 in numbers

£10m

Raised by customers and staff for charities and good causes in addition to the £64.3m donated by Tesco

700,000

Online votes received for environmental films made by students in Poland

50,000

People taking classes at our Family Clubs in Turkey

10,000+

New volunteers recruited at Community Fairs in the UK

5.7 million

Trees planted in Thailand by Tesco customers since 2007

We want to be a good neighbour in all the communities in which we operate. This means being in tune with the needs and values of local communities, engaging positively on the issues that matter to them, and making lasting contributions that improve local areas. By doing this, we ensure we are true to our values, and help build our customers' lifetime loyalty.

There is a debate in the UK and elsewhere about the tax contribution of international businesses. This year, Tesco paid £1.5 billion in taxes in the UK, including corporation tax, business rates and employers' National Insurance contributions. According to a recent survey conducted by PricewaterhouseCoopers on the total tax contribution of The Hundred Group (which represents the finance directors of the UK's largest companies), Tesco was the highest ranked company in the UK for total taxes paid.

Our most visible contribution to communities is delivered through our shops. We regularly open stores in areas which other businesses, including retailers, have abandoned or neglected. These stores provide access to quality fresh food at affordable prices in communities that are often otherwise isolated. They also bring much-needed jobs and resulting income to the local area. We are particularly proud of our Regeneration Partnership programme in the UK.

Our stores are often a focal point of the local community, a place where people meet and interact. We want to ensure that we understand and can serve the needs of our communities. For example, more than 20 languages are spoken by staff at our Cheetham Hill store in the UK, improving our ability to serve our customers.

But beyond this, our staff and our customers look to us to get behind local causes, whether that means providing funds for a local charity, giving visibility to a local campaign, or providing opportunities for our customers and staff to help on local issues.

TESCO COMMUNITY FAIRS

Our first UK Community Fairs took place in 2009. In 2010, we increased the number of fairs from 20 to 100. The fairs took place in store car parks on Sundays over the summer, and featured a combination of stalls from local and national charities, community groups and suppliers.



STRONGER, GROWING COMMUNITIES

We believe that local people should be able to shape the future of their communities. That is why we are committed to talking and listening to local communities, to ensure our developments meet their needs and expectations. This is a crucial part of being a good developer and, more importantly, a good neighbour.

The majority of our customers are positive about the prospect of getting a new Tesco store in their community. However, we are aware that Tesco is sometimes perceived to have an adverse impact on retail diversity and independent shops.

- In South Korea, we responded to concerns about the impact of foreign retailers on small, independent traders by working with the government to create a collective ownership model. Under this scheme, local traders have a stake in Tesco Express stores, so the community itself has a voice in the business.
- In the US, our Fresh & Easy business is built around 'neighbourhood stores'.
- We support government planning policies in Thailand, which emphasise the importance of town centres.
- In the UK, we believe that our stores, which are often located at the heart of local communities, can help revitalise a town centre by bringing back customers who might otherwise have shopped out of town. Research by the University of Southampton shows that, where new food stores were built in or on the edge of town centres, the proportion of grocery shopping done in the local area rose from 44% to 73% within 12 months. For more information on this research see www.riben.org.uk/report.

Regeneration Partnerships

Our Regeneration Partnership stores provide much-needed investment and jobs for long-term unemployed people in some of the most deprived urban areas in the UK. When we build a Regeneration Partnership store, we work with local organisations to target local long-term unemployed people. We guarantee a face-to-face interview for everyone who applies. Successful candidates take an eight-week training course to build their confidence and teach them key skills, with a guaranteed job at the end.

This year, we developed eight new Regeneration Partnerships – over twice as many as in 2009/10 – bringing the total to 35 stores and around 4,000 jobs for long-term unemployed people. For more information on other special employment schemes see page 56.

GERRARDS CROSS STORE

This year, we finally opened our store in Gerrards Cross, UK, after a long and challenging process. Building work on the site led to the collapse of a railway tunnel in 2005, meaning it was particularly important for us to re-establish good links with the local community. We worked with Jobcentre Plus to employ local people, resulting in 1,500 applications for 170 jobs and roles for some of the community's long-term unemployed people. We also donated £100,000 to the local parish council, to spend for the benefit of the whole community.

“We want to ensure that we understand and can serve the needs of our communities.”

600+

Farmers and food producers we have assisted in improving their business planning and marketing through dunnhumby's partnership with Kent Business School.



PROFILE: SHIRLEY HAYES, COMMUNITY CHAMPION, RICHMOND, NORTH YORKSHIRE

With a long history of volunteering and a previous job as a tutor in citizenship, it's no wonder that Shirley, a 43-year-old mum of twin boys, jumped at the chance to become a Tesco Community Champion.

"I love mixing with people and getting out into the community, so I knew this role was made for me!" says Shirley. "I also think community work is great for team-building and boosting morale, and I know how important that is for people working in these difficult economic times."

Shirley is a gifted artist, and often draws on her creative skills to reach out to schoolchildren, staff and customers. She has helped children in several local schools to create collages out of recycled materials, getting them excited about recycling. Shirley also gives 'green store tours', showing customers how Tesco is reducing energy through new technologies, and giving tips on how they can cut their own carbon footprints.

Shirley is an avid fundraiser, and has collected for a number of different charities, including Help for Heroes and The Cancer Trust. She says, "I like making a difference and supporting local charities that really benefit from my help and time I can give them. I feel like I'm the friendly face of a big organisation."



Community Champions

Our in-store Community Champions help us communicate effectively with local communities. By giving our employees the time and tools to work with their neighbourhood, we make a real difference. Community Champions are paid to spend 18 hours a week working with their local community. For example:

- giving store tours to local schoolchildren or going into the local primary school to talk about healthy eating;
- organising collections or bag packing for a local charity;
- meeting the fire service or local charities to find out how we can help them; or
- getting our staff and customers involved in events such as Race for Life.

We have 669 Community Champions in eight markets across the Group (China, the Czech Republic, Hungary, Ireland, Malaysia, Slovakia, South Korea and the UK). We will be rolling out Community Champions across our stores in Turkey next year.

COMMUNITY INITIATIVES

We have many other initiatives to engage with local communities to help charities, improve education or protect the environment.

- In the Czech Republic, our Tesco Foundation supports local NGOs working in health and social care. In 2010/11, CZK700,000 (£23,700) was shared between 21 charities providing equipment for disabled people, computer programmes for blind children, and tutoring for children of families on low incomes.
- In India, we have funded quality education for people on low incomes with the Parikrma Foundation since 2007.
- In Poland, our Tesco for Schools initiative ran a green education competition for students to make an environmental film. Over 600 films were submitted, and almost 700,000 online votes were cast for the best film. The 30 winning film-makers received high-tech equipment for their school, and 300 students won an individual award.
- Also in Poland, we held 804 store-based community events in support of flood victims, as well as running a blood donation programme.

- In South Korea, we run 107 Schools of Extended Education, where children can come for extra courses after school. This year we provided over 940,000 places and ran over 500 environment-related programmes, including courses in renewable energy, climate change and ecosystems. In 2011, we will start courses in music, art and English for children of families on low incomes.
- Also in South Korea, nearly 40,000 children took part in our environmental painting competition, and the winners represented their country in the global UN Environment Painting Competition.
- In Thailand, as part of our 'Plant nine million trees' campaign, we planted 950,000 trees this year, bringing the total to 5.7 million since 2007.
- Also in Thailand, we achieved our 'One million hours' volunteering target, which has reinforced our reputation as the retailer most supportive of local communities.
- In Turkey, we are the only retailer to run Family Clubs, where 50,000 people take classes in topics including English, Pilates, chess and salsa.
- In the UK we extended our Community Fairs initiative to 100 stores, helping thousands of local charities and suppliers to showcase their work, and recruiting over 10,000 volunteers.

For more information, see www.tescopl.com/countries.

Supporting communities in our supply chain

We are also active in the communities that supply the products we sell.

- In Sri Lanka, we have been working to bring together communities torn apart by war. We are now the largest customer of the local clothing factory, accounting for 80% of orders.
- In partnership with Kent Business School, dunnhumby (our consumer research business) provides customer insight free of charge to farmers and small food producers all over the UK. Over the past five years, we have helped over 600 farmers and food producers to improve their business planning and marketing.

BUY ONE, GIVE ONE

In 2009, we launched Buy One, Give One, in which the UK business donated a school uniform to a child in Kenya for every uniform bought by our customers. 12,000 children received new school uniforms through the scheme. This year we worked with Save the Children to expand the scheme to Bangladesh and Sri Lanka. To date, we have donated 96,000 school uniforms, allowing more children access to education.

CHARITABLE GIVING

Across the globe, our staff and customers helped us raise £10 million for charity this year, exceeding our target of £7 million. These funds provide valuable support to local, national and international charities, helping them to develop new programmes and support those in need.

For more information see www.tescopl.com/giving.

Corporate giving

Each year, we set ourselves a target to donate at least 1% of our pre-tax profits to charities and good causes. This year we donated £64.3 million to charities and good causes through direct donations, cause-related marketing, gifts in kind, staff time and management costs. This represents 1.8% of our pre-tax profits – almost double our target.

Emergency relief and humanitarian aid

We work hard to respond quickly to natural disasters wherever they happen. Our partnership with the Red Cross has helped us to get funds to those in acute need. This year, our emergency giving included donations to help the victims of floods in Central Europe and the Qinghai earthquake in China, as well as floods in Indonesia, Malaysia, Thailand and Vietnam.

We were one of the first businesses to respond to the devastating earthquake and tsunami in Japan in March 2011. We made a corporate donation of £50,000 as a Group, and allowed our UK customers to donate their Clubcard vouchers to the appeal. Our Japanese business worked with the Red Cross to enable customers in Tokyo to donate in-store, and matched staff and customer donations until the end of April 2011.

Charity of the Year

We run Charity of the Year campaigns in five markets. In each market, we select a charity that represents a cause our staff and customers care about, and that can make a difference on the ground. This year, we supported the following Charities of the Year:

- Ireland – The Irish Cancer Society (www.cancer.ie). We raised €950,000 (£805,000) in 2010/11, which helped to fund Care to Drive, the charity's national volunteer driving service for cancer patients.
- Japan – The Make-A-Wish Foundation (www.mawj.org). The funds we raised helped to grant the wishes of children with life-threatening medical conditions.
- Malaysia – Rumah Nur Salam (<http://nursalamchowkit.blogspot.com>). The money raised by Tesco staff and customers funds the running costs of a 24-hour shelter and activity centre that provides a safe environment for homeless children in Kuala Lumpur.
- Poland – The Happy Kids Foundation (<http://www.tesco.pl/spolecznosci-lokalne/tesco-dzieciom.php>). The money we raised this year has helped the charity to open a new foster home for seven children in Wieruszów, and also supports the running of five other foster homes.
- UK – CLIC Sargent (www.clicsargent.org.uk). We raised £7.2 million in 2010/11. The money was used to fund CLIC nurses, who help children with cancer spend more time at home and less time in hospital.

£9.3m

.....
This year we donated £9.3 million of equipment to 41,000 schools and clubs in the UK.



In the UK, we exceeded our largest ever target of £5 million, raising a massive £7.2 million in total. We also dramatically increased UK customer donations through coordinated marketing with P&G around their household products. Our employee surveys tell us that two-thirds of staff feel proud to work for Tesco as a result of this campaign.

TESCO FOUNDATION IN THE CZECH REPUBLIC

We were named the 'biggest donor in history' in the Czech Republic by NROS, a Czech charitable foundation, when the Tesco Foundation raised CZK3.6 million (£122,000) for Help the Children through a cause-related marketing campaign with P&G.

National collections

We help charities to raise money by allowing them to collect outside our stores. In 2010/11, the Royal British Legion raised £3.3 million through Tesco collections, and the Slovak Humanitarian Council raised £73,000 through its Christmas collection with Tesco.

This year at Ramadan, in partnership with the Turkish Red Crescent, we raised enough money to provide over 17,000 food packages for people in need. We also donated 1,300 units of blood, a valuable resource in Turkey, collected from both our staff and customers in store car parks.

Equipment for schools

MARY'S MEALS

We began supporting Mary's Meals, an international charity providing meals for schoolchildren, through the Tesco Charity Trust in 2009. Tesco's support provides meals for over 4,000 schoolchildren in India, Kenya, Malawi and Thailand every year.

Inspired by this initial support, our International Sourcing Office in Bangalore decided to take its own project forward, and has been working with Mary's Meals to provide food and primary education to children without access to government schools. Eleven of our Bangalore office staff took part in a marathon to raise funds.

We now provide all the funding for a centre run by Mary's Meals in Delhi, which caters for around 40 children each day. Our involvement has led to improved sanitation and drainage facilities at the centre, as well as clean drinking water, stationery, clothing and utensils.



PROGRESS ON SELECTED 2010/11 PRIORITIES

Hungary	Launch Community Champions in ten stores	Achieved – we launched Community Champions in 21 stores
Poland	Organise 550 events for local communities	Achieved – we organised a total of 804 events for local communities
South Korea	Provide one million places at our Extended Education Academies (now called Schools of Extended Education)	Not achieved – this year, we provided over 940,000 places
Thailand	Plant 950,000 trees	Achieved – we planted 950,000 trees this year, bringing the total to 5.7 million
UK	Double number of Community Champions to 250 and run 100 successful Community Fairs	Achieved – we now have over 300 Community Champions in the UK
UK	Open six Regeneration Partnership stores in the UK and create at least 600 jobs for long-term unemployed people	Achieved – we opened eight Regeneration Partnership stores and created 667 jobs for long-term unemployed people





Creating good jobs and careers



Making Tesco a great place to work

2010/11 in numbers

21,000

New jobs created this year across the Group

667

Jobs for long-term unemployed people created by Tesco UK Regeneration Partnerships

2,000

Tesco Retail Skills Apprenticeships in the UK this year

6.2%

People being trained for a higher level job

70%

Increase in female directors over the last four years

We have 293,676 employees across the UK, making us the largest private-sector employer, and a total of 492,714 employees worldwide. We provide diverse career opportunities for all our staff worldwide – from positions in stores, to roles for buyers, accountants and lawyers. This year, we created 21,000 new jobs across the Group.

Many of our staff stay with us for a long time. Often they rise from the shop floor to run the stores they work in, or move to other jobs within the business, gaining valuable professional and leadership skills along the way. Our new Group CEO, Philip Clarke, is an example: his first job as a schoolboy was working part-time at Tesco.

Our People Promises

We want our employees to feel that Tesco is a good place to be, that it belongs to us all and that their work is valued. We aim to ensure that our employees:

- are treated with respect;
- have an opportunity to get on;
- have a manager who helps them; and
- have an interesting job.

Although our diverse international markets require different employee programmes, these People Promises ensure we treat our people fairly, no matter where they are in the world.

Tesco is committed to upholding basic human rights and supports in full the United Nations Universal Declaration of Human Rights and the International Labour Organization Core Conventions.

OUR PEOPLE PROMISES



REWARDS AND BENEFITS

Pay

Competitive, simple and sustainable staff rewards help to build trust and loyalty amongst our employees and assist with hiring and retention. All our staff move to higher rates of pay within a year of joining our business, including in the few markets where we pay minimum wage at entry level.

We invest heavily in pay: for example, our hourly rate of pay for a customer assistant in the UK is around 7% higher than our three largest food retail competitors. In the UK, we increased pay for under-18s to match adult pay in September 2010. For those aged 16 or 17, this is 87% higher than the minimum wage.

In many developing markets, staff place most value on good basic pay and on being paid fairly for overtime, rather than on additional benefits. In both China and Turkey, we work on a very simple framework with everything paid in base pay (rather than through benefits) because that is what our employees want. This makes us competitive in these markets, especially at entry level.

“**Competitive, simple and sustainable staff rewards help to build trust and loyalty amongst our employees.**”

UK ONLINE FLEXIBLE WORKING

This year, we installed an online overtime booking system in all our stores in the UK, following a successful trial of 21 stores in London. The fully automated system allows staff to work their overtime flexibly across a number of stores. Staff log on to the system and key in the details of when they are available to work. When a store needs extra staff, those available get a text message and can then decide if they want the work or not. We are the only retailer in the UK to have such a flexible online system.

Outside the UK, as our business grows we aim to pay our staff between the median and the upper quartile compared to our competitors. We have agreed long-term reward plans across all our markets so that we have a clear plan on how we will invest in pay and develop benefits in each market.

In some markets we face particular challenges. For example, in Thailand, part-time work is reserved for students only. This makes it difficult for us to meet the peaks and troughs of trade, and restricts our ability to offer flexible working, as we do in other markets. We are working with the Thai government to see if there is a solution that can open up part-time work for those who are interested.

“
At Fresh & Easy we're more friendly than other grocery stores and we have more fun with customers.”

PROFILE: JOHNNELL GREGORY, DISTRICT MANAGER, FRESH & EASY, US

Johnnell joined Fresh & Easy as a team leader in 2007, just after the first US store opened. She left an office job to go back into retail as she says the opportunities to grow with F&E, a new player in the US, were apparent from the start. In less than a year, she was managing her first store and in 2010 she was promoted to District Manager.

“It's been a rollercoaster ride but a good fun one to get on. We're more friendly than other grocery stores and we have more fun with customers,” says Johnnell. “I love it when our CEO comes in the store in jeans and an F&E t-shirt and starts bagging the groceries and talking to customers. I also love our big social programme. Schools have told us that the money we raise through Shop for Schools (see page 46) is helping save teachers' jobs. I have three kids and it's huge for me that I work for a company that does that.”

Benefits

We offer a wide range of competitive benefits in line with labour laws and regulations, reflecting what employees value most. These vary from paying at least 75% of the cost of medical, prescription drug, dental and vision coverage after 90 days' employment in the US, to a tuition subsidy for the children of staff in South Korea. In 2011/12, we will launch a medical benefit in Thailand.

In Malaysia and Thailand, we know that our people value the staff Tesco Clubcard, which enables them to receive greater rewards than customers. The rate of uptake of the card is 85% and 91% respectively. We also have a staff Clubcard scheme in China, and are planning to launch another in South Korea in 2011/12.

All our management teams share in the success of the business they are growing, through bonus schemes linked to profitability and delivery of their Steering Wheel objectives (see page 7). In the UK, we awarded £105.5 million of free shares to 216,000 staff in 2010 through our Shares In Success scheme.

As well as financial benefits, we also provide a range of other benefits appropriate to each market. These include job sharing, flexitime, part-time working and maternity leave.

Pensions

The type and level of pension we offer in each market is influenced by the needs of our businesses, the value our staff place on pensions, and state provision and legislation.

In the UK, we offer an award-winning defined benefit scheme that provides pension at retirement based on an employee's service and career average earnings. Around 90% of staff say that their pension is an important influence on how long they stay with the business.

90%

.....
of staff in the UK say that their pension is an important influence on how long they stay with the business.





75%

.....
In the US, we pay at least 75% of the cost of medical, prescription drug, dental and vision coverage after 90 days' employment.

TRAINING AND DEVELOPMENT

We invest heavily in training and development so our people have an opportunity to get on. We offer a wide variety of training options, and we make our training as flexible as possible.

UK apprenticeships

In the UK, we started an 18-month apprenticeship programme in 2009, including a Level 3 NVQ and Duke of Edinburgh Gold Award. This programme allows school leavers to combine on-the-job training with nationally recognised external qualifications.

This year we more than doubled the number of places on our Level 2 Retail Skills Apprenticeship programme, bringing the total to 2,000. In 2011/12, we aim to increase the number of places offered through this scheme to 2,500. We have also launched a new apprenticeship programme for bakery and counters.

Practical experience on the shop floor

In many of our markets, to ensure that office staff remain in touch with stores, they participate in our annual TWIST programme (Tesco Week In Store Together), getting direct experience of the shop floor. At peak shopping periods in the year, office staff provide Helping Hands and go into stores to support their colleagues. This year, we launched Helping Hands and TWIST in China.

Degree programmes

We have links with a number of universities to provide training for our employees, such as a special management programme with the international business school INSEAD. This year in Turkey, we welcomed the first intake from our graduate Retail Programme, delivered in collaboration with Izmir University of Economics. The scheme guarantees the graduates a job with Tesco Kipa so long as they successfully complete their vocational training with us. Unemployment among young people is a significant problem in Turkey, so the guaranteed job at the end of the programme is a very positive incentive.

We also run Foundation Degrees for our staff in the UK and Ireland. These two-year retail degrees are paid for by Tesco and taken in association with Manchester Metropolitan University. Since 2007:

- 56 staff members have graduated from the course and a further 52 are completing their degrees;
- 66% of graduates have progressed to a higher managerial role; and
- two students have progressed from team leader roles in stores to becoming a member of the store's management team.

Growing our leadership team

Our Options programme allows staff to develop the range of skills required to take on a more senior role. Across the business, 6.2% of staff are being trained for their next job.

Our graduate programme supports graduate trainees with high potential from across the international business. Developing more leaders in each market remains a key challenge and we need to make sure we build on our work and success to date. Our China Graduate Programme has been particularly successful (see box).

Our Advanced Leadership Programme trains people to move from the Director to Senior Director level.

PROFILE: LEON SUN, CATEGORY MANAGER, CHINA

Leon joined the China Graduate Programme in its second year in 2007, having worked as a team leader at a Tesco store in Manchester. Leon says: "It was the people at Tesco and their values that first drew me to the Tesco graduate programme, combined with the opportunities for graduates going back into the Chinese market." After nine months of training in the UK commercial department, Leon moved back to China and began work as a commercial buyer for frozen foods. He has now progressed to become Category Manager for Meat and Poultry.

During his time with Tesco, Leon has fulfilled many roles as he learns the business, but always with the support of senior level sponsors, both in China and in the UK. "I have needed to adapt quickly to new roles and challenges, but I've enjoyed lots of variety across product categories and business functions," he says. "I see no limit to the opportunities ahead."



Tesco Academy

As part of our commitment to developing talent in Asia, we will open an academy near Incheon, South Korea, in July 2011. Asia is one of the fastest-growing areas for the business, and we will need many more leaders over the coming years. The Tesco Academy will be a centre of excellence to train, share learning and develop networks for all our directors and managers. The academy will also be a zero-carbon building (see page 26). We are considering similar opportunities in Europe.

Talent development

We are proud that everyone has the opportunity to get on in Tesco. All our colleagues have discussions about their careers and performance, and all our leadership teams talk about succession plans and talent pipelines, at least once a year. In the UK, through our Options and education programmes, it is possible to join us aged 16 without qualifications and be a store manager at 23 with a degree.

For more information see www.tesco-careers.com.



COMMUNICATION

Employee feedback

Communication is crucial if we are to understand and respond to the concerns of our staff, earn their trust and increase their loyalty to Tesco. We communicate regularly with our employees through face-to-face briefings, store and depot forums, staff question times, publications and our intranet.

Our annual staff survey, Viewpoint, is anonymous and confidential and its results are fed into local action plans at store, depot and office level. In 2010/11, over 90% of staff participated in the survey in the UK.

Trade unions

All our employees have the right to join a trade union and we believe it is very important that they are able to exercise this right. We have an industry-leading partnership agreement with Usdaw in the UK, and agreements with KASZ in Hungary and Solidarity in Poland. This year also saw the first meeting of our new European Works Council, set up to improve communication on employee issues across our European markets.

Whistle-blowing

Our whistle-blowing policy and helpline is now in all markets. Protector Line is a 24-hour confidential telephone line and email address for employees to raise ethical issues and report grievances. The Audit Committee reviews the number of calls and quality of investigation every year, and reviews plans to ensure staff awareness of the facility. This year, the number of calls increased by 28% compared to 2009/10, showing that employees are becoming more aware of the service, and more confident in using it.

“In the UK, we have the most socially diverse customer base of any retailer and we want our workforce to reflect the communities we serve.”



INCLUSION

We are proud to be a diverse business. Without an inclusive policy, we would miss out on significant talent within the community. In the UK we have the most socially diverse customer base of any retailer and we want our workforce to reflect the communities we serve.

Everyone is made to feel welcome at Tesco, regardless of age, sex, disability, ethnicity, belief or sexual orientation. Our Board works hard to improve diversity across the Group, and this is central to our talent planning process. In 2011/12, we will launch an ABC (African, Black British and Caribbean) network in the UK.

Creating good jobs

We believe in creating good jobs at all levels, wherever we are in the world. Country nationals make up 54% of the Boards of our overseas businesses. We aim to have as many country nationals in senior positions as possible.

ASIAN NETWORK

Many people who work for Tesco in the UK are of Asian descent. However, in the past many Asian colleagues have left us after completing their studies, and some of the most talented did not consider retail at all.

In 2009, the Asian Network was formed to demonstrate to Asian colleagues that a Tesco career can be every bit as rewarding as the traditional professions. Each year, the network holds a series of regional events, attracting several hundred attendees. They are an opportunity for networking, mentoring and information-sharing, and encourage Asian colleagues from across the UK business to build their future with Tesco.

No retirement age

Though the statutory UK retirement age is due to be abolished in 2011, we already employ people in their 70s and 80s. Many older people wish to remain in work or semi-retirement and our customers value older people's experience. In the UK, we include people of all ages in our apprenticeship, A-Level and graduate programmes, giving them the opportunity to develop their careers. We comply with mandatory retirement ages in countries where they exist.

OUT AT TESCO

Out at Tesco, our LGBT (lesbian, gay, bisexual and transgender) network, is among the fastest growing in the UK. People perform better and stay with us longer when they can be themselves at work and we have created an environment where colleagues can be open about their sexual orientation. For more information see www.outattesco.com.

Women

We are proud that Tesco is a business where success does not depend on gender. In the last four years (since 2006/7), the number of female directors at Tesco has increased by nearly 70%.

We are working hard to help women succeed in senior roles at Tesco. There are three women on our PLC Board. Women account for 33% of our directors in Malaysia, 27% in Slovakia, and 19.3% across the Group as a whole, an increase on 2009/10. They are well represented in our development programmes, helping more women to achieve management positions in the future. 66% of participants on our Apprenticeship in Retail programme are female.

Women in Tesco, our women's network, aims to help women across the business progress by providing opportunities for skill development, mentoring and networking. This year, we began our first Women in Leadership development programme to encourage talented women in the UK to fulfil their potential and progress into more senior roles. We are particularly keen to promote women in countries where traditionally very few women have held senior positions. In South Korea, we appointed our first female director in 2009, and have since promoted another female director through our Options programme.

At Tesco in the UK, there is only a 2% difference in pay between men and women. Anything less than 3% is deemed statistically insignificant.

“
We will continue to find ways to develop our capabilities and offer our colleagues an opportunity to get on.
”

People with disabilities

In the UK, we have established a strong relationship with Rempoy and Shaw Trust, who help us find skilled and dedicated people with disabilities to work with us. In Hungary, we have a programme to attract disabled people to work in stores. We also provide a work experience programme for disabled children through the British mobility charity, Whizz-Kidz.

Other groups

Through our Regeneration Partnership stores (see page 43), we guarantee a significant proportion of jobs for long-term unemployed people. This is in addition to the work we do to attract applications through Jobcentre Plus to all our UK stores. In the UK, we are also working with the prison service to support ex-offenders into work.

We work to provide jobs for ex-service personnel, who often have exceptional transferable skills such as leadership, an ability to cope under pressure, and an understanding of working in a large-scale organisation.

- In the UK we have recruited 24 people to the business this year through our Jobs for Heroes scheme.
- In the US we have expanded our Veteran Programme at the Riverside Distribution Centre.

HEALTH AND SAFETY

It is vital that we look after our staff and customers by making sure they have a safe place to work and shop. Lucy Neville-Rolfe, Executive Director (Corporate & Legal Affairs) is also the designated Director for health and safety. We have adopted the joint Health and Safety Executive and Institute of Directors guidance, ‘Leading Health and Safety at Work’, which informs our UK and international policies and procedures.

We measure the rate of injuries suffered by our people and the customers who visit our stores, and also carry out independent audits of our stores and depots. In the UK every store has an unannounced visit every six months to ensure compliance with our health and safety policy.

Our Technical and Trading Law teams have safety professionals in every market. Reportable accident rates are reported each quarter to the Compliance Committee and annually to the Executive Committee. Our stores measure their own performance through the store Steering Wheel (see page 7), which has targets for reducing injury rates, delivering training and raising awareness.

In 2010/11, we saw a 6.3% reduction in the rate of reportable accidents across the Group.

Raising awareness

We run regular safety communications and activities in stores and depots to raise awareness of health and safety issues.

- In Poland this year we launched a contest to find the safest stores, engaging staff to improve safety and hygiene standards. The judges looked at the number of accident-free days and activities in stores aimed at preventing accidents.
- In Thailand, we have a very successful safety behaviour programme, which has reduced accidents by 9.1% since 2009.
- In the UK and Ireland, we run three safety campaigns a year, including Safety Awards to find the most innovative ways of raising health and safety awareness in stores. This year, we also ran a fire safety programme across stores in the UK and Ireland.

6.3%

.....
reduction in the rate of reportable
accidents across the Group in 2010/11.





















PROGRESS ON SELECTED 2010/11 PRIORITIES

Hungary	Extend programme to employ more disabled people and launch equal opportunities and diversity programme	Achieved – we now employ over 500 disabled people in Hungary
South Korea	Build an Academy to train and develop our managers and directors	Partially achieved – the Academy will open in July 2011












Key Performance Indicators

Community Promise	How did we do?	Performance 2008/9	Performance 2009/10
Buying and selling our products responsibly	Supplier Viewpoint: average score (% of scores that are positive)	68% 	80% 
	Supplier Viewpoint: response rate of suppliers	37% 	51% 
Caring for the environment	Reduce CO ₂ e emissions from our 2006/7 baseline portfolio of stores and distribution centres by 50% by 2020. Annual target reported as percentage reduction against previous year	7% 	7.8% 
	Reduce CO ₂ e emissions from new stores and distribution centres built after 2006 by 50% by 2020, compared to new stores and distribution centres built in 2006	Environmental format developed 20.5% reduction vs. 2006 	28.8% 
	Reduce the amount of CO ₂ used in our distribution network to deliver a case of goods by 50% by 2012, compared to 2006. Annual target reported as percentage reduction against previous year	9.2% (UK) 	6.4% 
Providing customers with healthy choices	Staff and customers active with Tesco	4.7m people 	6.2m people 
Actively supporting local communities	Staff and customer fundraising	£8.2m 	£7.4m 
	Donate at least 1% of pre-tax profits to charities and good causes	1.9% 	1.94% 
Creating good jobs and careers	Staff being trained for their next job	1 in 30 (UK) 	6% 

Key Performance Indicators (KPIs) are an important way to monitor how successful we are in meeting our corporate responsibility targets each year. We set targets for each of the five objectives in the Community segment of the Steering Wheel, for each of the 13 markets in which we operate stores. For more on how the Steering Wheel drives our behaviour and performance, and how the Community segment encapsulates our corporate responsibility strategy, see page 6.

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, and our 2011/12 KPIs, see www.tescopl.com/countries.

Performance 2010/11	Comment
82% 	We exceeded our target of 80% positive responses.
54% 	Despite strong performance in China and South Korea, we missed our target of a 60% response rate from suppliers.
7.7% 	We have exceeded our target of a 5.5% reduction, helped by strong performance in Hungary, South Korea and the UK.
28.8% 	Despite good performance in Hungary, Malaysia and the UK, we have missed our target of a 30% reduction. In some markets this was due to high summer and low winter temperatures. In others, we still have work to do on fridge gas leakage.
7.4% 	Despite good performance in the Czech Republic, UK and US, we have missed our overall target of a 10% reduction.
Over 7m people 	We exceeded our target of getting seven million people active, with strong performance across our markets. In Thailand alone, we helped get 4.2 million people active.
£10.0m 	We exceeded our target of £7 million, with strong performance in the majority of our markets. In addition, we helped charities raise money through in-store collections.
1.8% 	We exceeded our target of 1%, contributing £64.3 million to charities and good causes through direct donations, cause-related marketing, gifts in kind, staff time and management costs. In addition, we donated £50,000 in March 2011 to aid humanitarian efforts in Japan.
6.2% 	Despite strong performance across many of our markets, we missed our target of 7% of staff being trained for their next job.

Priorities for 2011/12

Every year, we define Community-related projects for each of the 13 markets in which we operate stores, reflecting our Community Promises and local priorities. Below is a selection of initiatives for 2011/12 from across the Group.

Buying and selling our products responsibly

Set up a Skills Academy in Bangladesh.

Develop action plans for sustainable supply chains in key commodities.

Source all our palm oil and derivatives for the UK from an RSPO-certified system by 2012.

Develop a fisheries evaluation system with the Sustainable Fisheries Partnership in the UK.

Work with produce and clothing teams in the UK to develop water stewardship strategies.

Caring for the environment

Open a zero-carbon store in Thailand and a zero-carbon Academy in South Korea.

Install solar panels on ten of our stores in Arizona.

Launch green Clubcard points in China, Hungary and Turkey.

Grow our supplier Knowledge Hub to 300 members.

Agree carbon reduction plans for five sectors in our supply chain.

Providing customers with healthy choices

Work with the Chinese Government and suppliers in China to share knowledge on food safety.

Roll out 5-a-day labelling in China.

Participate in the first central London Community Alcohol Partnership.

Make Race for Life 2011 the biggest Race for Life yet.

Get a further 18,000 schoolchildren active through the Tesco Bank Football Challenge.

Launch eParan Youth Football Club in South Korea.

Actively supporting local communities

Pilot a new schools programme in two towns in Turkey.

Extend Community Champions in Hungary to one city per county.

Strengthen the online Schools of Extended Education network in South Korea.

Creating good jobs and careers

Offer 2,500 apprenticeship positions in the UK.

Develop the Women in Leadership programme in the UK.

Develop more ways, places and content to learn through our Academy.

Introduce a staff Clubcard scheme in China.

Set up an ABC (African, Black British and Caribbean) network in the UK.

Develop an employee engagement measure across the Group.

Continue our scheme for retired colleagues to become business coaches.

Managing corporate responsibility

While we manage our Community initiatives through the Steering Wheel, ultimate responsibility for corporate responsibility at Tesco rests with the Board. Lucy Neville-Rolfe, Executive Director (Corporate & Legal Affairs), is accountable for our performance in this area, and sits on the Board. She also chairs our Corporate Responsibility Committee, which is made up of 15 senior executives from across the Group. The Committee meets at least four times a year to support, develop and monitor policies on corporate responsibility issues, and to review risks and opportunities for the Group.

The Board sets our Group Key Performance Indicators (KPIs) (see pages 58-59), which we use to track performance across the Group. Each market also has its own corporate responsibility targets. For more information on these targets and progress against them, see www.tescopl.com/countries.

All new senior directors receive detailed training on the Community Plan as part of their induction, and non-financial KPIs are included within the remuneration criteria of Board Directors. For more information see page 74 of our 2010/11 Annual Report.

CODE OF BUSINESS CONDUCT

In 2009, we launched our Group Code of Business Conduct, which has been rolled out to all employees across the Group and gives clear guidance on the standards of behaviour expected. In addition to the Steering Wheel, the Code of Business Conduct is a key vehicle for the communication of standards across the Group. For more information see www.tescopl.com/code.

The Tesco Corporate Responsibility Committee

For this reporting year, the Corporate Responsibility Committee was made up of 15 senior executives from across the Group:

- **Lucy Neville-Rolfe (Chair)** Executive Director (Corporate & Legal Affairs)
- **Barney Burgess** Chief Operating Officer (Grocery), Tesco.com
- **Kari Daniels** Director of Brand and Trade Marketing
- **Trevor Datson** Group Media Director
- **Michael Fletcher** Commercial Director, Group Corporate Purchasing
- **Ruth Girardet** UK Corporate Responsibility and Communities Director
- **Catherine Glickman** Talent Development Director
- **Liz Kynoch** Group Technical & Trading Law Director
- **Alex Laffey** Distribution Network Development Director
- **Trevor Masters** CEO, Central and Eastern Europe
- **Andrew Neale** Head of Facilities
- **David North** UK Corporate Affairs Director
- **Greg Sage** International and Internal Communications Director
- **Simon Williams** International Property Director for Acquisitions, Assets and Estates
- **Nanbin Zhuang** Vice-President Corporate Affairs, Tesco China

We have recently changed the Corporate Responsibility Committee to reflect our new corporate structure, and to strengthen representation from Asia, Europe and the US. For more information on the new Committee, see www.tescopl.com/crcommittee.

How we listen to improve our strategy





Our work is only effective if it addresses the long-term needs of our customers and society. The table opposite summarises how we interact with each of our stakeholder groups throughout the year and what they are concerned about.

Each year Forum for the Future and other key stakeholders assess our corporate responsibility reporting and give us their views. Following last year's report, stakeholders said they wanted to see more information on some key issues.

- Improving supply chain wages in low-income countries – see our Trading Fairly model on page 13 to learn about our work with suppliers.
- Engaging employees more with community and environmental initiatives – there are numerous examples in this report of how our employees are involved.
- Taking a firmer and more proactive stance on making health improvements to existing product ranges – see the work we have done in this area in the chapter on 'Providing customers with healthy choices'.
- Planning for wider sustainability beyond carbon – examples of our work in this area can be found in the chapter on 'Buying and selling our products responsibly'.
- Firmer action on water and the long-term sustainability of fish stocks – see our new work on water on page 18 and our new commitments on the sustainable sourcing of seafood on page 16.
- New retail business models to meet the needs of customers and communities while respecting environmental limits – see how we are encouraging customers to be greener in the chapter on 'Caring for the environment'.

For more information on Forum for the Future's view of our strategy, see the inside back cover of this report.



Stakeholder group and how we interact	What they want and are concerned about
Customers: Regular Customer Question Time (CQT) in our stores, and qualitative market research in all markets.	 Products that are safe, legal and that support their lifestyles. Value in difficult economic times. Information about where their products come from.
Investors: Meetings and formal presentations throughout the year. Dedicated investor relations website and ongoing feedback session including with Socially Responsible Investors (SRIs).	 Detail on the costs and payback benefits of carbon reduction and other environmental initiatives. Information on our international operations and global targets. Detail on how we manage corporate responsibility in the business day-to-day, to anticipate and manage risks.
Employees: Constant feedback through ongoing staff appraisals, Staff Question Time (SQT), annual Viewpoint and Pulse surveys.	 The opportunity to get on at work, an interesting and secure job, to be treated with respect, good pay and benefits, flexibility, support in difficult times, and a manager who helps them.
Communities: Regular engagement in stores and at public consultations and exhibitions, notice boards, leaflets, focus groups, work with charities and community groups as well as through store-based Community Champions and Community Fairs.	 Tesco to provide good jobs and investment. Care of the local environment around our stores. Support and funding for local causes.
Suppliers: Regular meetings and collaboration with suppliers, processors and manufacturers, Producer Clubs, annual Supplier Viewpoint survey, leading-edge knowledge groups, training for suppliers e.g. through Tesco Link website.	 A fair deal, and to be paid on time. Stable, long-term relationships with us, and opportunities for growth. Rewards for good environmental and fair trade performance, and support for primary producers impacted by climate change. Help informing customers about where their products come from.
Governments and regulators: Wide range of engagement in all markets on all relevant issues: environment, ethical trading, food safety and sourcing, wages and benefits, skills, regeneration planning, health and nutrition.	 Tesco's support to implement relevant policies. Guidance to help create fair and reasonable regulation. Ideas for new projects and case studies of successful ones.
Non-governmental organisations (NGOs): Ongoing engagement through meetings, consultations, research and surveys.	 Tesco to take a leadership role on wider sustainability and ethical trade issues. Details on the sustainability of commodities, such as palm oil, water or soy.

Awards

This year, Tesco has been included in key responsible investment indices, and received some prestigious awards for our corporate responsibility strategy and performance:



FTSE4Good

Tesco has been a member of the FTSE4Good Index, a responsible investment index, since 2001. This year, we achieved the excellent score of 97 out of 100 in the Index, and the highest possible score for our climate change activities.



Tesco has been a member of the Dow Jones Sustainability Index, a responsible investment index, since 2008. We achieved a particularly high score for our environmental commitment and activities.

CARBON DISCLOSURE PROJECT

Tesco was named the top retailer in the Carbon Disclosure Project's 2010 UK FTSE 350 and Global 500 reports for carbon reporting and performance.



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

We have also won awards for specific environmental and community initiatives, including:

China

- Employees' Most Favoured Company (Retail Industry)
- Best Practice Award for Corporate Social Responsibility

Hungary

- Innovation Award (solar power initiative), Hungarian Innovation Foundation
- KarrierStart Top 30 (graduate employers), Figyelő and Hewitt Human Tanacsado Kft

Ireland

- Best Practice Award (store recycling), Repak Recycling Awards

Poland

- Investor in Human Capital, Good Employer Awards
- CSR Award (Tesco for Kids), Gazeta Finansowa
- Most Environmentally Friendly Company 2010, National Environmental Contest under the auspices of the President of Poland

South Korea

- Global Green Management Excellence Awards, Ministry of Environment and Ministry of Economy
- Fairtrade Enterprise Award, Fairtrade Commission Republic of Korea
- HRD Management Award, Korean Human Resource Development Association
- Korea Ethical Management Grand Prix, New Industry Management Academy

Turkey

- Best Human Resources Project (partnership with Izmir University of Economics), Retail Sun Awards

UK

- Regeneration Award (Birmingham Spring Hill development), Green Apple Awards
- Best Energy Reduction Programme (energy boards), Platts Global Energy Awards
- Best Energy Reduction Project of the year (energy boards), Energy Event 2010
- Best Overall Performance in Fostering Employee Share Ownership, ifs Proshare Annual Awards

For more information on awards and partnerships, see www.tescopl.com/awards.

A view from Forum for the Future

“Tesco has continued to strengthen its Community Plans – both in the UK and internationally – and this is increasingly being done in partnership, with customers, suppliers, NGOs and other businesses. To support this approach and help Tesco work through the sustainability challenges it faces, we facilitated a series of stakeholder sessions.

There was praise for many of Tesco’s initiatives, in particular the leadership shown in tackling climate change. At the same time, stakeholders highlighted issues on which they thought the business should do more.

The first was to be more upfront about the commercial – as well as the moral – case for investing in corporate responsibility. By doing this, they argued, Tesco could clearly demonstrate the bottom-line benefits and use its position as a market leader to influence the wider business and investment community.

The second was health, where despite praise for initiatives such as the strong public position on alcohol, there were calls for Tesco to play a bigger health-promotion role. The retailer could influence the quality and quantity of food that customers consume by more promotion of healthy options, by stronger education on diets and lifestyles, and by shifting the entire range of products it sells in a healthier direction.

The third area of challenge was on the sustainability and resilience of Tesco’s supply chain in the face of resource shortages and increasing pressures on the natural environment. While great work has been done on measuring and reducing carbon, there are a set of wider sustainable sourcing issues – in particular water – to be tackled.

Looking ahead, we urge Tesco to accelerate its transition from being a business with a strong sustainability strategy to being a business whose whole strategy is sustainable and fit for the demands of the 21st century.”

Peter Madden
Chief Executive

WHAT IS FORUM FOR THE FUTURE?

Forum for the Future is a non-profit organisation working globally with business and government to create a sustainable future. Forum for the Future is not an auditor or a verifier and these comments should not be read as verification of data or information contained within the report. For more information, see www.forumforthefuture.org.

Tesco is one of Forum for the Future’s Corporate Partners, and makes a direct financial contribution to the Forum. Last year the Forum’s income from Tesco represented less than 2% of its turnover. The partnership is currently in its tenth year.



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