

Independent Assurance Report to Tesco plc

Environmental
Resources
Management

Tesco plc (Tesco) appointed Environmental Resources Management Limited (ERM) to provide independent assurance on its global direct carbon footprint presented in its 2007/08 Corporate Responsibility Report (the Report) and on its web pages (www.tesco.com/crreview08).

Scope of our work

We designed our assurance engagement to allow us to conclude as to whether Tesco has appropriately reported its global direct carbon footprint, as represented by the following performance measures:

- Total global direct emissions of carbon dioxide equivalent gases (tonnes of CO₂e);
- Percentage of global direct emissions of carbon dioxide equivalent gases per country (%); and
- Percentage of global direct emissions of carbon dioxide equivalent gases by source of emissions.

Objectives, basis of our work and limitations

We planned and performed our work to obtain all the information and explanations that we believe were necessary to gather sufficient evidence to provide a basis for our assurance conclusions as to whether the reported information and data set out in the 'Scope of our work' was appropriately reported.

We undertook assurance work at Tesco's Group head office, interviewed the corporate carbon data owners for the UK, Thailand and the Czech Republic (a sample of 2 international countries, based on materiality and risk), and undertook a questionnaire-based survey of all remaining countries' data collection and reporting processes. We did not undertake a detailed audit of the source information nor visited any operational sites.

If we had been asked to conclude on whether the reported information in our 'Scope of our work' was materially accurate (rather than appropriately reported), we would have needed to conduct more work at Group and site level

and gather further evidence to support our assurance opinion.

The reliability of the reported information and data is subject to inherent uncertainties given the available methods for determining, calculating or estimating the underlying information. It is important to understand our assurance conclusions in this context.

Reporting criteria and assurance standards

Tesco applies its own internal approach to managing and reporting the selected performance measures. This is described on page 8 of the Report and on Tesco's web pages (www.tesco.com/crreview08).

We performed our work in accordance with ERM's assurance methodology which is based on the international assurance and audit standards: ISAE 3000, ISO 19011 and, where appropriate to our scope of work, AA1000AS.

Respective responsibilities and ERM's independence

Tesco's management is responsible for preparing the Report and for the collection and presentation of information within it. ERM's responsibility is to express our assurance conclusions on the selected scope of work agreed with Tesco.

During 2007/08, ERM has worked with Tesco on other consulting engagements. ERM operates strict conflict checks and we have confirmed our independence to Tesco for delivering this assurance engagement.

Our team and assurance activities

A multi-disciplinary team of environmental, health & safety, corporate responsibility and assurance specialists performed the engagement.

We conducted the following assurance activities:

- Face-to-face interviews with managers at Group level to understand the processes in place for managing and reporting on Tesco's global direct carbon footprint;
- Face to face interviews with corporate carbon data owners in the UK; tested on a sample basis the measurement, collection,

- aggregation and reporting processes in place; assessed internal audit / control processes; and reviewed relevant supporting documentation;
- Telephone interviews with corporate carbon data owners in Thailand and the Czech Republic to understand how performance data are measured, collected and reported to Group; and reviewed relevant supporting documentation;
 - Undertook a questionnaire-based survey of all remaining countries on their approach to measuring, collecting and reporting carbon performance data to Group;
 - Reported our assurance findings to management as they arose to provide them with the opportunity to correct them prior to finalisation of our work; and
 - Reviewed the presentation of information relevant to the scope of our work in the Report to ensure consistency with our findings.

Our conclusions

Based on our work undertaken as described above, we conclude that, in all material respects Tesco has appropriately reported its global direct carbon footprint in the Report and on its web pages (www.tesco.com/crreview08), based on the following performance measures:

- Total global direct emissions of carbon dioxide equivalent gases (tonnes of CO₂e);
- Percentage of global direct emissions of carbon dioxide equivalent gases per country (%); and
- Percentage of global direct emissions of carbon dioxide equivalent gases by source of emissions (%).

Our key observations and recommendations

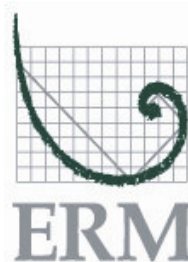
Based on the assurance activities set out above, and without affecting our assurance conclusions, we provide the following key comments and recommendations for improvement.

Tesco has made the following improvements in the last year:

- Enhanced non-UK data measurement processes, including the introduction of automatic electricity and gas sub—meters at the majority of Tesco stores; and
- Continued to strengthen data collection and reporting, for example through the development of a refrigerant gases reporting tool.

Tesco to consider for future improvements:

- To ensure completeness of reporting in future years, develop processes to capture and report the global direct emissions of carbon dioxide equivalent gases associated with Tesco-contracted international distribution between suppliers and Tesco distribution centres, and apply these processes consistently to all countries; and
- Consider upgrading the current carbon footprint data collection and management system to a web-based solution to increase reporting efficiency.



**Environmental Resources Management
Limited**
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ERM is an independent global provider of environmental, social and corporate responsibility consulting and assurance services. Over the past 4 years we have worked with over half of the world's 500 largest companies, in addition to numerous governments, international organisations and NGOs.