**Tesco**

**Analysis summary**

(Scores closer to outer rings of spider diagram represent better performance)

**Where progress has been made:**

- Some progress shown on reducing unhealthy ingredients such as saturated fats, salt and sugar.
- Tesco’s work on their sustainable shopping basket (aiming to reduce the environmental impact of the shopping basket by 50%) covers a wide range of actions related to environmental issues.
- Engaging with suppliers on reporting scope 3 greenhouse gas emissions.
- Relatively strong own-brand data on palm oil, soy and seafood.
- Strong on operational food waste, with additional focus on customer and supply chain waste within the sustainable shopping basket work.

**Where more needs to be done:**

- Targets for healthy food are not yet comprehensive and remain focused on certain product categories (concerning salt, fat and sugar). No clear target for example for fruit & vegetables and for plant-based proteins.
- Disclosure on water management in water-stressed regions is less advanced than other environmental issues, but this is being addressed to some extent within the “Sustainable agriculture” part of their sustainable shopping basket work.
- Not accredited living wage employer according to Living Wage Foundation.
- Human rights auditing of suppliers beyond tier 1 remains inconsistent.
Tesco scores marginally better on supply chain sustainability than healthy and sustainable products.

Potential risks:
- Policy action on unhealthy food
- Reputation risk for unhealthy food
- Reputation & supply risk for deforestation exposure from branded products
- Reputation risk for supply chain human rights

Potential opportunities:
- Sector leadership for sustainable shopping basket
- Sales growth for plant-based foods

Key investor asks should be:

- Set targets for sales of healthy food as a proportion of all food, to include reductions in fats, salt and sugar, fruit & vegetables, and plant-based proteins (as a proportion of protein sales).
- Communicate policies for marketing and price promotions of healthy vs unhealthy food.
- Be transparent about reporting on performance against sub-metrics within the overall sustainable shopping basket target for 50% reduction in environmental impact (for example concerning sustainable farming, water management as well as deforestation).
- Extend deforestation reporting beyond own-brand products.
- Gain accreditation with Living Wage Foundation or pay and disclose that equivalent wage levels are paid.
### Theme: Health & Nutrition

#### Nutritious products & services

<table>
<thead>
<tr>
<th>Company commitments and data (in public domain unless specified)</th>
<th>Score &amp; P/S</th>
<th>Data source &amp; further information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target for sales-weighted % increase in menu/products meeting agreed nutritional standard</td>
<td></td>
<td>![P](Company report (2019)) ![Company report (2020 update)]</td>
</tr>
<tr>
<td>No overarching target, but: 2018 'Helpful Little Swaps' basket (products lower in salt, fat and sugar): cost 12% less than a regular basket 17% sales increase of these products versus the previous year. &quot;By reducing sugar levels in all our Own Brand soft drinks in the UK below 5g per 100ml we have been able to remove over 9 billion calories from the nation’s diet annually.&quot; &quot;we have reduced sugar levels in cereal, yoghurts, puddings, cakes and biscuits by an average of 4.6%&quot; Company feedback: Sugar: In 2019, we achieved the second lowest sales weighted average for sugar versus other retailers at 19.8g sugar/100g of product across the products in scope. This represents a 9.3% sugar reduction and builds on our reformulation journey. Calories: we have used customer data to identify the product categories that put the most calories into shopping baskets and set out a 50 billion calorie reduction target. So far, we have removed 24.46 billion calories through our reformulation strategy. We have removed over 8.5 billion calories per year from our front of store sandwich range by reducing the fat content and removing added sugar from the mayonnaise.</td>
<td>![P](Company report (2019)) ![Company report (2020 update)]</td>
<td></td>
</tr>
</tbody>
</table>

#### Target for increase in fruit & veg as % of food procurement

<table>
<thead>
<tr>
<th>Company commitments and data (in public domain unless specified)</th>
<th>Score &amp; P/S</th>
<th>Data source &amp; further information</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;we have included loose fruit in our popular lunchtime meal deal and now over a third of our Tesco ready meals range contains at least one of five a day portions of fruit and vegetables. Through our popular ‘Free Fruit for Kids’ initiative in larger stores we are helping to embed healthy eating habits at an early age. So far 96 million pieces of free fruit have been given away through this initiative. We have also launched a range of veg-first baby food that has been developed in association with the British Nutrition Foundation.&quot; Company feedback: As part of our Peas Please commitment, 42% of our ready meal range now contains 1 of 5 a day. In 2019, we gave away our 100 millionth piece of free fruit for kids in store and our fourth annual health event for customers and colleagues was themed ‘Easy Ways to Eat More Veg’.</td>
<td>![P](Company report (2019)) ![Company report (2020 update)]</td>
<td></td>
</tr>
</tbody>
</table>

#### Target for % of protein procurement from animal & plant-based foods

<table>
<thead>
<tr>
<th>Company commitments and data (in public domain unless specified)</th>
<th>Score &amp; P/S</th>
<th>Data source &amp; further information</th>
</tr>
</thead>
<tbody>
<tr>
<td>FAIRR 2019: &quot;Tesco tracks the number and percentage of products suitable for vegans&quot; (full benchmark data from FAIRR only available to investor members). 15% of Tesco/WWF shopping basket metric is from &quot;sustainable diets&quot;.</td>
<td>![P](Company report (2019)) ![Company report (2020 update)]</td>
<td></td>
</tr>
</tbody>
</table>

### Theme: Environment

#### Climate change

<table>
<thead>
<tr>
<th>Company commitments and data (in public domain unless specified)</th>
<th>Score &amp; P/S</th>
<th>Data source &amp; further information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category</td>
<td>Description</td>
<td>Targets/Goals</td>
</tr>
<tr>
<td>---------------------------------------------------------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Biodiversity</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| Target for zero net land-use conversion through company’s reliance on palm oil as a product or an ingredient. | Target: 100% of palm oil (tonnes) certified to Roundtable on Sustainable Palm Oil (RSPO) standard in UK, ROI & Europe. “% of palm oil from a verified zero deforestation palm oil trader” as key part of Tesco/WWF shopping basket metric. | CDP: supply chain target to align to achieve a 35% reduction by 2030 (15% for agricultural emissions). CDP: Expanding our use of the Cool Farm Tool with our agricultural suppliers to monitor field emissions. Company feedback: Achieved 12% reduction in agriculture emissions from key suppliers. | S  
Company report (2019)  
Company report (2020 update)  
Company data  
Tesco/WWF basket metric  |
| **Sustainable food production practices**                     |                                                                                                                                             |                                                                              |                                                                      |
| Target for % of wild-caught or farmed fish & seafood certified to higher sustainability standards | 72% wild-caught seafood (tonnes) certified by the Marine Stewardship Council (own brand, wild caught)  
Farmed fish: exploring how more algal oil can be incorporated into the diet of fish, starting with salmon (most popular species of farmed fish). “% reduction in FFDRo (Foraged Fish Dependency Ratio) in fish feed among our key suppliers” for salmon as key part of Tesco/WWF shopping basket metric.  
Company feedback: Achieved 79% of our Own Brand, UK seafood volume, certified by MSC | 25 key suppliers with sustainable agriculture projects underway. Building on field level data from growers and suppliers, we have been working with our key suppliers and the wider industry to improve water and biodiversity impacts in key agricultural regions. “Sustainable agriculture” comprises 12% of Tesco/WWF shopping basket metric, using these metrics:  
% of key suppliers with robust on-farm biodiversity improvement plans  
% of key suppliers with robust on-farm water management plans  
% of key suppliers with robust on-farm soil health improvement plans  
% of fresh produce from regions with sustainable water management  
% of key sourcing regions with clear plan to address agri-plastic pollution | S  
Company report (2019)  
Company report (2020 update)  
Company data  
Tesco/WWF basket metric  |
| Target for % of products produced under sustainable production practices and monitoring. | “25 key suppliers with sustainable agriculture projects underway. Building on field level data from growers and suppliers, we have been working with our key suppliers and the wider industry to improve water and biodiversity impacts in key agricultural regions. “Sustainable agriculture” comprises 12% of Tesco/WWF shopping basket metric, using these metrics:  
% of key suppliers with robust on-farm biodiversity improvement plans  
% of key suppliers with robust on-farm water management plans  
% of key suppliers with robust on-farm soil health improvement plans  
% of fresh produce from regions with sustainable water management  
% of key sourcing regions with clear plan to address agri-plastic pollution |                                                                                 |                                                                      |
| **Water use**                                                 |                                                                                                                                             |                                                                              |                                                                      |
| Target for water use reduction in operations                  | Signatory to WRAP Courtauld Commitment 2025 Water Ambition, includes monitoring and improving water use in operations. Not disclosed on CDP Water.                                                                 |                                                                              | Company report (2019)  
Company report (2020 update)                                                                 |
| Target for reducing % of food sourced from water stressed regions. | “Sustainable agriculture” comprises 12% of Tesco/WWF shopping basket metric, includes:  
% of fresh produce from regions with sustainable water management.  
Signatory to WRAP Courtauld Commitment 2025 Water Ambition, includes collective action to improve the quality and availability of water in key sourcing areas (UK focused).  
Not disclosed on CDP Water. |                                                                              | S  
Company report (2019)  
Company report (2020 update)  
Tesco/WWF basket metric  |
| **Food waste**                                                |                                                                                                                                             |                                                                              |                                                                      |
| Company has policy to help customers reduce food waste of purchased products. | “Food waste” comprises 10% of Tesco/WWF shopping basket metric, includes:  
% reduction of customer food waste  
% reduction of on-farm food waste  
“We are taking a range of actions to help customers waste less and save money. These include: ending ‘buy one, get one free’ promotions on fresh |                                                                              | P  
Company report (2019)  
Company report (2020 update)  
Tesco/WWF basket metric  |
produce; removing 'Best Before' dates from over 180 fruit and vegetable lines; launching packaging and other innovations, such as a unique combination of UV light treatment and improved packaging film to extend freshness of avocados; and introducing new products such as frozen watermelon, beetroot and pomegranate.”

Company feedback: Please see our **Community Food Connection programme**

<table>
<thead>
<tr>
<th>Target for % reduction in operational food waste.</th>
<th>The latest available data for February 2019 shows that we have delivered 81% of our target that no food safe for human consumption will be wasted from our UK retail operations.</th>
<th>P</th>
<th>Company report (2019) Company report (2020 update) Company data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target for % of suppliers being engaged to reduce food waste in supply chain</td>
<td>“Food waste” comprises 10% of Tesco/WWF shopping basket metric, includes % reduction of customer food waste % reduction of on-farm food waste. “27 of our largest Tesco Own Brand suppliers - responsible for over half of our Own Brand fresh food sales in the UK - have published data on food waste in their own operations. 10 of our largest brands have also committed to halve their food waste by 2030 and publish food waste data for their operations by September 2019. We are supporting them through workshops on food waste measurement and will track progress of each of these suppliers annually.” 15 suppliers reported a reduction in their food waste intensity - ranging from 1% to a 64% reduction compared to 2018</td>
<td>S</td>
<td>Company report (2019) Company report (2020 update) Company data Tesco/WWF basket metric</td>
</tr>
<tr>
<td>Plastics</td>
<td>2025 target for packaging to be fully recyclable. “In 2017 83% of our (own brand) packaging was widely recyclable. Since then we have taken significant steps to improve the recyclability of our packaging by working to remove materials identified as hard to recycle on our ‘red list’.”</td>
<td>P</td>
<td>Company report (2019) Company report (2020 update)</td>
</tr>
<tr>
<td>Target for % plastics packaging that is recyclable.</td>
<td>Company feedback: This year we have successfully removed 10,000 tonnes of hard to recycle materials. Full data will be reported in 2020/21</td>
<td>P</td>
<td>Company report (2019) Company report (2020 update)</td>
</tr>
<tr>
<td>Target for reducing single-use plastics without creating a food waste risk</td>
<td>Ranked tier 2 company in Business Benchmark on Farm Animal Welfare.</td>
<td>S</td>
<td>BBFAW 2019</td>
</tr>
<tr>
<td>Animal welfare &amp; antibiotics</td>
<td>We do not allow the routine use of antibiotics for prophylactic purposes in our supply chain. Preventative treatment is only allowed where animals are diagnosed at high risk of bacterial disease, and must only occur under prescription by a veterinarian on the basis of epidemiological and clinical knowledge in line with Responsible Use of Medicines in Agriculture Alliance (RUMA). (Data also available showing reduction in usage across species)</td>
<td>S</td>
<td>Company report (2019) Company report (2020 update) Company data</td>
</tr>
<tr>
<td>BBFAW tier position or Target for % of animal products certified to high animal welfare standards.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Target for zero supply chain use of antibiotics as a prophylactic or growth promoter</td>
<td>Data source &amp; further information</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Theme

<table>
<thead>
<tr>
<th>Social Inclusion</th>
<th>Company commitments and data (in public domain unless specified)</th>
<th>Score &amp; P/S</th>
<th>Data source &amp; further information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Company recognises the need for a real liveable wage for all employees</strong></td>
<td>“Tesco average pay is 5% above the market median, largely influenced by store hourly paid colleagues who are 89% of UK headcount. We have made a significant investment into store colleague pay with an increase of 10.6% over 2 years” Company feedback: Our reward package is agreed with colleague representatives and USDAW through an extensive process, including regional and national forums as well as a full-week residential meeting for the colleague representatives. We also speak to our colleagues to understand how they feel, with our Every Voice Matters survey. Results are benchmarked against Karian and Box, against a global benchmark based on size and sector and we scored 23ppts higher than the benchmark and 10ppts higher than the top quartile. We will continue to have an open dialogue with USDAW and our colleagues on this subject to ensure that our colleagues are fairly rewarded for the fantastic job they do.</td>
<td>P</td>
<td>Company report (2019) Company report (2020 update)</td>
</tr>
<tr>
<td><strong>Target for % of supply chain engaged to ensure human rights and labour rights, beyond tier one.</strong></td>
<td>Percentage of high-risk tier 1 supplier sites with audits in the last year, UK: 97% Percentage of high-risk tier 1 supplier sites where critical non-conformances (NCs) have been identified, UK: 62% Percentage of high-risk tier 1 supplier sites that have closed out critical NCs on time, UK: 97% (tier 1 only)</td>
<td>S</td>
<td>Company report (2019) Company report (2020 update)</td>
</tr>
</tbody>
</table>