

Climate change.

Why It Matters.

Climate change is one of the biggest challenges facing the world. The world is on track to warm by almost three degrees by the end of the century¹ with alarming consequences for humanity. We must all play our part to decarbonise. We are taking action and are committed to becoming a net zero business.

Relevant SDGs



Our Progress.

| Planet Pillar | | |
|--|--|---|
| Commitment | KPIs | Our 2020/21 performance |
| Meet science-based climate targets for our operations, aligned with 1.5-degree trajectory of Paris agreement | Percentage reduction of Scope 1 and 2 greenhouse gas emissions across the Group (baseline 2015/16) | 54% reduction |
| | Absolute UK greenhouse gas emissions (Scope 1 and 2 market-based) (percentage vs 2015/16 baseline 1,751,572 tCO ₂ e) | 880,039 tCO₂e 50% reduction |
| Source 100% of our electricity from renewable sources by 2030 | Percentage electricity from renewable sources | 100% |

(1) <https://www.unenvironment.org/emissions-gap-report-2020>

Our Approach.

In 2009, Tesco became the first business globally to set the ambition to become zero carbon by 2050. Since then, we have set bold science-based targets aligned with the Paris Climate Agreement goal of limiting global warming to 1.5 degrees. We will reach net zero in our Group operations by 2035, and across our supply chain and products by 2050.

Having switched to 100% renewable electricity, our own operations emissions (Scope 1 and 2) now come primarily from refrigeration, heating and transport, but the majority of our total footprint sits in our supply chain (Scope 3). In 2017, we announced science-based climate change targets for both our own operations (in line with a 1.5°C trajectory) and our supply chain (in line with a 2°C trajectory). In September 2021, we updated our supply chain targets in line with a 1.5°C trajectory, committing to reach net zero across our own operations by 2035 and supply chain by 2050. To reach our ambitions, our climate strategy aims to improve and transform our own operations and work collaboratively with our partners and the wider industry to decarbonise our supply chain.

Scope 1 emissions

Our Group Scope 1 emissions account for around 1 million tCO₂e. We are taking action to transform our processes and operations towards a low carbon future. We are:

- **Improving refrigeration efficiency and reducing refrigerant emissions** in our store and distribution centres by installing aerofoil technology and switching from f-gas to CO₂ systems.
- **Reducing emissions from logistics and home delivery** by maximising fuel efficiency across load, route planning and driver behaviour.
- **Switching to decarbonised transport** by pledging to the [Clean Van Commitment](#) and [EV100](#), as well as working with Original Equipment Manufacturers (OEMs) to trial alternatives to diesel in Large Goods Vehicles (LGVs).
- **Addressing emissions from heating** by trialling low carbon alternatives to gas boilers, such as heat pumps and heat reclaim.



[Read more about how we are improving our operations to reduce our impact here.](#)

Scope 2 emissions

In 2015, grid electricity accounted for 65% of our own operations carbon footprint and so we developed our renewable electricity transition roadmap towards reducing our demand and switching to 100% renewable electricity by 2030. Following the sale of our Asia and Poland businesses in 2020/21, we procured more renewable certificates in Central Europe, achieving our goal of 100% renewable electricity across the Group ten years early. We have:

- **Installed solar panels and wind turbines at our stores and depots** to generate electricity on-site
- **Signed the largest unsubsidised Power Purchase Agreement (PPA) portfolio** in the UK, which is 100% additional (as at 4 November 2020), helping to transform the UK National Grid.

Scope 3 emissions

A large proportion of our overall footprint lies within our supply chain, comprising our Scope 3 emissions. We have set science-based targets in line with a 1.5°C trajectory and will shortly be publishing our end-to-end roadmap to net zero, detailing the key actions that we will take to achieve our ambition. This roadmap will build upon our existing actions, including:

- **Rolling-out a network of retail electric vehicle (EV) charging stations** with [Volkswagen](#) and [Podpoint](#), to help our customers switch to electric cars.
- **Taking cross-industry action to improve climate outcomes** by partnering with [WWF](#), the [Aldersgate Group](#), [Corporate Leaders Group](#) and [RE100](#), among others.
- **Supporting positive public policy on climate** goals such as the UK's net zero by 2050 ambition, and the UK ban on internal combustion engine vehicle sales by 2030.

Previously published information and data relating to our Scope 3 emissions has been removed from this factsheet until we release our end-to-end net zero roadmap.

Integrating climate risk into Tesco

We are strengthening governance and processes throughout our business to integrate sustainability goals and embed climate risk, including recognising climate change as a principal business risk and launching sustainability-linked finance products, including:

- **Revolving Credit Facility** launched in October 2020, with interest linked to the achievement of three ambitious environmental targets, comprising GHG emission reduction, renewable energy and food waste.
- **First retailer** to launch a sustainability-linked bond (€750m), with the coupon rates linked to our emissions-reduction performance.
- Announced the **UK's first sustainability-linked supply chain finance programme**, to incentivise wider action on climate across our supplier base.



[Read more about our sustainable financing here.](#)

In 2017, we became signatories of the Taskforce on Climate-related Financial Disclosure (TCFD) and since then we have been implementing the recommendations of the TCFD and embedding it in strategic decision making.



[See our TCFD report in our latest Annual Report and Financial Statement here.](#)

Key highlights.

100% renewable electricity across the Group.

54% reduction in absolute Scope 1 and 2 GHG emissions vs 2015 across the Group.

Launched a €750m sustainability-linked bond.

Set Scope 3 emission targets in line with a 1.5°C trajectory, committing to reach net zero across our supply chain by 2050.

3 Year Performance.

| Group data | | | | |
|--|---|-----------------------------------|-----------------------------------|-----------------------------------|
| Commitment | KPIs | 2018/19 | 2019/20 | 2020/21 |
| Meet science-based climate targets for our operations, aligned with 1.5-degree trajectory of Paris agreement | Percentage reduction of Scope 1 and 2 greenhouse gas emissions across the Group (baseline 2015/16) | -41% | -49% | -54% |
| | Absolute UK greenhouse gas emissions (Scope 1 and 2 market-based) (percentage vs 2015/16 baseline 1,751,572 tCO ₂ e) | 938,536 tCO ₂ e (-46%) | 905,053 tCO ₂ e (-48%) | 880,039 tCO ₂ e (-50%) |
| Source 100% of our electricity from renewable sources by 2030 | Percentage electricity from renewable sources | 81% | 84% | 100% (21% contracted additional) |

All figures have been restated to reflect the sale of our businesses in Thailand, Malaysia and Poland. 2019/20 figures have been restated to reflect renewable energy certificates from our UK subsidiaries which were not captured in the reported figure last year.

| Group GHG emissions data | | | | |
|---|------------------|-----------|-----------|------------|
| tCO ₂ e | 2015/16 baseline | 2018/19 | 2019/20 | 2020/21 |
| Scope 1 | 1,240,871 | 1,117,480 | 1,105,183 | 1,053,131* |
| Scope 2 (Market-based method) | 1,095,671 | 256,446 | 81,531 | 13,631* |
| Scope 2 (Location-based method) | 1,657,316 | 995,543 | 859,583 | 718,222* |
| Scope 1 and 2 (Market-based) Total | 2,336,542 | 1,373,926 | 1,186,714 | 1,066,762* |
| Scope 1 and 2 carbon intensity (kg CO ₂ e/sq. ft. of stores and DCs) | 30.16 | 18.24 | 15.58 | 11.63* |

KPMG LLP was engaged to provide independent limited assurance over the selected greenhouse gas emissions data highlighted with a * using the assurance standards ISAE (UK) 3000 and 3410. KPMG has issued an unqualified opinion over the selected data. Read the Assurance Statement [here](#).

All figures have been restated to reflect the sale of our businesses in Thailand, Malaysia and Poland and include the acquisition of Best Food Logistics in the UK as well as minor data improvements.

Methodologies.

How we measure our progress

To track our climate change progress, we rely on science-based targets to guide our KPIs – this helps us calculate our percentage reduction in CO₂e in line with climate science, as well as the timeframe for achievement in line with the Paris Agreement. Our carbon footprint is calculated using established frameworks set out by the [World Resources Institute \(WRI\)](#) and [World Business Council for Sustainable Development \(WBCSD\) Greenhouse Gas \(GHG\) Protocol](#) – the internationally recognised standard for carbon reporting.

As the science evolves and our business changes, so too does our baseline for reporting. In December 2020 we re-baselined our carbon figures to reflect the sales of our businesses in Thailand, Malaysia and Poland. In March 2021 we re-baselined to incorporate Booker's acquisition of Best Food Logistics. During this process we have also incorporated data improvements since the latest assurance statement. All figures outlined in this document are up to date, and our recalculation policy can be found [here](#).

A brief description on each of the methodologies for our climate change KPIs can be found below.

Percentage reduction of Scope 1 and 2 greenhouse gas emissions (baseline 2015/16) across the Group

Our Scope 1 and 2 emissions cover the following sources across our international operations:

- Scope 1 – The direct GHG emissions that originate from Tesco owned or controlled assets. For example, emissions from gas and other fuel consumption in our stores, distribution centres and offices globally. We also include emissions from fuel consumption in Tesco owned and leased vehicles transporting the products that we sell. As well as energy, we also include emissions from refrigerant gas leakage from systems in our stores or our vehicles.
- Scope 2 – This includes the indirect GHG emissions from the generation of electricity and district heating which Tesco uses, in accordance with the Greenhouse Gas Protocol.

Our data is collected by managers in each location and entered in an internet-based reporting tool. Data is collected quarterly on a country-by-country basis using the “operational control” approach.

Percentage reduction of Scope 1 and 2 greenhouse gas emissions (baseline 2015/16) in the UK

Uses the same methodology as the KPI above but applicable for our UK operations – where our largest footprint lies.

Percentage electricity from renewable sources

As defined by the proportion of electricity which comes from renewable Power Purchase Agreements (PPA) both onsite and offsite, renewable generation from owned assets onsite, and purchased in the form of Renewable Energy Certificates (RECs).

Our reported KPI is all renewably sourced electricity as a percentage of total electricity demand. Data is collated by our internal teams, who carry out the KPI calculations on an annual basis in line with our financial year.

Looking ahead.

We are currently undertaking a comprehensive review of our Group climate strategy to challenge ourselves to go further, including our net zero ambition, decarbonisation roadmaps and supply chain initiatives. More information on the results of this review will be published later in the year and will inform our climate action and disclosure going forward.

Targets

- Net zero across Group operations by 2035 and across the supply chain by 2050.
- Fully electric Tesco home delivery fleet in UK by 2028.

Read more about our approach

More information

[Our approach to climate change](#)

[Our carbon footprint](#)

[Climate FAQs](#)

Methodologies and assurance

[Our carbon footprint methodology](#)

[Our carbon footprint recalculation policy](#)

[KPMG assurance statement](#)

Benchmarks

[CDP Climate](#)