

Climate change and Environment





We're in this together

Tackling climate change will require extraordinary commitment from us all. At Tesco, we have been working hard to play a positive role.

Our commitment, commercial strength and relationships with millions of customers enable us to lead our sector towards sustainable consumption, by reducing our direct environmental impact and encouraging suppliers and customers to do the same.

◀ The Tesco train, carrying goods from our distribution centre in Daventry to Livingston

Climate change

We can play a positive role in tackling climate change and help create a revolution in green consumption.

Position

There is a growing consensus on the science of climate change. It is accepted by governments, businesses, NGOs and people around the world. To limit temperature increases this century to less than 2°C, the Intergovernmental Panel on Climate Change (IPCC) estimates that we must reduce global carbon emissions by at least 50% by 2050. Other experts say that even more is needed.

This will require extraordinary commitment from us all. On its current trajectory the UK will not achieve its target to cut carbon emissions by at least 26% by 2020, let alone by 60% by 2050. The same is true of many other countries.

Critics argue that supermarkets are part of the problem because they often run energy-intensive stores selling food and other products that have travelled long distances. We believe that retailers can play a positive role in tackling climate change. Tesco has never ducked a challenge and we intend to lead the way by dramatically reducing our own carbon footprint and making low-carbon products accessible and affordable for consumers.

Our climate change plan focuses on ambition and action across the Tesco Group in three ways.

- > **Setting an example** – We measure and publish our direct carbon footprint so we can identify our biggest impacts and provide transparency within our business and to others about our progress. We have used the footprint to set challenging long-term targets to substantially reduce emissions from our buildings and distribution network.
- > **Working with others** – We are using our resources and relationships to work with others to achieve change. We have created a £100 million Sustainable Technology Fund to support large-scale carbon reduction technologies at our stores and distribution centres and in our supply chain worldwide. We have funded a new Sustainable Consumption Institute at the University of Manchester for five years with £25 million and will work with our suppliers to reduce carbon in our supply chain.

- > **Empowering our customers** – Engaging with customers is vital if we are to achieve the required carbon reductions. Consumers influence over 60% of UK carbon emissions directly and indirectly through their actions and their purchasing decisions. Tesco has started to label products with their carbon footprint, and help customers understand what it means. We will make low-carbon choices easy and affordable. We will encourage greater participation by incentivising climate-friendly actions.

Progress

Our climate change plan will be refined as we learn from experience. Our progress so far is reported below.

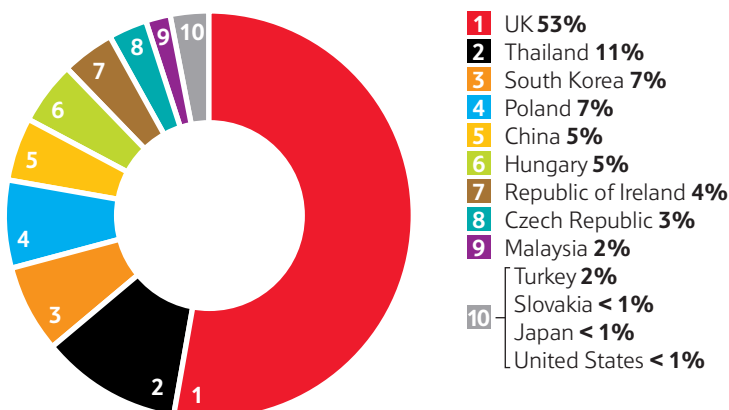
Setting an example

In 2007 our Group carbon emissions were calculated as 4.47 million tonnes* of CO₂e (carbon dioxide and equivalent greenhouse gases). This was an increase of 8.6% on the previous year, while our floor space grew by 14% over the same period. We have therefore reduced the overall Group carbon intensity per square foot of net sales area by 4.7%.

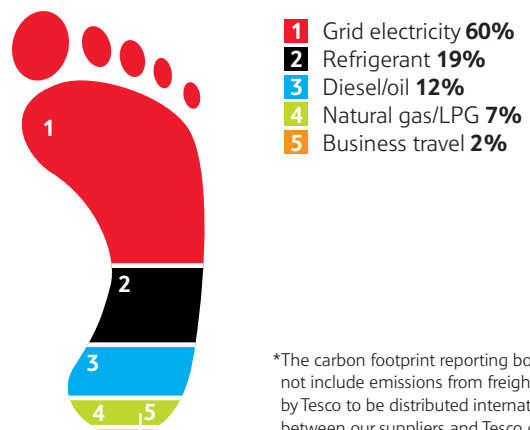
Our 2006 footprint was also recalculated to take account of improved data collection systems. As a result, the figure for 2006 has been reassessed from 4.13 million to 4.11 million tonnes of CO₂e.

During 2007, we have improved processes to collect and check carbon footprint data at country level and to calculate our emissions for our global operations. Relevant Key Performance Indicators (KPIs) have been developed and these are tracked by country and Group environmental managers. There are clear lines of responsibility for carbon reporting across the business, with training and guidance provided to country representatives and at Group level. Our total CO₂e emissions, and the percentage split of these emissions by country and by emissions source, have been independently assured by Environmental Resources Management Limited (ERM) to ensure that they have been appropriately reported. The full assurance statement from ERM can be found at www.tesco.com/crreview08/erm

CO₂ by country*



CO₂ by source*



*The carbon footprint reporting boundary does not include emissions from freight contracted by Tesco to be distributed internationally between our suppliers and Tesco depots.

£86m

**investment in
energy-saving
technology**

We are on course to sell over ten million energy-saving light bulbs in the UK.

Green choices

The footprint shows that the key causes of our emissions are:

- > heating and lighting in our stores;
- > chilling or refrigerating products; and
- > transporting goods to our stores.

The UK business currently accounts for 53% of the total, emitting 2.3 million tonnes of CO₂e. As our international businesses become more established and continue to grow, they will have a bigger impact on our footprint so we have set common targets across the Group.

Our targets on climate change, set in 2007, reflect these priorities:

- > to halve the carbon emissions from all new stores we build worldwide between now and 2020 compared with an equivalent store built in 2006;
- > to halve emissions from our existing stores and distribution centres worldwide by 2020; and
- > to halve the CO₂e created per case of goods delivered worldwide by 2012, compared with 2006.

Performance in our stores 2007 We are investing significantly in energy efficiency in our stores as our footprint shows that emissions from electricity use and natural gas account for our biggest impacts: 67% of our total carbon footprint.

By the end of 2008, our UK energy use per square foot will be half what it was in 2000. The carbon intensity, or carbon emissions per square foot, of new stores opened in the UK after 1 March 2007 has been reduced by 22% compared with the previous year.



This year we have invested £86 million in energy-saving technology for our stores, including low-energy lighting, energy-efficient bakery ovens, wind turbines, combined heat and power (CHP), trigeneration and hanging curtains on freezer doors. In 2007, these investments saved 66,000 tonnes of CO₂e in our stores alone and resulted in a like-for-like reduction in emissions of 5.8%, which exceeded our internal annual progress target of 5.5%.

We have also invested significantly in energy-saving technology in China, the Czech Republic, Hungary, Ireland, Poland, Slovakia, South Korea, Turkey, Thailand and the US.

In the US, Fresh & Easy is a pilot member of the Leadership in Energy and Environmental Design (LEED) Volume Certification Program, demonstrating the company's commitment to design more energy-efficient and sustainable buildings. Through LEED, Fresh & Easy stores focus on reducing energy use, conserving water, using environmentally friendly materials, appropriate site selection and indoor environmental quality.

Fresh & Easy buildings include skylights on new buildings with overhead lighting that dims automatically, increased insulation to reduce heating and air conditioning, night shades on refrigeration cases to keep cool air from escaping, parking spaces for hybrid vehicles, bike racks for employees and customers, in-store recycling, secondary-loop systems on refrigeration cases to capture and reuse cool air, and low-energy LED lighting in external signage and freezer cases.

Across our Hungarian stores we are installing over 10,000 sq ft of solar panels. At three of our distribution centres we are installing rotating solar panels that track the sun and maximise the amount of solar energy captured. At other locations we are using heat from a district CHP plant and planting a green flora roof.

Powering our distribution centres

We are making our distribution centres more energy efficient as part of our overall commitment to cut carbon emissions. One way we seek to do this is by using renewable energy.



The distribution centre for our Fresh & Easy business in California has a 500,000 sq ft solar panelled roof, one of the largest such installations in the US. We also have photovoltaic roofs in Turkey and Thailand.

Climate change continued

Following a UK innovation, energy Champions were appointed in all our stores in Ireland and all 11,000 store staff attended a series of energy awareness briefings. Our Nutgrove store installed Tesco Ireland's first CHP unit.

In Turkey, Tesco-Kipa opened two new stores using solar power for their checkouts, reducing annual CO₂e emissions by 66 tonnes. These stores also utilise natural light, saving a further 114 tonnes CO₂e per year.

An important part of our plan is to trial new leading-edge technology at environmental stores. We use these to demonstrate and test what is possible. Many of the technologies tested are not currently economically viable but may become so in the near future as carbon and fuel prices rise. We have now built environmental stores in seven countries.

In the UK, our fourth model environmental store opened in Shrewsbury and is achieving a carbon footprint 60% less than an equivalent standard store. The previous three model stores achieved reductions of 29%, 36% and 50%. Features being tested at Shrewsbury include a sustainable timber frame, natural lighting through the roof, rainwater harvesting, a ground source heat pump and battery-powered delivery vans.

Performance in refrigeration 19% of our carbon footprint is caused by the release of gases we use in our refrigeration systems in stores and trucks. Rigorous maintenance and monitoring procedures for our systems minimise leaks but these can occur during use and maintenance. We currently have to estimate the footprint from refrigeration by measuring the amount of refrigerant we put into our systems and we are trialling a method of directly measuring leaks to ensure we can assess our impact as accurately as possible.

The vast majority of large refrigerators in the food industry currently use HFC refrigeration gases – introduced as a replacement for ozone-depleting CFCs and HCFCs but which are now known to be extremely potent greenhouse gases.

Tesco is forging ahead with a programme to phase out HFC-based refrigeration in the UK and overseas. In Hungary we are introducing CO₂ refrigeration systems and our store in Várpalota switched to part CO₂ refrigeration in 2007. In 2008 we will install full CO₂ systems at two further stores and begin our first trial at a large store.

In the UK, we installed our first large CO₂ system at Shrewsbury. This adds to the experience from earlier trials of small CO₂ systems at Wick and Swansea and a water-cooled system at Wick.

We are sharing what we learn with all interested parties to speed up and promote the use of natural refrigerants (using CO₂ or water).

Performance in distribution Distribution contributes 12% of our carbon footprint. Our target is to achieve a 50% cut in CO₂ created per case of goods delivered worldwide by 2012 (compared with 2006).

In 2007 we reduced carbon emissions from our distribution systems across our global operations by 4.7% per case delivered. This is below our target of a 10% reduction but we believe that by building on the range of programmes, such as better space utilisation on our vehicles, working with suppliers to reduce the number of empty trips that our fleets make, and changing our distribution network in the UK by opening depots in Livingston, Lichfield and Goole, we can meet our commitment of a 50% reduction by 2012. This figure excludes any benefit from using biofuels (see page 16).

The distribution data included in this Review does not include emissions from freight contracted by Tesco to be distributed internationally between our suppliers and Tesco depots. However, we are working to enhance our monitoring and reporting activities so that we can report this data in the future. We will also continue to reduce the amount of our primary distribution (from suppliers to our depots) emissions data which is based on estimates by continuing to build our capacity to obtain more direct measurements and so improve the quality of our data.

Energy saving in China

We are using LED technology in our vertical chilled cabinets to reduce our energy use. Through this and other measures we expect them to use 60% less energy than standard cabinets. Advertising what we are doing to customers helps to raise awareness of climate change.

Similar technology is being used to reduce our energy use in the other countries that we operate in.



Energy Champions

We have now appointed an Energy Champion in all our Superstores and Extras across the UK and the Republic of Ireland.

Our Energy Champions are trained to offer the crucial link with staff by identifying simple, positive steps we can all take to save energy in our stores. They are supported by posters, stickers and videos encouraging behaviour change, such as switching off lights and turning off taps. When we all work together, these small changes can make a big difference.



We are using alternatives to road transport in the UK. For example, we are saving 6,500 tonnes of CO₂e a year by increasing the space available to suppliers on the Tesco Train, operating between Daventry in the Midlands and Livingston in Scotland. Working with Kingsland Wines, we now transport their wines and spirits by canal from Liverpool to Manchester, cutting emissions by 80%.

We are also making our distribution depots more efficient. Fresh & Easy now has California's largest solar installation at its distribution centre and a similar large installation is planned in the Czech Republic.

Footprint reduction



We opened our first UK green distribution centre this year in Livingston. The roofs have been designed with clear panels to allow much more natural light into the building, we have used sensors to regulate lighting, and we are looking into installing a biomass plant so that the site can generate some of its own electricity.

Working with others

We have a responsibility and an opportunity to work with others. In tackling our indirect carbon footprint, we can share knowledge and resources with others to make a positive contribution.

For example, in South Korea and Thailand we are working with the UN Environment Programme (UNEP) to further people's understanding of climate change and help local communities actively engage with the issues. In partnership with UNEP we hold an Environment Painting and Writing Contest for children in South Korea which attracts over 25,000 participants annually. In 2007 we announced an initiative to plant nine million trees in Thailand's natural forest reserves over five years. As well as UNEP, we are working with the Ministry of Natural Resources and the Foundation for Khao Yai National Park Protection to achieve this. It is estimated that this will help reduce CO₂e in the atmosphere by nine million tonnes over 40 years.

Progress with our Sustainable Technology Fund Our £100 million Sustainable Technology Fund is being used to support large-scale carbon reduction technologies at our stores and warehouses worldwide and in our supply chain. In 2007 these included:

- > wind turbines on store roofs and in car parks;
- > CHP & trigeneration (CHP plus cooling), which generates low-carbon electricity for our stores and distribution centres;
- > ground source heat pumps, which use the constant temperature of the earth to keep the temperature in our stores ambient;
- > photovoltaic cells to power the tills in our stores;
- > roof lights to allow us to make maximum use of natural light in our stores;
- > rainwater collection to use in toilets and car washes; and
- > automated recycling units to make it easier for customers to recycle with us.

Progress with the Sustainable Consumption Institute In 2007 we began a five-year, £25 million funding programme for a new Sustainable Consumption Institute (SCI) at the University of Manchester.

The SCI has been established to develop research to define and accelerate the steps required to make a successful transition to a low-carbon economy and society. The SCI believes that a revolution in sustainable consumption will play a pivotal role in this transition, and that willing consumer action must be at the heart of it.

All research will be published and freely available and the Institute will build global partnerships across multiple disciplines including engineering, economics, geography, architecture, natural sciences and the social sciences. The SCI will also run a doctoral teaching programme and we will sponsor a permanent chair of Sustainable Consumption.

Tesco will work with academics at the University of Manchester to develop areas for research but will have no influence over the findings. The questions the SCI will work on during 2008 are centred on the following three areas.

- > **Business** – What should retail and wider business look like in a low-carbon world – in terms of the shape of businesses, the channels to market and supplier relationships?
- > **Customers** – How can we motivate customers to play their part in tackling climate change willingly to deliver a revolution in green consumption?
- > **Markets** – How can business and government work together to ensure that markets operate effectively in delivering a lower-carbon economy?

Tesco and the SCI are currently talking to other private and public research institutions, NGOs and our suppliers about ways to be involved with the research.

To read more about the work being conducted by the SCI, please visit www.sci.manchester.ac.uk

Climate change continued

Progress with partnerships Tesco is a founding member of the Carbon Disclosure Project (CDP) Supply Chain Collaboration, which will help us understand the carbon footprint created by our suppliers. In October Sir Terry Leahy made the keynote speech at the launch of the 2007 CDP.

Our approach will be to measure our indirect footprint in our supply-chain so that we can identify the carbon-intensive stages and work with suppliers to address them. At our annual supplier conference, Sir Terry Leahy addressed over one thousand suppliers about climate change.

We are working with major producers Coca-Cola and Unilever to find ways of cutting emissions in the supply chain. Partnerships like these will enable us to install Coca-Cola's pioneering natural refrigeration units, achieve distribution efficiencies with Unilever to remove 173,000 lorry miles and achieve packaging reductions across our supply chain of 25% by 2010.

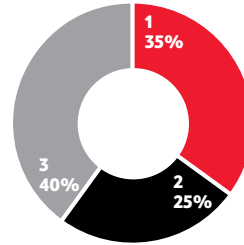
As corporate partners of Forum for the Future for over seven years, we have built a strong relationship working on a broad range of sustainability issues.

Empowering our customers

Our plan for mobilising our customers to make low-carbon choices in their purchasing and lifestyles is the most ambitious part of our overall carbon strategy. It is particularly important because domestic consumers have the potential to influence a significant proportion of carbon emissions (60% of the total in the UK – see chart).

Consumers want to play their part, but need our help. They tell us that the key barriers to greater action are: a concern that being green is more expensive; a lack of information about what can make a difference; and the sense that individual action has no real impact in the face of a global threat.

Consumer influence over UK carbon emissions



- 1** Directly controlled by consumers
 - > Heating
 - > Private vehicles
 - > Electricity
 - > Other transport
- 2** Influenced by consumers
 - > Agriculture
 - > Public sector
 - > Wholesale/retail
- 3** Not directly influenced by consumers
 - > Manufacturing
 - > Coal mining
 - > Export transport

Progress with product carbon footprints and carbon labelling

Working with the Department for Environment, Food and Rural Affairs (DEFRA), the British Standards Institute and the Carbon Trust we have been testing a new, simple, publicly available methodology (the Publicly Available Specification (PAS)) for carbon footprint measurement.

We have tested the current draft PAS on a range of Tesco products in the UK, looking at the complete lifecycle from production through distribution to consumption. This is a specialist activity and we have partnered with an appropriate consultancy, ERM, to make the first assessments.

We have measured the carbon footprints of 30 products within the following five categories:

- > potatoes;
- > tomatoes;
- > light bulbs;
- > laundry detergents; and
- > orange juice.

Alternative transport



The Tesco barge, carrying wine from Manchester to Liverpool by canal.

£25m

investment to set up the Sustainable Consumption Institute at Manchester University

Having completed the assessment work, we are currently working with the Carbon Trust on how best to communicate carbon information to customers. We are piloting the Carbon Trust's carbon reduction label in a UK in-store trial on 20 products in four of the categories above (we are not labelling tomatoes because the product lines we measured in autumn/winter 2007 are now out of season). Armed with this information customers will be able to make informed choices that influence their carbon footprint.

The trial is supported by an easy-to-read leaflet to explain the connection between carbon and climate change to our customers and to show how we can all take some simple steps to reduce our carbon footprint.

We continued to use our 'By Air' sticker in the UK to identify airfreighted products and have achieved our target of limiting airfreighted produce to under 1% of the products we sell, with a bias towards products from developing countries.

Progress with making green products easily affordable In the UK in 2007 we permanently halved the price of energy-efficient light bulbs and doubled the space in-store for them, quadrupling sales. We set a target to sell ten million this year as part of the "Together" climate change campaign and are on track to achieve this. In early 2008 we ran a hugely successful promotion selling over one million energy-efficient lightbulbs for 1p each.

In the UK, we have extended our range of energy-efficient products and are now developing a Tesco Greener Living brand for products with a low environmental impact. The brand will be affordably priced and launches in spring 2008.

We held two green promotions: one in October 2007, to coincide with Energy Saving Week, and one in January 2008. They covered a wide range of products that help customers reduce their environmental impact, such as recycling bins, energy-reducing electrical sockets, wormeries, water savers, home insulation and fleece jackets made from recycled plastic bottles.

Our new Greener Living website provides advice on how to live a greener life at home, in the garden, while travelling, at work and as a parent. In our May Clubcard statement we sent all UK customers a 'Little steps to being green' leaflet.



Promise

In 2008 we will:

- > continue to increase energy efficiency in our stores to achieve our long-term carbon emissions targets;
- > develop an Eco format store which will provide a new blueprint to ensure all new stores hit our 2020 targets for carbon; we will build the first of these stores in 2008;
- > use our £100 million Sustainable Technology Fund to support large-scale projects to reduce our carbon footprint, including large wind turbines, biomass and anaerobic digestion;
- > develop alternatives to HFC refrigeration for our stores, for example by using natural refrigerants such as CO₂;
- > increase our use of renewable energy and build the largest privately funded solar facility in the Czech Republic at our Postrizin distribution centre;
- > continue to improve efficiency in our distribution network by working with suppliers and using more efficient methods of transport, for example the Tesco Train and Britain's waterways;
- > make the SCI's research findings freely available so that everyone can benefit from its work;
- > work with others to develop carbon labelling for products and pilot this in-store; and
- > continue to engage with influential organisations and individuals, including the government, the Carbon Disclosure Project, the Carbon Trust and The Climate Group.

KPI	2007/8	
Carbon footprint	To reduce CO ₂ e emissions from our existing stores and distribution centres by 5.5% in the UK as part of our long-term commitment to make a 50% reduction worldwide by 2020.	●
Vehicle efficiency	To reduce the amount of CO ₂ used in our distribution network per case delivered by 8% in the UK as part of our long-term target to make a 50% reduction worldwide by 2012.	●
Water consumption	To reduce water consumption per square metre by 5%, as part of our long-term commitment to reduce water consumption by 15% between 2006 and 2009.	●
Airfreight	To restrict air transport to fewer than 1% of our products.	●

● Below target
● Close to target
● On target
● Above target

To view the complete KPI table, please go to:

www.tesco.com/crreview08/kpi

Environment

We are committed to tackling a wide range of issues from reducing packaging to sourcing fish and timber responsibly.

Position

The scale of our operations and our position between producer and customer mean that we are well placed to encourage widespread environmental improvement.

A good example is our climate change strategy, through which we are reducing our own carbon footprint and encouraging our suppliers and customers to do the same (see pages 8 to 13).

We have a similar approach to other environmental issues, managing our impacts, working with suppliers to act sustainably and helping our customers to make green choices.

Our critics say that supermarkets are resource intensive, encourage waste and that we must do more to ensure that the products we source are sustainable. We strongly believe that Tesco can be part of the solution by using our commitment, commercial strength and relationship with millions of customers to lead our sector towards sustainable consumption.

Our scale means we must tackle a wide range of issues, from reducing packaging and increasing the amount we recycle, to addressing concerns about biofuels and sourcing fish and timber in a responsible way. We also want to encourage customers to make environmentally friendly choices by making these appealing and affordable.

Progress

Managing our impacts

Waste in our operations We want to reduce the amount of waste created in our operations. One of our main sources of waste is distribution packaging removed at our stores. Packaging is required to protect products – a damaged or unusable product is highly wasteful. We look for opportunities to reduce the amount of waste we produce wherever possible, for example by working with our suppliers to reduce distribution packaging and encouraging those that use one-way packaging to clearly label recycled and readily recyclable materials.

70%
store waste recycled

Reducing packaging

We have a target to reduce packaging by 25% by 2010. This year we have worked hard to reduce packaging on a variety of different products. For example, we have developed our fabric conditioner to be more concentrated so that less packaging is needed for the same number of washes. Point-of-sale signage helps give customers the information they need to make greener choices.



Through our new Greener Living website and brand we want to make environmentally friendly choices more affordable and accessible for our customers.

www.tesco.com/greenerliving



Less packaging



Our reusable transit trays – green trays – help us save packaging used for transporting and displaying products and are also used by some suppliers in many of the countries in which we operate. In the UK, green trays made 222 million trips in 2007, saving over 130,000 tonnes of cardboard.

We are committed to reducing the amount of waste we send to landfill and have plans in all the countries in which we operate to reflect this. In Ireland we plan to be the first retailer to recycle 100% of store waste by 2010. The move will see in excess of 24,000 tonnes of waste recycled each year.

In the UK in 2007, our stores created 487,000 tonnes of waste. This figure represents a reduction of 9% compared with the previous year, when the amount of total store waste was 535,000 tonnes. In 2007 we recycled 342,000 tonnes or 70% of this waste, mostly cardboard and plastic. The remaining waste was compacted on site and sent to landfill. This was below our target to recycle 75%. We will improve our processes and continue to trial technology to ensure that we meet our longer-term target to recycle 80% of our waste by 2009.

It is important that we find ways of diverting waste from landfill that are sustainable. Tesco is the largest recycler of cardboard in the UK. In a closed-loop system, this cardboard is recycled in the UK and finds its way back into our stores as product packaging within 14 days.

Disposing of food waste is a key challenge and we are looking for innovative solutions to tackle this. We donated surplus fresh food from 35 stores to homeless shelters in partnership with FareShare, a charity that works with food retailers to minimise food waste and feed disadvantaged people. We are also continuing to investigate the diversion of food waste into producing energy, but progress on making this a reality has been slower than we would have liked.

Biofuels We decided to sell biofuels in 2005 in the belief that they could help customers reduce their carbon footprint and decrease our dependency on oil as a source for transport fuel.

Since then it has become clear that the impacts of biofuels are complex and any environmental benefits depend on how the biofuels are made.

Our aim is to do the right thing for the environment and communities based on sound science. We recognise that the full impact of biofuels is not 100% clear. We are continuing to keep the science under review and to take note of expert opinion such as the Royal Society report on the future of biofuels.

This is particularly important because from April 2008, along with other petrol retailers, we are obliged by the government through the Road Transport Fuel Obligation to provide 2.5% biofuels in our petrol. We want to make sure that this well-meaning legislation helps customers reduce their carbon footprint by ensuring that our biofuels are sourced sustainably.

To help further understanding of the true impact of biofuels, we have asked the independent Sustainable Consumption Institute (SCI), based at the University of Manchester, to investigate. All SCI research will be made public.

Palm oil for food products We are active members of the Roundtable on Sustainable Palm Oil (RSPO) and nearly all palm oil in our own-brand products comes from RSPO members. We expect certified RSPO oil to become available at the end of 2008 and we are working on incorporating this into our products at that time.

Seafood We are playing our part in seeking to maintain a viable and long-term future for wild fish and shellfish populations. We seek to buy all our seafood from responsibly managed fisheries. We use the United Nations' Food & Agriculture Organisation (FAO) Code of Conduct for Responsible Fisheries as our sourcing reference.

Understanding seafood sustainability requires an assessment of complex factors. Tesco is the first UK retailer to have appointed a dedicated expert for seafood sustainability as an integral part of the commercial teams.

Beginning with the World Seafood Congress in Dublin in September 2007, and in a series of conferences worldwide with NGOs, we set out our view on defining seafood sustainability in a holistic way. We are the first supermarket in the world to do this. We believe the factors affecting seafood sustainability to be: stock depletion and impact on ecosystems; aquaculture; climate change; packaging and socio economic issues.

Genetically modified (GM) foods We do not sell any own-brand GM foods in the UK, and use of GM feed is prohibited in organic products. Where we do sell non-Tesco brand products with GM ingredients, they are clearly labelled. Some own-brand products in other countries do contain GM products, and these are also clearly labelled so that customers can make an informed choice.

Timber Tesco is committed to purchasing timber and timber products only from legal, sustainable sources. We use external certification to help verify this and to give our customers the opportunity to make informed choices. All sources of timber for our garden furniture range continue to be either Forest Stewardship Council (FSC) approved or sourced from members of the Tropical Forest Trust, who are committed to achieving the FSC standard through the certification support programmes of ethical auditors. In 2007, we were also able to confirm that our own-label toilet tissue, kitchen towel and face tissues are FSC certified.

Helping customers make green choices

Customers tell us they want to make green choices, but only if they are affordable, convenient and of high enough quality. Our goal is to make that possible.

Green Clubcard points One way we encourage customers to make green choices is to award Green Clubcard points to customers who recycle mobile phones and inkjet cartridges and reuse carrier bags. In 2007, customers gave a total of 305,000 mobile phones in return for 300 Clubcard points per working handset. We gave 100 points for each of the 765,000 used inkjet cartridges submitted in 2007. In addition, customers brought over 1,000 tonnes of Christmas cards to our stores for recycling, under our partnership with the Woodland Trust.

Product packaging We are helping to reduce product packaging and to make recycling easier. Our targets in the UK are:

- > to reduce the amount of packaging on own-brand products and branded items by 25% by 2010; and
- > to provide recyclability information on all Tesco own-brand products starting in 2008, which, together with expanding our recycling facilities, will help customers to recycle more.

We have developed an online database to support our packaging reduction programme. Suppliers enter information about their packaging, enabling us to identify opportunities for improvement.

In 2007 we reduced packaging on some own-brand products, such as electrical items and some clothing lines, by as much as 40%. Our commitment to reducing packaging resulted in saving almost 6,000 tonnes of glass on own-brand wine bottles, over 3,000 tonnes of paper board on our flower boxes and 2,000 tonnes of plastics on our fresh produce.

Recycling facilities In Ireland we responded to the Waste Electrical and Electronic Equipment (WEEE) Directive by hosting collection days across the country for customers and local communities to return old electronic equipment free of charge. Customers returned 15 tonnes of televisions and monitors, two tonnes of PCs, laptops, printers and scanners, as well as hundreds of other electrical items at just one such collection day. We are well ahead of EU targets for electrical and electronics recycling and are hosting more events across the country this year.

We estimate that our customers recycle approximately 200,000 tonnes of waste each year at our facilities in the UK. In 2007, we aimed to increase this by installing 30 automated recycling units, known as 'reverse vending machines', which separate different kinds of recyclable materials and compact them ready for recycling. This brings the total number installed to 45. Tesco is the first UK supermarket to provide automated recycling units, investing millions to install and maintain them.





FSC accredited Tesco tissues.



Reusable green trays help us save packaging.



Poster encouraging staff to save energy in Japan.



Reserved parking for hybrid cars in the USA.



Recycling facilities in Hungary.



Sustainably sourced salmon in UK stores.

These units are a 'one-stop shop' for recycling, accepting everything from carrier bags and plastic to glass and metal, making recycling quick, easy and convenient for customers. These machines have exceeded all expectations and customers have recycled more than double the amount compared with the previous facilities, recycling on average 8.3 tonnes each week compared with four tonnes previously. The automated units can hold roughly four times more than an equivalent standard unit, which means they have to be emptied less often, saving in transport and CO₂ emissions. We plan to have over 100 machines installed at our sites by March 2009.

Carrier bags We want to inform, encourage and empower customers to use fewer carrier bags. We believe that the right approach is to encourage customers to reuse bags rather than penalise them for taking single-use bags.

In Poland, we are reducing the 400 million carrier bags our customers use per year by extending our 'bags for life' range. New options include a popular jute bag which is selling at a rate of 30,000 per month. We were also the first retailer in Poland to introduce free degradable single-use bags as our standard carrier bag.

We met our UK target to reduce carrier bag use by 25% from the 2006 level of four billion by 2008 – over a year early. After just 36 weeks we achieved a 27% reduction – equivalent to over one billion bags saved. Our new target is to cut the number of carrier bags we give out by 50% by the end of February 2009 compared with May 2006.

We offer customers one Green Clubcard point for each carrier bag saved, and awarded over 700 million points for reusing bags last year. We have ensured that our customers have a wide selection of accessible and affordable reusable bags in our stores. We encourage customers to buy high-quality, reusable 'bags for life', giving customers a new one for free when they wear out. In 2007 we sold over 26 million reusable bags.

KPI	2007/8	
Landfill avoidance	To divert 75% of waste from landfill, as part of our long-term commitment to divert 80% from landfill between 2006 and 2009.	●
Customer recycling	To double the amount of customer recycling at sites where we introduce recycling units.	●
Carrier bags	Reduce carrier bags given out by 25% by May 2008 compared with May 2006.	●
<p>● Below target ● Close to target ● On target ● Above target</p> <p>To view the complete KPI table, please go to:</p> <p>www.tesco.com/crreview08/kpi</p>		

Promise

We will:

- > increase the proportion of waste from our UK operations that we divert from landfill from 70% in 2007 to 80% in 2009;
- > reduce the weight of packaging on Tesco own-label and branded products sold in the UK by 25% by 2010;
- > double customer recycling at sites where we introduce automated recycling units during 2008, from 2006 levels;
- > cut the number of carrier bags we give out in the UK by 50% by the end of February 2009, compared with May 2006;
- > reduce water consumption per square metre by at least 2% against a baseline of 2006;
- > work with the SCI to investigate the positive and negative effects of biofuels;
- > continue to source seafood in a responsible way; and
- > work to incorporate RSPO accredited palm oil into our products once it becomes available.