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Every little helps

Corporate Responsibility Review 2005

Tesco Corporate Responsibility Review 2005

We value your feedback on our Corporate Responsibility Review. It helps us to improve what we do and how we communicate.

To give your feedback, please visit

www.tesco.com/crfeedback

Cover: mother and child parenting class at the Cultural Centre in our Yeongdeungpo Store, Seoul, South Korea.
For more information on our education projects see Society, page 33.
Tesco PLC, Tesco House, Delamare Road, Cheshunt, Hertfordshire EN8 9SL



contents

Our Core Values, 'no-one tries harder for customers' and 'treat people how we like to be treated', characterise our approach to Corporate Responsibility. We believe we can achieve most when we work together on practical things that make a difference. 'Every little helps' can become a great deal when everyone pulls together in the same direction.



Every little helps

about Tesco 02

Chief Executive's introduction 03

managing CR throughout the business 06

- CORPORATE GOVERNANCE • MEASURING OUR PERFORMANCE
- INTERNATIONAL CORPORATE RESPONSIBILITY • REPORTING • SURVEYS

listening and engaging 11

- CUSTOMERS • STAFF • SUPPLIERS • INVESTORS • NGOs
- CASE STUDY: Diabetes UK and Gi labelling

economy 16

- CUSTOMERS • STAFF • COMMUNITIES • CASE STUDY: Dublin
- CASE STUDY: Coventry • CASE STUDY: Ludlow • SUPPLIERS
- CASE STUDY: Supporting Sri Lanka's fishing industry • CASE STUDY: Fairtrade
- BUYING LOCALLY • CASE STUDY: Working with our suppliers in Northern Ireland

society 28

- COMMUNITIES • CASE STUDY: Asian Tsunami Relief
- CASE STUDY: St Birinus School, Oxfordshire • STAFF • CUSTOMERS • HEALTHY LIVING

environment 42

- ENVIRONMENTAL MANAGEMENT • RESOURCES
- CASE STUDY: Tesco Lotus, Bangkok, Thailand • EMISSIONS • WASTE AND RECYCLING
- OUR PRODUCTS • CASE STUDY: Wildlife Choice • CASE STUDY: Garden furniture

key performance indicators 56

Our core purpose is to create value for customers to earn their lifetime loyalty. Corporate Responsibility (CR) has an important role to play in achieving this.

Our business

Tesco operates stores in thirteen countries – the UK, the Czech Republic, Hungary, Poland, Republic of Ireland, Slovakia, Turkey, China, Japan, Malaysia, South Korea, Taiwan and Thailand. We employ 366,000 people world-wide, working in 2,365 stores, with total sales of £37,070 million.

Our four part strategy focuses on:

Strong UK core business The UK remains our core market with 1,780 stores and 250,000 employees.

International We now operate 585 stores in 12 international markets.

Non-food Our non-food business is growing, both in the UK and in our international operations.

Retailing services We continue to develop our products and services to suit our customers' changing lifestyles.

Our sales by region

SALES BY REGION £m

■ UK £29,511 ■ REST OF EUROPE £4,349 ■ ASIA £3,210



TOTAL £37,070

A full review of our business is contained in the Annual Review and Summary Financial Statement 2005 which are available on our website

www.tesco.com/corporate

Review scope

This Review covers the financial year ending 28 February 2005. It focuses primarily on our UK operations, which account for over 75% of our sales. We have also included information on the contribution of our international businesses. All Corporate Responsibility performance data in this report covers our UK operations, and our environmental data is for our UK stores (unless otherwise stated).

We expect our international businesses to have a CR strategy by 2006 (see page 10). At the core of our approach to CR lie our Values (see page 4). They are accompanied by key policies such as our group human rights policy, ethical trading programme and code of ethics, which apply across all our businesses. We believe in a local rather than global approach to decision making, and do not impose a top-down set of rigid CR policies. Instead we promote best practice which maintains our Values while taking into account differences in culture, operating conditions and priorities around the world.

Feedback

We take pride in listening carefully to our stakeholders and welcome feedback that can help us to improve our performance. If you would like to make any comments on our approach to Corporate Responsibility, please complete our online questionnaire in the Corporate Responsibility section of our website

www.tesco.com/crfeedback

You can also email: cr.team@uk.tesco.com

Chief Executive's introduction

making a difference

In ten years Tesco has travelled from being the number three supermarket in the United Kingdom to the foothills of becoming a genuinely international business.

It is perfectly fair that people should ask why we are successful and what we are doing with that success. It is also fair that people debate whether supermarkets enhance or inhibit our lives.

My contribution to this debate is to explain how we at Tesco have got where we are – and how we run our business day-to-day. Put simply, we never forget that we are shopkeepers. We buy and sell goods and services. We listen very carefully to what our customers want and we try our hardest to satisfy them better than our competitors do. We know that our customers choose to shop with us and they could change their minds at any time. That is why we strive so hard to get things right.

Now that we are in 13 countries, employ 366,000 people, and serve around 30 million customers a week, it is more important than ever that we retain this straightforward focus. Our Core Values provide the framework within which everyone at Tesco works. We try to stay quick on our feet by avoiding unnecessary bureaucracy: we have a flat management structure – with six levels from me to the checkout, and one in ten staff in training for the next level at any one time.

We believe that our continuing success depends not on any new management system, but on what each member of staff does for each customer. We believe in leadership. But for us this means thousands of local leaders united by common values rather than a global blueprint driven from the centre. We take pride in growing local leaders who can shape our business around local cultures and local priorities. ▶



Chief Executive's introduction continued

Our Values

No-one tries harder for customers

Understand customers better than anyone

Be energetic, innovative and first for customers

Look after our people so they can look after our customers

Use our strengths to deliver unbeatable value to our customers

Treat people how we like to be treated

All retailers, there's one team... the Tesco team

Trust and respect each other

Strive to do our very best

Give support to each other and praise more than criticise

Ask more than tell and share knowledge so that it can be used

Enjoy work, celebrate success and learn from experience

Our Values characterise our approach to Corporate Responsibility. We believe we can achieve most when we work together on practical things that make a difference. 'Every little helps' can become a great deal when everyone pulls in the same direction.

Some aspects are worth highlighting as they say something about our overall approach and reveal how our size and success can bring benefits to customers, local economies, staff and the environment.

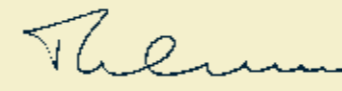
★ **Benefits to customers:** in the UK our investment of over £230 million in price cuts has meant that an average weekly shop costs less than it did a year ago. This year we have also invested £56 million in price cuts in Central Europe. By keeping prices low, we particularly help those on lower incomes to buy fresher and better food. This year, for example, our sales of fruit and vegetables in the UK rose by over 12%, with the increase most marked among our customers on lower incomes.

★ **Benefits to local economies:** supermarkets are sometimes accused of damaging the high street or affecting market towns. We are sensitive to these charges but the evidence often suggests precisely the opposite effect. We frequently reclaim derelict land, breathe life back into communities through our 'regeneration partnerships', and act as a magnet for other town centre stores. Over the past six years we have helped over 2,000 long-term unemployed and disadvantaged people back into work through our job guarantee scheme. This year we opened our first regeneration store outside the UK in Ireland.

★ **Benefits for staff:** with 366,000 employees around the world one of our Core Values is to treat people how we like to be treated. In the UK our rates of pay, pensions, bonuses and shares are industry leading. Through training, jobs become careers for thousands of our people. For example, in Poland, 100% of store directors are of local origin.

★ **Benefits to the environment:** recycling and energy efficiency are key issues for us and for our customers. We are constantly looking for ways of improving our own performance and of helping our customers to do more. This year, we introduced Britain's first fully automated recycling machine which makes it even easier for customers to recycle. In Thailand, over the last three years, we have invested £3.1 million on energy conservation at 49 Lotus stores, resulting in energy savings of £2 million so far.

Our success derives from a genuine partnership with our many stakeholders. It is a relationship built on trust. For us this is a commercial as much as a social imperative – to do the right thing and, in so doing, continue to be successful.



Sir Terry Leahy Chief Executive

CR highlights 2005

- ★ By expanding our range of Fairtrade to 90 products we have become the UK's leading Fairtrade retailer. Our customers now buy 1 in 3 Fairtrade products sold in UK supermarkets.
- ★ We introduced Britain's first fully automated recycling machine, which makes it even easier for customers to recycle by sorting metal, plastic and glass so our customers don't have to.
- ★ We have trained all our buyers and all our high-risk own-brand suppliers on how to uphold labour standards in the supply chain.
- ★ We have audited 100% of high-risk own-brand suppliers against the labour standards set out in our ethical trading policy.
- ★ We worked with the Red Cross to collect over £2.8m for the Tsunami appeal in our UK stores, and gave over £310,000 in the UK and affected countries.
- ★ Through Computers for Schools we gave away over 2,700 computers and over 86,000 items of computer equipment worth £8 million.
- ★ We continued our support for Cancer Research UK's Race for Life with 18,752 Tesco people joining over 390,000 participants around the UK to raise £20 million.
- ★ We raised over €1 million for Childline, our Charity of the Year in Ireland.
- ★ We became the first British retailer to have our in-house training accredited by the Qualification and Curriculum Authority. This means we can now award nationally-recognised NVQ qualifications.
- ★ Our staff benefitted from £169 million through Shares in Success and Save As You Earn schemes.
- ★ We introduced a new 'Supplier Viewpoint' survey to gain an even better understanding of what it is like to work with us.
- ★ We received grade 'A' rating in the Greenpeace Good Garden Furniture Guide for our own-brand garden furniture range.