



# An update on our Corporate Responsibility commitments

November 2016



# At a glance



## Food waste

- Only retailer to publish assured data on UK food waste in own operations
- Commitment that by end of 2017, no food that's safe for human consumption will go to waste from UK stores
- Roll-out of food surplus donation programmes across the Group



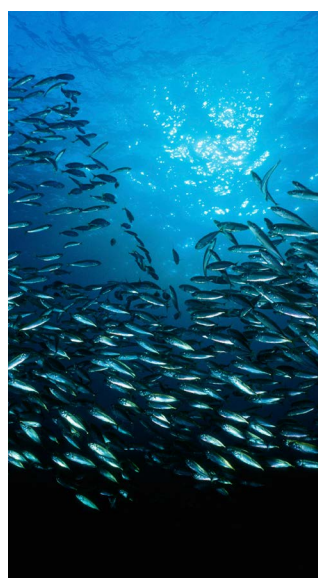
## Health

- Cutting the sugar content of all our UK soft drinks by an average of 5% each year
- Providing free fruit for children in all our large UK stores
- Raised over £13.7 million for our National Charity Partnership with Diabetes UK and the British Heart Foundation



## Human rights & labour standards

- 42 locally-based responsible sourcing specialists across the world
- Social programmes supporting nearly 450,000 people in communities we source from, over the last two years
- Shortlisted for the Thomson Reuters Foundation 2016 Stop Slavery Award



## Environment

- Reduced our absolute carbon emissions by 3.1% year on year
- Expanded the MSC label scheme for pre-packed and frozen fish as well as fish counters
- First UK retailer to join the Sustainable Agriculture Initiative



## Supplier relationships

- Standardisation of payment terms across UK and Central Europe
- New supplier helpline in Central Europe and new supplier website in Thailand following successful UK launch in 2015
- Recognised as the most improved retailer by Groceries Code Adjudicator's 2016 annual survey



## Business ethics & anti-bribery

- Launched refreshed Code of Business Conduct
- Refreshed training programmes for colleagues on anti-bribery, income recognition, and supplier codes where relevant
- Awareness campaign for our 'Protector Line' whistleblowing hotline

# Recommitting to the UN Global Compact



In December 2015 we joined the UN Global Compact, an initiative that encourages businesses worldwide to adopt sustainable and socially responsible policies.

Today, we recommit to that Compact.

So, why is that important?

It is unquestionable in my mind that Tesco has a responsibility to try to make a positive difference, taking small steps to help make sure future generations have the same, if not better, opportunities than we do today.

A key part of that is about doing our part to look after our global resources, promote human rights, and address significant societal challenges.

Of course Tesco cannot solve these challenges alone, but by building partnerships across business, government and through our supply chain we can have a significant and positive impact. As the chair of Champions 12.3 – an international coalition of businesses and organisations committed to reaching the UN Sustainable Development Goal 12.3 of halving global food waste by 2030 – I'm seeing first-hand the power of bringing people together around a common goal, and openly reporting that progress.

And by measuring and reporting our progress, we can make sure we are doing what we said we will do.

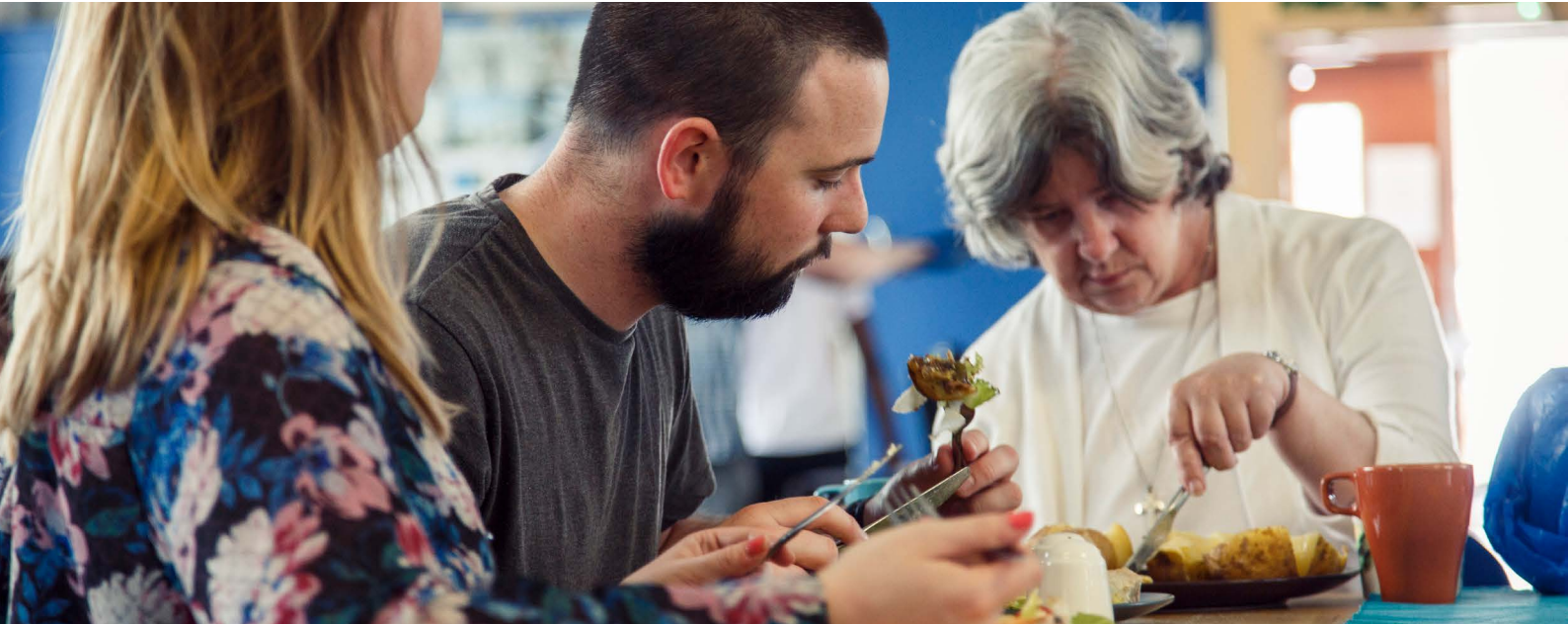
Since joining the Global Compact, we have made further progress across all the key areas of activity. The UNGC aligns closely with our values and we are very proud to continue to commit to the ten principles covering human rights, labour, environment and anti-corruption.

As always, we are really keen to have feedback and to listen to advice from our partners and stakeholders on all of these issues. If you have any questions at all, please do get in touch with me directly.

Thank you,

**Dave Lewis**  
Group Chief Executive  
dave.lewis@uk.tesco.com

# Stopping good food going to waste



At Tesco, we believe that no food that is safe for human consumption should go to waste. We were the first UK retailer to measure and publish assured food waste data for our UK operations. We have also set the ambitious target that by the end of 2017, no food that is safe for human consumption will go to waste from UK stores.

Target 3 of Sustainable Development Goal 12 is to halve per capita global food waste at retail and consumer levels and reduce food waste along production and supply chains by 2030. We are proud to be members of Champions 12.3, an industry group chaired by our CEO Dave Lewis, dedicated to accelerating progress toward achieving this target.

## Reducing food waste across the UK from farm to fork

**Upstream**  
Waste from manufacturing and agriculture

**1.7 million tonnes**  
from manufacturing

**Midstream**  
Waste in stores, distribution centres and operations

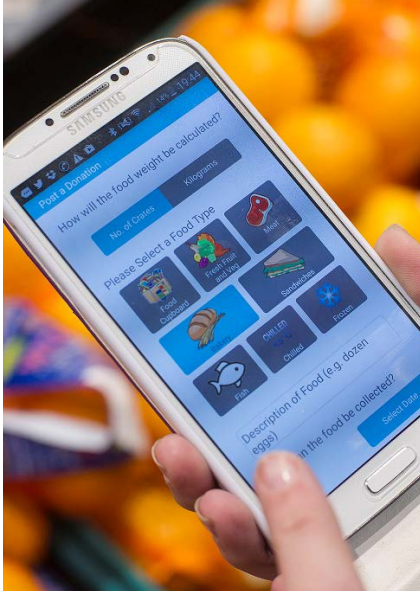
**0.2 million tonnes**

**Downstream**  
Waste in customers' homes

**7.0 million tonnes**

Transparency and measurement are essential in reducing food waste, and that's why we have been publishing data for the last three years on UK food waste in our own operations. This approach has proved instrumental in helping identify hotspots in order to tackle the root causes of food waste.

Source: WRAP Estimates of Food Surplus and Waste Arisings in the UK, 2016.



### Food surplus in stores

Through our Community Food Connection, store colleagues in the UK can alert charities and community groups to the amount of surplus food they have at the end of each day. The charity then picks it up free of charge and turns it into meals for people in need. This programme is now live in all our large stores and will be in all UK stores by the end of 2017.

We are expanding this programme internationally too. 280 stores across Central Europe are already donating surplus food to charity partners. We have committed to offer surplus for donation from all Central European stores by 2020. In Malaysia, we are trialling a new food surplus donation app similar to our FareShare FoodCloud platform in the UK.



### Supply chain

In our supply chain, our approach is to use as much of the edible crop as possible. In March 2016 we widened our specification and introduced our Perfectly Imperfect range which includes parsnips, potatoes, strawberries and apples. This enables us to take more of the crop than ever before and reduce food waste on farms.

We are making links between our growers and our fresh and frozen suppliers to help tackle waste too. For example, we are supporting our potato supplier, Branston, to supply one of our own-brand manufacturers, Samworths, with unsold potatoes for mashed potato products – increasing crop usage and reducing waste.



### Customers

To make it easier for customers in the UK to understand food expiry dates, we removed 'display until' dates and moved to single date codes of either 'best before' or 'use by' across our fresh produce, meat and dairy categories.

We have also made a series of changes to give extra freshness to our customers and help them to reduce waste. Whether it's removing a packaging stage in the journey from farm to fork or changing the way we package the final product, the end result is helping our customers to waste less food at home.

# Making it easier to live more healthily



Goal 3 of the Sustainable Development Goals seeks to ensure health and wellbeing for all.

Our customers and colleagues tell us that they want us to make it easier for them to live more healthily. A key part of our approach on this is to make lots of little, healthy changes that will add up to make a big difference overall.

We believe that every time we change the recipes for our food, we should try and make it healthier. Over the past five years we have been taking the sugar out of our soft drinks, yet customers have told us they love our new ranges. Our pledge is to keep going – cutting the sugar content of all our soft drinks in the UK by an average of 5% each year. That's on top of the 4.5 billion calories and 1,400 tonnes of sugar we have already cut from the range.

Helping make it affordable and convenient to eat more fruit and veg is also important. Our recently launched farm brands range of fresh produce and 'wonky' fruit and veg ranges have proved hugely popular with our customers.

**↓ 20%**

reduction in sugar from our soft drinks, versus the same drinks in 2011





### Reformulation

We have continued making healthier changes to our products, reducing the amount of salt, fat, saturated fat and sugar. As well as removing billions of calories from our soft drinks range, we have removed over 300 tonnes of saturated fat and 15 tonnes of salt from our own label butter and spreads range. And we have changed our own-brand cooking sauces too, removing over 65 tonnes of fat, 600 tonnes of sugar and 27 tonnes of salt.



### Healthy choices

Last year, in response to parents' feedback, we took the decision to remove sweets and chocolates from checkouts and replaced them with healthier snacks.

We have now taken this even further and are offering free fruit to parents for their children to eat during shopping trips. Available in all large stores across the UK, the aim is to create healthy eating habits that will stay with kids, as well as to make it easier for children to get the fruit and vegetables they need.

Through the Tesco Eat Happy Project, we have reached more than 1.5 million children, helping them understand where their food comes from so they can make better decisions about what they put on their plates as they grow up.



### Charity partnerships

The Tesco Charity Partnership with Diabetes UK and the British Heart Foundation aims to tackle and prevent heart disease and diabetes. Through the voluntary efforts of UK colleagues, combined with the generosity of our customers, we have already raised over £13.7 million since January 2015.

Some of this money will fund joint projects aimed at helping millions of people to improve their health – from fitness and sports festivals, to developing an online goal setter tool.



### Customer campaigns

In our Central European stores we have improved the quality of 25 key produce lines and simplified the layouts in 120 stores to make fresh food more appealing for our customers.

We have held free aerobics sessions for anyone in the community in front of over 60 stores in Thailand. This was complemented by an 'Eat Fresh' campaign both in our stores and on social media to raise awareness of eating healthily.

In the UK we have been celebrating 15 years in partnership with Race for Life, fundraising for Cancer Research UK and encouraging colleagues and customers to take part.

# Human rights & labour standards



We believe our trade is a force for good, creating jobs and opportunities for people and communities across the world. We are committed to upholding human rights throughout our business and see our role as both protecting the rights of workers, and enhancing the rights of communities where we operate.

As founding members of the Ethical Trading Initiative (ETI), we support our suppliers to comply with the ETI Base Code and help them to improve standards. Underpinning this work is our focus on building long-term partnerships with the best suppliers who share our values. For example, in our non-food sourcing, 66% of our suppliers have worked with us for more than three years.

The most serious human rights concerns tend to be found in lower tiers of our supply chains: our suppliers' suppliers, and so on. Many of these risks are therefore hidden from easy identification, and our direct leverage to address them is reduced. In consultation with more than 50 stakeholders, we have developed a new approach to assessing human rights risks and driving improvement, with four key elements:

- Focusing on where risk in the supply chain is greatest, not just where our visibility is easiest;
- Basing risk analysis on key factors such as country risk, type of work and the supplier's capability to manage the issues;
- Complementing the risk analysis with regular dialogue with NGOs, trade unions and other independent bodies to gain further insight;
- Taking a partnership approach to supporting and driving improvement.

Our team of 42 responsible sourcing specialists in ten key sourcing countries ensures we can implement this approach across all of our main supply chains.

Working with a wide variety of local partners, we have additionally helped nearly 450,000 people in 2015 and 2016 through specific programmes addressing challenges such as children's education, women's empowerment and access to health services.

## **Modern Slavery**

We publicly advocated for the Transparency in Supply Chains clause in the UK Modern Slavery Act in 2015 and will issue our first statement in May 2017. Additionally, we have jointly led work with the Consumer Goods Forum to agree core anti-slavery principles for collective action and partnered with the ETI on effective due diligence approaches. We are pleased to have been recognised for our work in this area, with inclusion on the shortlist for the Thomson Reuters Foundation 'Stop Slavery Award' for 2016.





### Bananas

Bananas are one of our biggest-selling products, but too many banana workers around the world face poor conditions and low wages. We are a founding member of the World Banana Forum, which helps to raise labour standards across the whole industry.

We work closely with suppliers to understand the costs required to produce bananas with full respect for human rights and the environment. We pay them at a higher rate than the market price and, in farms dedicated to Tesco, we are on track for workers to be paid a living wage by 2017.



### Cocoa

In the cocoa industry, challenges of child labour are well documented. High levels of poverty, combined with limited access to education, increase the risk of labour exploitation. As a member of the World Cocoa Foundation, we share the ambition to create a sustainable and profitable cocoa economy, thereby improving the lives of cocoa producers and their families.

In line with this, we have made the commitment that all the cocoa in our own-label products sold in the UK will be sourced under recognised responsible sourcing schemes by the end of 2018.



### Prawns

Issues of forced labour in the Thai fishing industry are long-standing and complex. The prawn supply chain specifically is very long and intricate, meaning that it is very difficult to identify and solve these issues alone. That is why we are members of the Shrimp Sustainable Supply Chain Task Force. This industry alliance has the objective of implementing traceability systems to help improve standards across the Thai seafood industry.

We also support Project Issara, providing help to victims of forced labour and trafficking.



### Clothing

We have a responsibility to help bring change to protect the safety and wellbeing of all those who work in the clothing industry. We are a founding member of the Bangladesh Accord for Fire and Building Safety and have conducted structural surveys using independent experts at every factory that we source from.

In our UK clothing supply chain, we are working in partnership with the union Community and our suppliers in Leicester to ensure that workers have access to representation and are treated decently. By initiating joint visits, we have encouraged open dialogue and helped to develop action plans for better working conditions.

# Environment



Since refocusing our environment strategy 18 months ago on five key areas (climate, freshwater, marine, forests and sustainable agriculture), we have been concentrating on embedding this throughout our business and supply chain.

In 2015/16 we continued to reduce the carbon intensity of our stores and distribution centres and are making progress towards our 2020 targets: to halve carbon emissions per square foot of our stores and distribution centres and a 25% reduction in carbon emissions per case of goods delivered. In 2015/16, we achieved a 39.5% reduction in emissions from our stores and DCs (2008 baseline) and a 17.4% reduction in distribution emissions (2012 baseline). Our performance and disclosure of our impacts have resulted in us being the only retailer to be included in the 2016 Carbon Disclosure Project Climate A List.

In addition to working on our own carbon reductions, we have continued to engage our suppliers on the importance and business benefits of becoming low carbon businesses. Our biggest Grocery category suppliers are on track to exceed a 30% reduction in their emissions by 2020 but there is more we can do to help achieve this reduction in other categories. Elsewhere in our supply chain, we have achieved a 27% reduction in the carbon emissions associated with our own-brand packaging.

We are also mapping our supply chains to understand our exposure to fresh water availability or contamination risks, particularly in environmentally sensitive river basins. This is helping us to prioritise action and establish relationships with other stakeholders in particular locations. Our work in this area continues to evolve and we have had several successful supplier workshops to raise awareness, facilitate knowledge exchange and develop skills around building sustainable and resilient supply chains.

Finally, agriculture accounts for approximately 60% of our supply chain carbon footprint, 97% of our water footprint and the vast majority of our impact on biodiversity. As well as reviewing our arable and livestock standards, we are starting to work with suppliers to roll out tools, such as the Cool Farm Tool, to measure impact and drive improvements in carbon, water and biodiversity.



### **Cutting emissions in property**

Approximately 70% of emissions from our own operations are due to electricity consumption. To address these impacts we have invested more than £700m in efficiency measures since 2006. We will continue to invest as appropriate to meet our targets.

We are also investing in renewable electricity both through on-site generation and procurement. In 2015/16 we generated 10,000 MWh of electricity from our solar and wind power investments and in 2016 we invested a further £8m in solar power in Thailand.



### **MSC certified fish**

One of our biggest achievements in the last year has been our partnership with the Marine Stewardship Council (MSC). The MSC label makes it easy for customers to identify fish that meet high standards of sustainability.

MSC certified fish is now available on all our 656 fresh fish counters in the UK, as well as through a range of over 80 pre-packed and frozen fish and seafood lines, all marked with the MSC label.



### **Sustainable Agriculture Initiative**

Earlier this year, we became the first British retailer to join the Sustainable Agriculture Initiative. This platform enables us to work with like-minded companies and partners across industry to help define, drive and implement environmental best practice in our agricultural supply chains. This includes working on projects to address water scarcity in sourcing hotspots.



### **Palm oil**

100% of palm oil in our own brand products comes from sources certified to the Roundtable on Sustainable Palm Oil (RSPO) standards. This includes palm oil used as an ingredient in food products and within beauty or household products.

By continuing to work with key stakeholders, including product partners, palm oil traders, the Consumer Goods Forum and RSPO, we are committed to ensuring that our palm oil comes from sustainable, deforestation-free sources by 2020.

# Supplier partnerships



As a business, we depend on open, trusted partnerships with our suppliers. We have made fundamental changes to the way we source products and work with our suppliers over the last two years.

In October last year we announced a standardisation of payment terms for UK suppliers. We have moved away from complex and varied terms towards a new standard approach offering reduced terms for small and medium-sized businesses.

We have also created a dedicated Supplier Engagement team and the Tesco Supplier Network, an online community of Tesco suppliers. These have been key steps in developing closer channels of communication between Tesco, suppliers and producers from around the world. This gives us the opportunity to share ideas, be innovative and drive sustainability, both throughout our supply chain and ultimately in the products that our customers enjoy.

We are carrying out the same changes internationally. In Central Europe, we are introducing new standard payment terms which will include a new shorter term for our 1,000 smallest suppliers. As a result, from October 2016 our smallest suppliers will benefit from being paid within 14 days.

In Thailand, we have recently introduced a quarterly e-newsletter and supplier website as additional communication channels that will enhance our relationships with our suppliers.

We are pleased that the Groceries Code Adjudicator's 2016 annual survey showed that 65% of suppliers surveyed reported seeing an improvement in how we operate, resulting in Tesco being recognised as the most improved retailer.

# Business ethics and anti-bribery



We are committed to maintaining the highest standards of ethics and integrity in the way we do business.

We relaunched our Code of Business Conduct in 2015, which sets out our minimum expectations for all colleagues and describes our most important legal obligations. The Code reflects the responsibility we have not just to comply with the law, but also to do the right thing for wider society. Since then, we have instigated ongoing communications across the Group to promote an open and honest culture within the business. From March 2015, we have also implemented annual Code compliance declarations.

Additionally, all of our office-based colleagues around the Group, and many who work in our stores, call centres and distribution centres, have received new starter and annual refresher training on our Code and a range of compliance risk topics, including anti-bribery, competition law, commercial income recognition, Groceries Supply Code of Practice and privacy, depending on their role. Ongoing training is helping to ensure that relevant colleagues understand our policies and know how to comply with them.

To ensure we are aware of any wrongdoing we encourage a “speak up” culture and provide a free, independent, confidential and secure whistleblowing service – Protector Line – that enables our colleagues, suppliers and their staff around the world to raise concerns. We are continuously reviewing the Protector Line and have taken a number of steps to ensure its ongoing effectiveness. This has included a business-wide awareness campaign to promote its use. Data and trends from Protector Line, as well as other compliance data, are reviewed at Compliance Committee meetings which are chaired by the Group CEO.

# Creating opportunities for colleagues



Tesco has always been a people business, and we can't achieve anything without the huge work and support of our colleagues. It really matters that we give everyone the greatest possible support to do their work and to develop as individuals. Everyone should also be rewarded for what we achieve together. Our ambition is to make sure we develop, recruit and inspire the best people in retail.

Over the last year our business has gone through a significant restructuring and our commitment to be open and transparent with colleagues has been especially important. Wherever possible, we have made sure that colleagues are the first to know about any changes which will affect them.

One of the changes we made was to the pay of colleagues working in stores across the UK. In February 2016, we announced a new package including a pay increase of up to 3.1% and a simpler, fairer approach to premiums for Sunday and bank holiday shifts. Tesco colleagues will continue to benefit from one of the highest pay and benefits packages in retail, which includes pension, colleague discount and a bonus plan. Colleagues will also receive significantly more than the Government's new National Living Wage of £7.20 per hour.

We have made a significant investment in Central Europe to offer our store colleagues an average pay increase of 5%, with investment focused on our lowest paid colleagues to increase their base salaries.

Our colleagues come from diverse backgrounds reflecting both the countries we operate in and the range of skills we need to run our business. Our UK-wide apprenticeship programme supports both our existing colleagues in their chosen career paths and new colleagues wanting an exciting and challenging future with us.

We work with a number of external organisations to support our work on inclusion including Stonewall, Business in the Community and the Employers Network for Equality & Inclusion. Our four employee engagement networks (Out at Tesco, the Black Asian Minority Ethnic Network, Women in Business and the Armed Forces Network) inspire colleagues to be themselves at work.

Ongoing open, constructive dialogue with workers' representatives is important to our work in this area and all colleagues are free to join a trade union of their choice. In partnership with trade union USDAW, Forums are one of the many ways colleagues and managers can talk to each other, and get involved in the wider business. These platforms are an important listening, engagement and communication channel that ensures the voice of our colleagues is heard and represented at all levels.

# Ten principles of the UN Global Compact

Areas	Principles	Links to progress information	
Human Rights	1 Businesses should support and respect the protection of internationally proclaimed human rights.	<a href="http://www.tescopl.com/humanrights">www.tescopl.com/humanrights</a>	
	2 Businesses should make sure that they are not complicit in human rights abuses.	<a href="http://www.tescopl.com/humanrightspolicy">www.tescopl.com/humanrightspolicy</a> <a href="http://www.tescopl.com/ethicaltrading">www.tescopl.com/ethicaltrading</a>	
Labour	3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	<a href="http://www.tescopl.com/ethicaltrading">www.tescopl.com/ethicaltrading</a> <a href="http://www.tescopl.com/codeofbusinessconduct">www.tescopl.com/codeofbusinessconduct</a> <a href="http://www.tescopl.com/unions">www.tescopl.com/unions</a> <a href="http://www.tescopl.com/ukgarmentindustry">www.tescopl.com/ukgarmentindustry</a>	
	4 Businesses should uphold the elimination of all forms of forced and compulsory labour.	<a href="http://www.tescopl.com/humanrightspolicy">www.tescopl.com/humanrightspolicy</a> <a href="http://www.tescopl.com/ethicaltrading">www.tescopl.com/ethicaltrading</a> <a href="http://www.tescopl.com/forced-labour-cotton-industry">www.tescopl.com/forced-labour-cotton-industry</a>	
	5 Businesses should uphold the effective abolition of child labour.	<a href="http://www.tescopl.com/ethicaltrading">www.tescopl.com/ethicaltrading</a> <a href="http://www.tescopl.com/children-in-tea-communities">www.tescopl.com/children-in-tea-communities</a> <a href="http://www.tescopl.com/sourcing-cocoa-responsibly">www.tescopl.com/sourcing-cocoa-responsibly</a>	
	6 Businesses should uphold the elimination of discrimination in respect of employment and occupation.	<a href="http://www.tescopl.com/inclusion">www.tescopl.com/inclusion</a> <a href="http://www.tescopl.com/ethicaltrading">www.tescopl.com/ethicaltrading</a>	
	Environment	7 Businesses should support a precautionary approach to environmental challenges.	<a href="http://www.tescopl.com/environment">www.tescopl.com/environment</a>
		8 Businesses should undertake initiatives to promote greater environmental responsibility.	<a href="http://www.tescopl.com/foodwaste">www.tescopl.com/foodwaste</a> <a href="http://www.tescopl.com/palmoil">www.tescopl.com/palmoil</a>
9 Businesses should encourage the development and diffusion of environmentally friendly technologies.		<a href="http://www.tescopl.com/energy-efficient-stores">www.tescopl.com/energy-efficient-stores</a> <a href="http://www.tesco.com/community-food-connection">www.tesco.com/community-food-connection</a>	
Anti-corruption	10 Businesses should work against corruption in all its forms, including extortion and bribery.	<a href="http://www.tescopl.com/whistleblowing">www.tescopl.com/whistleblowing</a> <a href="http://www.tescopl.com/anti-bribery">www.tescopl.com/anti-bribery</a>	

Front cover shows our Community Food Connection partner charity, Bethel Christian Centre, Dagenham.

 <p>UN GLOBAL COMPACT</p> <p>COMMUNICATION ON PROGRESS</p>	<p>This is our <b>Communication on Progress</b> in implementing the principles of the <b>United Nations Global Compact</b> and supporting broader UN goals.</p>
<p>We welcome feedback on its contents.</p>	

For further information please visit [www.tescopl.com/tescoandsociety](http://www.tescopl.com/tescoandsociety) or contact us at [cr.enquiries@uk.tesco.com](mailto:cr.enquiries@uk.tesco.com)



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