



Tesco's Corporate Social Responsibility Initiatives

Introduction

Corporate Social Responsibility (CSR), which started voluntarily in some companies, caught on with the corporate world over the last few decades. CSR became a norm as per few countries' corporate governance codes. Many other countries are also contemplating inclusion of CSR initiatives as a standard corporate governance practice. It has become a competitive necessity rather than a nicety, which it used to be. Companies saw the benefit. Shareholders supported the initiatives. Stakeholders appreciated the initiatives. However, as Adam Smith observed, "It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own self-interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages." The intriguing question however is, why a retailer should support CSR blowing up millions of pounds. After all, it is not manufacturing anything to justify the shareholders' money allocated for CSR initiatives. This case study illustrates the issue with Tesco, UK's top retailer.

Corporate scandals at Enron, WorldCom and others made people distrust big businesses and this increased government regulations. This apart, Non-Governmental Organisations (NGOs) started criticising and battling with MNCs. The trend of rankings and ratings also pressurised companies to report their non-financial performance along with financial results. And, of late, media is observing companies closely. Embarrassing news anywhere in the world – say, a child sewing a cloth with a company's brand on it – can be broadcasted across the world instantly. Relatively, customers are increasingly concerned about the companies' impact on society including that on the physical environment, impact of products on the consumers, etc., as customers have become more aware of these issues through mass media.

Hence, society's demands and expectations on companies' responsibilities have increased much more than before. CSR was always concerned with how companies conduct themselves in relation to stakeholders (employees, consumers, shareholders and the society in which firms operate). Thus, CSR has gained huge momentum within the business community in the recent past and many companies emphasise their commitment to environmental, social, and economic goals.

Global Retailing and CSR Initiatives

The retailing industry consists of companies engaged in catalogue retailing, owners and operators of department stores, stores offering diversified general merchandise, apparel retailing, consumer electronic retail stores, food and drug retailing, and specialty retail stores like toy, office supply, furniture and automotive retail stores. It is one of the largest industries worldwide. Over the last 20 years, the retail industry, regarded as a sector with little concern for environmental impacts, has undergone drastic changes.

Saturated domestic markets, fierce competition and restrictive legal environment have relentlessly pushed major retailers into globalisation. Since mid-1990s, most of the economies have welcomed foreign investment, which benefited many retailers. However, deflation, lack of pricing power, global overcapacity, low interest rates, economic stagnation, slump in world tourism and declining consumer confidence became serious concerns for global retailers. With emphasis on technology and cost cutting, a major thrust of retailers continues to be demand-based – finding new markets

This case study was written by R Muthukumar, IBSCDC. It is intended to be used as the basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation. The case was compiled from published sources.

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through globalisation efforts. Earlier, 53% of the top 200 retailers operated only in domestic market. But, today, only 44% remain single-country merchants. This globalisation trend would only intensify in the years ahead. The benefits of increased sales and greater economies of scale are too large to be ignored.

The global retail industry has travelled a long way to become an industry worth \$9 trillion¹ in 2004 (Exhibit I). The top 250 retailers alone accounted for 30%. The world's 10 largest retailers captured 30.1% of top 250 sales (Exhibit II). Retail sales, generally driven by where people's ability (disposable income) and willingness (consumer confidence) to buy complements the fact that expenditure on household consumption worldwide increased. However, negative factors that hold retail sales back involve weakening consumer confidence.

Exhibit I Global Key Economic Statistics					
	2004	2005	2006	2007	2008
GDP (\$ million)	41,652,962	44,940,756	48,372,101	52,358,826	55,675,551
GDP/capita (\$)	6,536	6,971	7,418	7,939	8,347
GDP (% nominal growth)	12.5	7.9	7.6	8.2	6.3
Consumer spending (\$ million)	25,102,217	27,012,465	28,818,244	31,108,737	32,985,777
Consumer spending/capita (\$)	3,939	4,190	4,419	4,717	4,945
Retail sales, net (\$ million)	9,864,909	10,692,976	11,410,122	12,329,435	13,083,280
Retail sales, net/capita (\$)	1,548	1,659	1,750	1,869	1,961

Source: "Buoyant Year Forecast for Global Grocery Retail Sales, According to Planet Retail", <http://www.planetretail.net/Home/PressReleases/PressRelease.aspx?PressReleaseID=54980>, May 4th 2007

As a result of globalisation and increased operations, all companies produce negative environmental and social impacts. As companies impact the closed earth system, pushback from the system is inevitable. This pushback can become activist campaigns. As the world's largest retailer Wal-Mart has high environmental and social impacts. Many activist efforts deplored this, including the film *Wal-Mart: The High Cost of Low Price*. Activist efforts probably were one factor in many companies' decisions to adopt an aggressive sustainability strategy.

Such campaigns have driven large improvements in society. Many environmental and social improvements over the past 50 years were initiated by such efforts. However, firms cannot mitigate many of their impacts mainly because overarching economic and political systems essentially make it impossible to do so.²

The environmental sustainability issues offer huge opportunities for companies to develop new products. For example, Wal-Mart unveiled a long-term sustainable environmental strategy that includes using 100% renewable energy, generating zero waste and creating sustainable products. Companies also set short-term goals like reducing energy consumption, water consumption, etc.

The goal is to bring together economic viability, environmental sustainability and social responsibility, integrating these concepts with the company's strategy, operations and culture. CSR addresses how a company manages and improves its social and environmental impacts. This requires consideration of the needs of a wider community of interest, including employees, suppliers and other business partners, governments, local communities, NGOs and general public.

The need to protect, maintain and enhance the company's reputation and brand image is another key driver of CSR initiatives. This is especially critical for retailers and consumer products companies because of their direct involvement with the end consumer.

¹ "2006 Global Powers of Retailing", http://www.deloitte.com/dtt/cda/doc/content/dtt_ConsumerBusiness_GlobalPowers_021006.pdf

² Dixon Frank, "Sustainability and System Change Wal-Mart's Pioneering Strategy", http://www.csrwire.com/pdf/WMT_Sustainability_4-06.pdf, April 18th 2006

Exhibit II World's Top 10 Retailers (2006)					
Rank	Country of Origin	Name of Company	Formats	Retail Sales (\$ million)	Countries of operation
1	US	Walmart Stores Inc.	Discount, Hypermarket, Supermarket, Superstore, Warehouse	344,992	Argentina, Brazil, Canada, China, Germany, Mexico, Puerto Rico, S.Korea, UK, US
2	France	Carrefour S.A.	Cash&Carry, Convenience, Discount, Hypermarket, Supermarket	97,861	Argentina, Belgium, Brazil, Chile, China, Columbia, Czech Rep, France, Dominican Republic, Greece, Indonesia, Italy, Japan, Madagascar, Malaysia, Mauritius, Mexico, Morocco, Oman, Poland, Portugal, Qatar, Romania, Singapore, Slovakia, Spain, South Korea, Switzerland, Taiwan, Thailand, Turkey, UAE
3	US	The Home Depot	DIY, Speciality	90,837	Canada, Mexico, Puerto Rico, US
4	UK	Tesco Plc.	Convenience, Department, Hypermarket, Supermarket, Superstore, Specialty	79,976	Czech Rep, Hungary, Malaysia, Poland, Rep.of.Ireland, Thailand, S.Korea, Slovakia, Taiwan, Thailand, UK, US
5	Germany	Metro AG	Cash&Carry, Department, DIY, Hypermarket, Specialty, Superstore	74,857	Austria, Belgium, Bulgaria, China, Croatia, Czech Rep, Denmark, France, Germany, Greece, Hungary, India, Italy, Japan, Luxembourg, Morocco, Netherlands, Poland, Portugal, Romania, Russia, Slovakia, Spain, Switzerland, Turkey, UK, Ukraine, Vietnam
6	US	Kroger	Convenience, Discount, Speciality, Supermarket, Warehouse	66,111	US
7	US	Target Corp.	Department, Discount	59,490	US
8	US	Costco Wholesale Corp.	Warehouse	58,963	Canada, Japan, Mexico, UK, US, PuertoRico, S.Korea, Taiwan
9	US	Sears Holding Corp.	Department, Mail Order, Specialty	53,012	Canada, Puerto Rico, US
10	Germany	Schwarz Unternehmens Treuhand KG.	Discount store, Hypermarket, Supercentre, Superstore	52,422	Australia, Bulgaria, Croatia, Cyprus, Caech Rep, Denmark, Finland, France, Germany, Greece, Hungary, Rep. Of Ireland, Italy, Luxembourg, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Spain, Sweden, Uk
Top 10 Sales				978,521	
Top 250 Sales				3,246,255	
Top 10 Share of Total				30.1%	
Compiled by the author					

For long-term success and prosperity, retailers must take stock not only of their opportunities, but also their duties as corporate citizens. With increasing legislation and societal pressures, they need to rethink the way they manage, measure and demonstrate their CSR performance.

UK Retailing and CSR

Retailing is a huge, diverse and dynamic sector of the UK economy offering a range of goods and services to consumers. In 2004, 305,000 retail outlets generated a total turnover of £250 billion (\$468 billion).³ The sector employed 11% of the nation's workforce. The top 10 UK retailers are: (1) Tesco (2) Sainsbury's (3) Morrisons (4) Marks & Spencer (5) Kingfisher (6) DSG International (7) Alliance Boots (8) Home Retail Group (9) John Lewis (10) Kesa Electricals.⁴

Retail sector, of late, is undergoing change through continuous technological developments. The sector, as such, tries to match consumer expectations and demands with the technological developments and feeds the needs of the community. Retailing creates new markets, provides a focus for the implementation of social policies and plays an important role in the wellbeing of society.⁵ Retailing in UK has become increasingly concentrated. The number of independent retailers has declined as a relatively small number of large players dominated the sector. "Retailing is... a very visible form of economic activity which exerts a major influence over the lives of customers".⁶ This large industry is taking increasing interest in CSR.

Especially in UK, many leading retailers recognise their impacts on the environment, on the society and the economy. They are keen on commitment to CSR, their shareholders, customers, employees, the government and the society. The content analysis and interviews of Daniel and Richard indicated, "Performance considerations were the most prominent motivation behind CSR, followed by corporate values and response to stakeholder pressures."⁷ Increasingly, large retailers in UK are exploring the ways to exploit their CSR commitments and achievements in communicating their values to the customers. The UK government argued that transparency in the ways companies address and manage environmental, economic and social issues can improve relationships with employees, customers and stakeholders.

British Retail Consortium reports, "CSR is increasingly providing a template for retailers to report on a range of issues, (which) has enabled the sector to engage with a range of stakeholders from consumers, employees, fund managers and the media on positive progress and refreshingly innovative programmes ... and that 'for retailers, CSR is inherent to their business strategy'.⁸

Moreover, retailers are increasingly pressurised by consumer groups and activists to become more socially responsible. Retailers are pressurised for more environmentally safe production, improved labour conditions, and fair trade among transnational subsidiaries. While some describe the effects of globalisation and the CSR movement as ratcheting up transnational social standards, others claim that these efforts merely serve as a legitimising mechanism of global capitalism, which sustains unequal distributional effects under the rhetoric of human rights.⁹

Tesco started its CSR initiatives since the late 1980s. But, from 1994, Tesco emphasised more on CSR initiatives and focused on community projects contributions. The transformation underway in Tesco was profound, while its growth was one of the most consistent amongst its peers. CSR has been an important aspect for Tesco over the years.

³ "Retail trade", www.statistics.gov.uk/abi/Division_52.asp, 2005

⁴ "2006 Global Powers of Retailing", op.cit.

⁵ "Driving Change, Retail Strategy Group Report", www.dti.gov.uk/retaildoc/main.pdf, 2004

⁶ McGoldrick, P.J., "Retail Marketing", *McGraw-Hill*, London, 2002

⁷ Daniel Silberhotn and Richard C.Warren, "Defining Corporate Social Responsibility – A View from Big Companies in Germany and the UK", *European Business Review*, Vol.19 No.5, pages 352–372, 2007

⁸ "Key Issues in Corporate Social Responsibility", www.brc.org.uk/brusselsKI04, 2005

⁹ Lobel Orly, "Sustainable capitalism or ethical transnationalism: Offshore production and economic development", *Journal of Asian Economics*, February 2006, Vol. 17 Issue 1, pages 56-62

Tesco's CSR Initiatives and the Operations of a Virtual Cycle

Overview of Tesco and its CSR Initiatives

On its CSR efforts, Tesco says, "As a responsible Company, Tesco works hard to bring real benefits to the communities we serve, the environment and the economy. This is recognized through our inclusion in the FTSE4 Good and Dow Jones Sustainability indices."¹⁰

Tesco had profits of £2.8 billion from £47.29 billion revenues for the year 2007–2008. Tesco exists in 13 countries: France, Hungary, Poland, Czech Republic, Slovakia, Ireland, Thailand, South Korea, Taiwan, Malaysia, Japan, Turkey and China.

Tesco was founded by Jack Cohen (Cohen) in 1919 by using his WW I army service bonus. Its first store was opened in 1929 in Edgware, London, the first supermarket¹¹ in 1956 in Maldon, Essex, and the first superstore¹² in 1968 in Crawley, West Sussex. By 1979, it has become £1 billion turnover company. Over the years, Tesco's financial performance improved significantly (Exhibit III). Tesco has become the UK's largest grocery retailer. Its market share too increased significantly (Exhibit IV). Gradually, Tesco expanded internationally and added several products to its portfolio – non-food items, clothes, telecom, home shopping venture Tesco.com and finance.

Exhibit III Tesco's Sales Turnover and Profits		
Year	Sales Turnover (£ million)	Profit Before Taxation (£ million)
1991	6346	404
1992	7097	501
1993	7581	525
1994	8600	435
1995	10101	551
1996	12094	675
1997	13887	750
1998	16452	760
1999	17158	842
2000	18627	933
2001	20800	1054
2002	23400	1194
2003	26004	1345
2004	30814	1574
2005	33866	1894
2006	39454	2235
2007	42641	2653
2008	47298	2803

Compiled by the author from Tesco's Annual reports

¹⁰ "Tesco Plc. | Surveys", <http://81.19.58.74/surveys.htm>

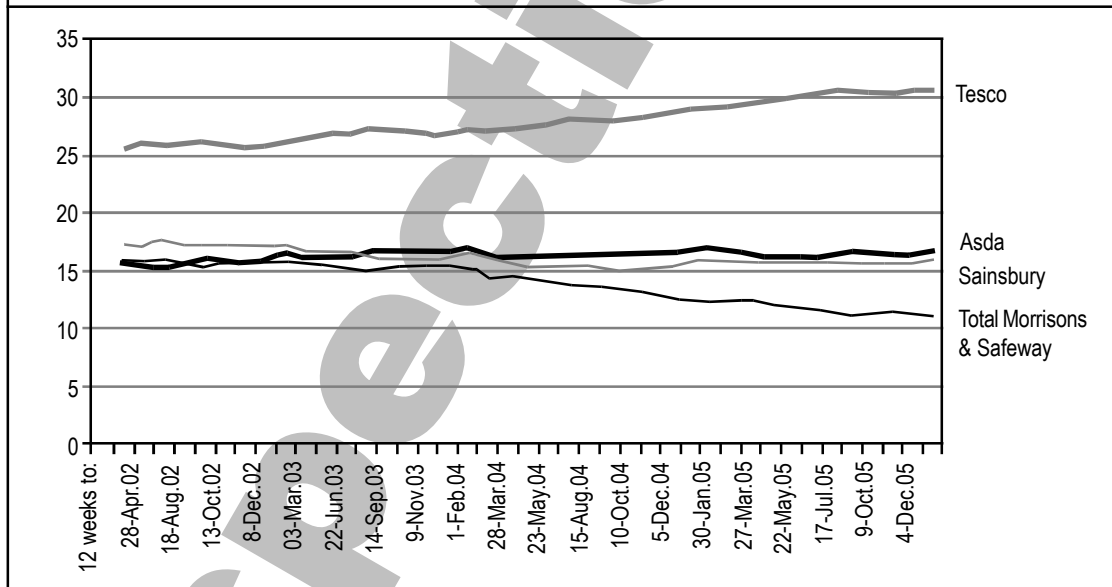
¹¹ A supermarket is a store that sells a wide variety of food related products along with variety of other household products such as household cleaning products, medicine, clothes, and some sell a much wider range of non-food products.

¹² A superstore is a large departmental store, which sells a wide range of products, from toys and electronics to clothing and groceries and even furniture, sporting goods and automotive supplies.

**Exhibit IV
UK Grocery Market – Share of Major Players (%)**

Year	Tesco	Sainsbury's	Asda
1990	9.7	11	6.8
1991	9.9	11.3	6.5
1992	10.1	11.9	6.3
1993	10.4	12.1	6.5
1994	11.4	12.3	6.7
1995	13.4	12.2	7.2
1998	22.9	19.8	14.1
1999	23.4	19.1	14.8
2000	24.2	18.6	16.2
2001	22.8	15.8	12.4
2002	25.5	17.4	15.8
2003	26.4	16.6	16.1
2004	27.6	15.5	16.6
2005	29.7	18.9	16.5
2006	31	16	16.4
2007	31.3	16.3	16.7

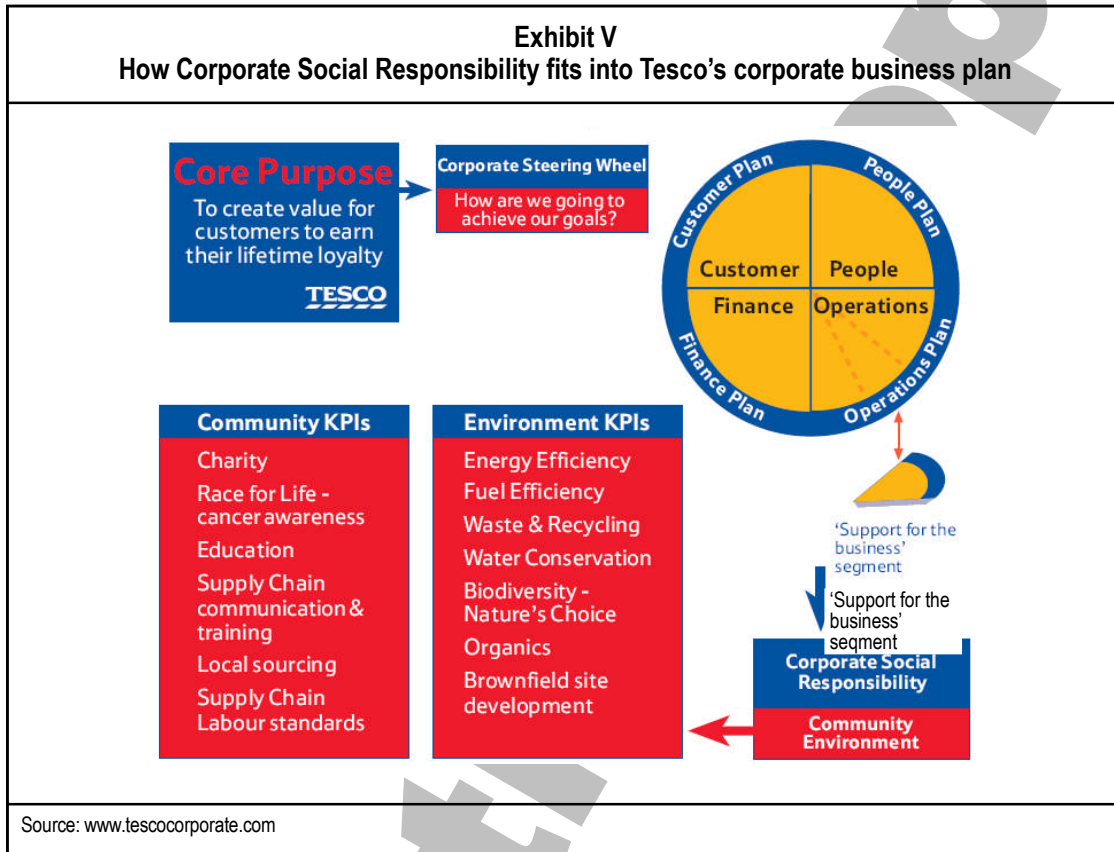
Market Shares of the 'Big Four'



Source: Jack Samways, "The Rise of the Supermarket: An Investigation into Environmental Ethics, Consumerism and Corporate Social Responsibility", *Environmental Ethics*, 2007

In the late 1980s, Tesco started its CSR initiatives. In 1988, the initiative titled 'Charity of the Year' began. Through this, Tesco extended its support to a select social cause each year. Tesco's staff and customers were also encouraged to contribute. The company focused on conserving energy and water across its stores and introduced biodegradable

shopping bags, recycling mobile phones, inkjet cartridges and Christmas greeting cards. Tesco, considering CSR an integral part of its corporate framework, chalked out several internal and external activities (Exhibit V). Thus, the company operates through a virtuous cycle.



Tesco's CSR efforts are reflected in its daily activities, with a focus on recycling, using organic products, saving energy and water, and charity and community initiatives. Tesco's CSR strategy was to earn its customers' trust by acting responsibly and working towards minimising negative impacts. Commenting on Tesco's CSR approach, CEO Leahy said, "Corporate Social Responsibility makes sound business sense. The key to our approach is our integrated business system, where environmental and social performance is managed alongside financial performance. This means we have a year-on-year programme of focused action to drive improvement."¹³

Every year, Tesco publishes a separate report on 'CSR Review' with details of the company's CSR approach, implementation and policies. In the fiscal year 2001–2002, Tesco published its first 'CSR Review'. Tesco attempted to boost its image through a series of campaigns, directed at promoting goodwill in environmental, societal and cultural fields.¹⁴

Stakeholder Engagement

According to Tesco, "Engaging with the different groups that influence or are affected by our business is fundamental to our values. Understanding our stakeholders' needs and concerns also helps identify the relevant CR issues and enables us to plan our CR programme accordingly. We have a wide range of stakeholders with many different needs and

¹³ "Corporate Social Responsibility Review 2001/02", <http://www.investis.com/tesco/ar/pdfs/TescocsrReview02.pdf>

¹⁴ Anon, "Inside Tesco", <http://www.tescocorporate.com/insidetesco.htm>, December 2nd 2006

expectations, and these sometimes conflict. We can't be all things to all people, but we can assure all stakeholders that we have listened to them and taken their views into account when balancing different considerations."¹⁵ (Exhibit VI)

Exhibit VI Tesco and its Stakeholder's Interests		
Stakeholder group	Interests and expectations of Tesco	Interaction with Tesco in 2007
Customers	Good shopping trip. Good neighbour. Operate fairly and honestly. Provide a choice of products, including sustainable, healthy and affordable options.	Store operations. Marketing campaigns. New product development. Clubcard. Price promotions. Clubs and initiatives. Customer Question Time.
Employees	Fair terms and conditions. Interesting job. Manager who helps me. To be treated with respect. Opportunities to get on. Safe and healthy workplace.	Daily work. Staff Question Time. Staff forums. Annual Viewpoint survey. Regular Pulse surveys.
Communities	Good neighbour. More employment. Community regeneration. Support for local causes and initiatives.	Community initiatives. Public consultations and exhibitions. Leaflets. Focus groups. Consumer panels. Work with community groups including charities.
Suppliers	To be treated fairly and honestly. Long-term relationships, opportunities for growth and shared customer insight.	Direct commercial relationships with suppliers, processors and manufacturers. Viewpoint survey. Meetings, training sessions and conferences. Industry events
Investors	Effective communication of strategy and performance. Good corporate governance and risk/opportunity management. Competitive returns and dividends.	Annual Report and general meeting. Investor updates. Investor relations website. Meetings with investor relations team.
Governments and regulators	Legal compliance. Stable, family-friendly job opportunities. Good quality training. Timely payment of all taxes.	Tax systems. Planning processes. Consultation on new regulation. Public policy engagement.
Non-governmental organisations	Leadership approach to CR issues. Clear policies and principles. Credible, transparent communication.	Meetings and presentations. Partnerships and membership of organisations. Campaigns.
Source: "Corporate responsibility review 2008", http://www.tescoreports.com/crreview08/kpi/index.html		

Tesco's CSR statement says that Tesco is committed to conducting business in an ethically and socially responsible manner. Tesco has a commitment to be a good citizen 'acting responsibly wherever we operate' and this translates into a Code of Conduct for suppliers, a Code of Ethics for staff, a commitment to protect the environment, using commercial strength to put principles into practice and a commitment to play a positive role in community. Tesco emphasised on CSR through its social, economic and environmental policies.

¹⁵ "Tesco PLC – Stakeholder engagement", http://www.tescopl.com/plc/corporate_responsibility/approach/cr_stakeholder_eng/

Social Policies

Tesco encouraged its employees and customers to become socially responsible through initiatives including charity, fund raising for specific causes and promoting education on healthy living and food safety (Exhibit VII). Tesco opined that it had a major role to play in promoting healthy food among its customers and strove to make it available at affordable prices. These efforts were not limited to the UK but extended to its international branches too. Tesco gave at least 1% of its pretax profit to charity, in the form of donations, employee time, gifts and management costs for community plans and projects. Every year, Tesco made significant contributions to community projects and plans (Exhibit VIII).

Exhibit VII Tesco'S CSR Initiatives		
Year	CSR Initiative	Description
1988	Charity of the Year	Every year Tesco selected a national charity which became the company's primary fundraising focus for one year.
1990	Bag for Life	Reusable bags were widely distributed and the customers carried the bags whenever they shopped at Tesco. Once the bags were worn out they were replaced.
1990	Green Trays	Instead of carton boxes and other packaging, Tesco started using reusable plastic crates to transport goods.
1991	Nature's Choice	A set of safety, quality and environmental standards of production, to which all of Tesco's fruit, vegetable and salad suppliers comply.
1992	Organic Range	Tesco's organic range consisted of food products that were produced without using chemicals, fertilizers and pesticides. Animals were reared without using drugs.
1992	Computers for Schools	Every year, Tesco issued vouchers to customers, which were given to schools of their choice. The schools exchanged the vouchers for computers and related equipment.
2001	CR Committee	A cross functional committee, responsible for implementing corporate responsibility policies.
2001	First CR Report	Tesco's achievements in the area of corporate responsibility were presented. Tesco's approach to CSR and its implementation were dealt with.
2001	Mobile Phone Recycling	Tesco collected old mobile phones from the customers and the ones in good condition were sent to third world countries, others were recycled.
2002	InkJet Cartridge Recycling	As improper disposal of inkjet cartridges caused pollution, Tesco collected used inkjet cartridges from customers for recycling.
2002	Christmas Card Recycling	To help a trust involved in conserving woodland forests, Tesco launched a scheme wherein customers were encouraged to recycle Christmas cards.
2003	Free From Range	Meant for people with food allergy and intolerance to certain foods, the range does not contain gluten, wheat and milk and had more than 150 products.
2003	SEDEX	A web based system which provides information about labour standards at the suppliers' production site.
2004	Solar Energy Trials	Solar powered roof installed at a petrol pump in Hucknall that generated 20% of the energy required for the petrol pump.
2004	Degradable Carrier Bags	Tesco introduced these bags in all the stores in the UK. When discarded, these bags disintegrate within 60 days without leaving harmful residues.
Compiled by the author		

Exhibit VIII Tesco's Contributions to Community Projects	
Year	Contributions to Community Projects (£)
1994	285,000
1995	403,000
1996	727,000
1997	972,000
1998	1,259,000
1999	1,301,000
2000	1,485,000
2001	7,803,000
2002	8,983,000
2003	10,496,651
2004	17,191,988
2005	21,762,931
2006	41,768,741
2007	43,412,965
2008	54,542,913
Compiled by the author	

In 2006, Tesco introduced its first 'community plan'. This added 'community' to the existing four business drivers (Customer, People, Operations and Finance). Tesco believes that it is a significant step in building its commitment to community, corporate responsibility and sustainability. Tesco's international operations have also begun developing own community plan from 2007. Tesco confirms that by the end of 2008/2009, all its international businesses will have a corporate responsibility committee, corporate responsibility strategy and a community plan.

In 2005, Tesco introduced a new labelling system, through which information about the content of salt, fat, saturated fat, sugar and calories present in the product was mentioned on the packs' labels. Moreover, Tesco reduced salt content in over 1,000 products. Tesco is also working on reducing the sugar and fat content of these items.

Economic Policy

Tesco strives to bring economic growth and development in the local communities it serves across the world that includes customers, employees, suppliers and communities. The company played an active role in providing employment, supplying goods at affordable prices, making partnerships with local suppliers and giving the opportunities and thus enables to grow.

Tesco deliberately moved into less developed areas to trigger growth and economic development there. Tesco launched job guarantee scheme and provided employment. Tesco focussed on training and employing people with single parents, aged and freshers. In 7 years (2000–2006), Tesco completed 14 Regeneration Partnerships, creating over 3,500 jobs and reemploying 2,200 long-term unemployed and disadvantaged people.

Tesco worked with local authorities, housing associations and community groups for schemes involving affordable housing, leisure and community facilities as well as retailing. Tesco improved its store sites by planting trees and shrubs. Tesco also restored several old buildings without harming their original structure.

Tesco is a founder member of Ethical Trading Initiative (ETI)¹⁶ launched in 1999. It used the ETI base code as the standard for all its ethical trading policies. The company extended the code to most of its suppliers across the world by 2007.

¹⁶ The ETI code states: Employment is freely chosen, Freedom of association and the right to collective bargaining are respected, Working conditions are safe and hygienic, Child labour shall not be used, Living wages are paid, Working hours are not excessive, No discrimination is practiced, Regular employment is provided and No harsh or inhumane treatment is allowed.

In 2005, Tesco conducted an anonymous 'supplier viewpoint survey' to determine the areas requiring improvement. The survey results revealed suppliers' opinions that Tesco was committed to customers, was professional, fair and consistent. Tesco appointed a supplier code compliance officer to examine/scrutinise formal complaints. Tesco's buying teams regularly interacted with the suppliers.

Tesco strongly supports Fairtrade, which guarantees that developing countries' farmers are paid a price covering the cost of production plus a premium to be spent on community projects such as healthcare, sanitation, education or housing. Since the introduction of Fairtrade range in 2004, Tesco's sales multiplied.

Now-a-days, customers' demand for locally sourced food has increased. In 2006 Community Plan, Tesco stated to have more local suppliers than any other retailer.

In 2007, Tesco introduced a new website 'www.tescofarming.com' which comprises information to farmers on commercial trends and supply opportunities. It covers everything from biodiversity, nutrition and sourcing inputs such as seed and veterinary products to supply chain management.

Environmental Policy

Tesco has stated in its CSR Review, "We work with our customers, staff and suppliers to make sustainable choices and reduce our impact on the environment." Tesco's priorities on its environment policies are: Reducing energy consumption and greenhouse gas emissions; Reducing, reusing and recycling waste; Making products more sustainable. In 2005/2006, Tesco was the leading food and drug retailer in the Carbon Disclosure Project Leadership Index.

Tesco's strategy is to be the 'best' supermarket for energy use. For example, by investing over £4 million in energy efficient lighting and infrared lighting sensors, Tesco saved over 40 million kWh and over 17,000 tonnes of CO₂ a year. Tesco's staff was made accountable for energy savings. In April 2006, Tesco established a £100 million fund to develop sustainable environmental technology. Tesco stated that by 2010, it will cut its energy use per square foot by one-half as against 2,000 baseline. The company invested £20 million in 2006, in a range of energy-saving schemes to cut energy consumption by 135 million kWh per year, saving £8.1 million in energy costs and saving 58,000 tonnes of CO₂.¹⁷

Tesco endeavoured to reduce water consumption also considerably through certain measures. In 2005/06, Tesco invested £500,000 in installing taps which automatically switch off and over £800,000 in installing rainwater recovery systems. The water consumption reduced from 1.7 m³/m² of sales space in 2001 to 1.2 m³/m² sales space in 2007.

Tesco reported that it no longer uses ChloroFluoroCarbons (CFC) and replaced all its refrigerators running on HydroChloroFluoroCarbons (HCFC) with hydrofluorocarbons (HFC) spending £18 million. To reduce the overall environmental impact, Tesco is evaluating alternatives such as CO₂ for larger fridges, freezers and air conditioning in its stores. The company participates in the UK Emissions Trading Scheme (ETS). As part of the ETS, Tesco is committed to an absolute reduction in greenhouse gas emissions over a 5-year period (2000–2005) at a control group of 118 stores.

Since the beginning of 2003, Tesco integrated its green travel plans for staff as a part of its new store and store extension development proposals. Tesco reduced the number of employees coming to work individually in their cars, through initiatives like walking buddies and car sharing. Tesco guaranteed the employees, who took part in the sharing schemes, a ride home in the event of emergencies. Since June 2005, Tesco introduced 'Liftshare' in which staff can share lifts by registering at a dedicated website and commute between Tesco's main offices to help cut emissions and congestion.

Tesco's next initiative was to deliver more goods per litre of fuel it uses, to reduce its distribution fleet's emissions. In 2006, Tesco delivered 8% more products thus. Over the next 3 years, Tesco planned to cut short the CO₂ emissions, per case of goods delivered, by 30%.

Tesco saw to it that its suppliers' vehicles do not travel empty after delivery. Suppliers' vehicles are used to make deliveries to stores on their return trip which has drastically reduced unnecessary return trips. This partnership has reduced travel by over 8 million miles.

¹⁷ "Retail Ethics and Green Retailing 2007: More than plastic bags?", Centre for Retail Research, 2007

Tesco invested £2.8 million in double deck trailers, which carry 67% more products per load and it also encouraged suppliers to use these vehicles for deliveries. By reducing delivery time to its stores each week and improving the way of filling the vehicles, Tesco saved over 54,000 deliveries each year, travelled 2.5 million fewer miles and delivered 25% more with each journey.

Tesco was UK's first major retailer to incorporate biofuel into its standard petrol and diesel, with no price premium. In May 2005, Tesco introduced a 5% bioethanol mix into its standard unleaded petrol at 185 petrol stations at the same price. A car driven with the bioethanol mixed petrol fuel emits 4.5% less CO₂. Tesco converted most of its standard diesel pumps to biodiesel. It has also been encouraging its customers to use biofuels and save energy in their homes too.

In 1990, Tesco replaced their cardboard boxes with reusable plastic crates called green trays. Subsequently, these were adopted at all its stores across the world, as they could be reused and also reduced product wastage. In April 2000, Tesco's green trays won the Queen's Award for the Environment.¹⁸ Tesco has internal recycling programme for recycling paper, cardboard and plastic. In 2005–2006 Tesco saved 384,517 tonnes of waste from landfill.

Other Initiatives

Tesco ensured that most of its products packing was done in eco-friendly way. The company purchased timber products only from sustainable and legal sources. All the suppliers are required to give details like the origin of the used wood species.

Tesco demands high standards of animal welfare and had livestock codes of practice covering all aspects of animal husbandry, animal welfare requirements, environmental impact and food safety standards. Tesco ensured that overseas suppliers also met standards equivalent to the UK suppliers.

Tesco does not support animal testing. Tesco contributes £10,000 a year to the 'Replacement of Animals in Medical Experimentation' (FRAME) fund, which seeks to end animal testing.

To improve sustainability on fisheries and fishing methods, Tesco followed certain principles of sustainability in fish sourcing and sold only certified marine products.

In 2007, Tesco became the first supermarket chain to assign 'carbon rating' to everything it sells; the latest attempt by a retailer to cash in on consumers' environmental concerns. Tesco promised to halve emissions from its stores and distribution centres by 2020. It planned to spend up to £500 million during the next 5 years in reducing energy use. The 'carbon footprint' of a product includes the energy required for its manufacture, its packaging and transportation of the product to supermarket shelves. Labels showing energy content might encourage shoppers to opt for lower carbon goods. This could boost local suppliers also to Tesco stores and encourage manufacturers to cut carbon emissions in order to attract shoppers to their brands.

CSR Committee and Measurement

Every year, Tesco's board members discuss the company's CSR strategy. Every quarter, the performance is reviewed and the board and the executives receive quarterly updates on the CSR performance, using which, future risks and opportunities are assessed. A CSR committee was established in 2001 comprising executives from different functions and headed by the director, Group Corporate Affairs. The committee meets at least four times a year to review its CSR efforts. In addition to the regular meetings, the committee holds 2 away-days each year. Experts and speakers are invited to comment on Tesco's CR performance, strategy and reporting, and to provide insight on key issues. Tesco's Steering Wheel¹⁹ framework is used to measure its CSR achievements. Tesco introduced KPIs, which

¹⁸ The Queen's Awards for Enterprise are the UK's most prestigious awards for business performance. Winners receive a range of benefits including worldwide recognition and extensive press coverage. These awards are presented in three categories - International Trade, Innovation and Sustainable Development.

¹⁹ Tesco's business planning strategy is carried out using Tesco's 'steering wheel.' The wheel has four quadrants - people, finance, operations and Customer quadrants. Each quadrant is divided into segments. The customer quadrant is guided by 'delivering every little help for the customers,' the policy for the people quadrant is 'delivering every little help for our people,' the aim of the operations quadrant is 'better, simpler, cheaper - how we'll free up time and resources for customers and people' and the finance quadrant is guided by 'we will deliver results if the other quadrants meet their targets.' Each of the segments sets its own business priorities for the coming year.

formed a part of the operations quadrant, in the 'responsible and safe' segment. KPIs define the key deliverables to achieve goals in each segment.

Tesco's KPIs were chosen basing on one or four of the four criteria namely customer priority, staff priority, business critical and compliance with legislation or public policy. In 2003–2004, Tesco employed around 18 CSR KPIs. Every year, Tesco set new KPIs. In March 2005, Tesco introduced new KPIs on healthy living, inclusivity and diversity. In 2007–2008, the KPIs increased to 23 (Exhibit IX). This enables the business operation and monitor on a balanced basis with due regard for all stakeholders. The KPIs progress is monitored by managers using traffic light approach, in which, green indicates success in a target and red denotes a problem area. When KPIs are not on track, corrective action is taken.

Exhibit IX Key Performance Indicators 2007			
Climate Change			
	KPI		How we performed
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.	●	We achieved a 5.8% reduction
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.	▲	We have reduced emissions by 10.2% over the past year
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.	●	We met our target of a 5% reduction
Airfreight	To restrict air transport to fewer than 1% of our products	▲	0.68% of our products were flown by air
Environment			
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.	○	70% of our waste was diverted from landfill
Customer recycling	To double the amount of customer recycling at sites where we introduce recycling units.	●	8.3 tonnes of waste a week was recycled where we installed recycling machines compared to 4 tonnes at existing facilities
Carrier bags	Reduce carrier bags given out by 25% by May 2008 compared with May 2006.	▲	We saved 1.29 billion bags, over 25% on a 12 week run-rate.
Our Suppliers			
Nature's Choice	To register all organic growers in countries prioritised for the first year of the three-year programme as part of our target to ensure all organic growers are registered to Nature's Choice by March 2010.	●	We registered 100% of organic growers in prioritised countries
<i>Contd...</i>			

	KPI		How we performed
	To audit all organic suppliers in countries prioritised for the first year of the three-year programme as part of our target to ensure 100% of organic suppliers comply with Nature's Choice by March 2010.	■	We audited 76% of organic suppliers in prioritised countries. This was due in part to a number of suppliers already being audited to our gold standard as suppliers of standard products and were not therefore due for audit this year.
Local sourcing	To grow sales of local products by 30% by March 2008.	▲	Sales increased by 70% to over £400 million.
Supplier relations	To monitor supplier relations through our Supplier Viewpoint Survey. Over 90% of our suppliers view us as being trustworthy, reliable, consistent, clear, helpful and fair.	▲	92% of our suppliers believed we were fair, trustworthy, reliable, consistent, clear and helpful.
Ethical Trading			
Supply chain labour standards	To carry out independent ethical assessments of 100% of our high-risk own-brand suppliers.	○	We carried out independent audits at 73% of our high risk own-brand suppliers.
	To train 100% of our high-risk own-brand suppliers.	●	We trained 100% of high risk own-brand suppliers.
	To ensure all commercial teams have received training on supply chain labour standards.	●	All commercial teams received training on supply chain labour standards.
Customer Choice, Health and Nutrition			
Healthy living	To deliver five half-price offers on fruit and vegetables every week across at least 500 stores.	●	We delivered at least five half-price offers in an average of 760 stores.
Community Impact			
Regeneration	To initiate six regeneration partnership stores.	●	We initiated six regeneration partnerships this year in Gateshead, Southend, Paisley, Hanley, Leigh Sports Village and Kirkby.
Brownfield sites	To develop 90% of our new stores on brownfield sites.	▲	97.6% of our new stores were developed on brownfield sites.
Charitable giving	To donate at least 1% of our pre-tax profits to charities and good causes.	▲	We gave 1.95% (£54.4 million) of pre-tax profits to charities and good causes.
Computers for schools	To increase the cumulative value of computer equipment to schools to £118 million and the number of new schools participating by 2,000.	●	We increased the cumulative value of equipment given away to £118 million.
			<i>Contd...</i>

Sports for schools and clubs	To supply sports equipment and coaching to schools to the value of £9.5 million, and to increase the number of new schools and clubs participating by 3,000.	●	We met our target to supply £9.5 million worth of equipment and coaching, and over 5,000 new schools joined the scheme
Race for Life	To help recruit 800,000 women including 24,000 Tesco staff to participate and help raise sponsorship to £60 million.	○	We helped to raise £48 million in sponsorship for Cancer Research UK, with 665,000 women including 21,641 Tesco staff taking part.
Our People			
Employee retention	To exceed 80% retention of experienced staff.	▲	84.2% of our experienced staff stayed with us throughout 2007-2008.
Employee training	95% of retail staff to be trained to bronze level.	▲	98.8% of our staff were trained to Bronze level.
	75% of retail staff to be trained to silver level.	▲	92% of retail staff were trained to Silver level.
Health and safety	To reduce our reportable accident rate in the workplace by 10% between 2006 and 2009.	▲	We reduced our overall rate by a further 6% this year and have already achieved a 14% fall over the last two years.
Inclusivity and diversity	No statistical difference by age, sex or ethnicity in answer to the staff Viewpoint survey question, 'I enjoy working for Tesco'.	●	There is no adverse statistical difference in satisfaction for our over 45 year old, female or black, Asian and minority ethnic staff. There was a slight adverse statistical difference in satisfaction for our under 25 staff.
○	Below target	■	Close to target
●	On target	▲	Above target
Source: "Corporate responsibility review 2008", http://www.tescoreports.com/crreview08/kpi/index.html			

Husted and de Jesus Salazar, argue that by taking a CSR strategic approach, corporates would increase shareholder's value, at the same time they comply with responsibilities/commitments to society and other stakeholders. Some reviews say that CSR contributes to a firm's reputation and profitability.

Based on regression analysis of profits and contribution for community projects, it is found that the contribution for community plans has high positive correlation with profit and market share (Exhibit X). Tesco's CSR initiatives have a strong positive impact on its bottom line.

Tesco and its Competitors

Each of the UK's top retailers has its own CSR approach and there are substantial variations in the nature, content and extent of the reporting process. Most of the top 10 retailers are employing KPIs to measure and benchmark their CSR achievements. The top retailers claim that CSR is an integral element of their core business. While a majority produced dedicated CSR reports, some include CSR information in their annual reports and some

Exhibit X	
Regression and Correlation Analysis	
Regression between Contribution and profit before Taxes	
<i>Regression Statistics</i>	
Multiple R	0.97560897
R Square	0.95181285
Adjusted R Square	0.94810615
Standard Error	173.289354
Regression between Contribution and Sales Revenues	
<i>Regression Statistics</i>	
Multiple R	0.956271
R Square	0.914454
Adjusted R Square	0.907873
Standard Error	3712.449
Regression between Contribution and Market Share	
<i>Regression Statistics</i>	
Multiple R	0.936572
R Square	0.877167
Adjusted R Square	0.861812
Standard Error	1.222252
Prepared by the author	

provided information on the company website. Tesco, for example, in 2003/2004, produced a 38 page Corporate Responsibility Review. From its initial publication i.e., 2002/2003 to 2007/2008, every year the pages of disclosure were increased (Exhibit XI). Tesco's focus on CSR is growing year-by-year. From the content analysis, it can be found that Tesco gives almost equal importance to its economic, social and environmental policies in its CSR initiatives. There is also steady increase in its CSR components particularly, in economic policy and practice. Similarly titled reports produced by John Lewis, Marks & Spencer, and GUS were 39, 48 and 64 pages respectively. Sainsbury provides an interactive web-based report. Somerfield and Boots both allocate four pages of their annual reports to CSR.

Marks & Spencer, for example, claims a strong tradition of CSR and sees it as integral to its business operations. Sainsbury argues that CSR is an integral part of its brand. Here the company has six board level directors responsible for individual CSR issues and the company's head of public affairs and CSR leads a small team responsible for coordinating and reporting on CSR policy. However, the overall CSR responsibility lies with the chief executive.

According to Peter Jones and David (2005), the retailers report on CSR issues under a variety of headings. Sainsbury uses the following headings 'Colleagues', 'Community', 'Customers', 'Environment' and 'Suppliers', while Marks & Spencer list 'Sustainable raw materials', 'Responsible use of technology', 'Animal welfare', 'Ethical trading' and 'Community programmes' as primary issues but also focuses briefly on 'Products', 'People' and 'Places'.²⁰ Tesco uses 'Community', 'Customers', 'Environment', 'Economic', 'Social', 'Stakeholder Engagement', 'Suppliers', etc.

Sainsbury, one of the founder members of the ETI, claims that as it broadens its supplier base, especially in developing countries, it takes some responsibility for the welfare of employees, who produce the goods it sells and the

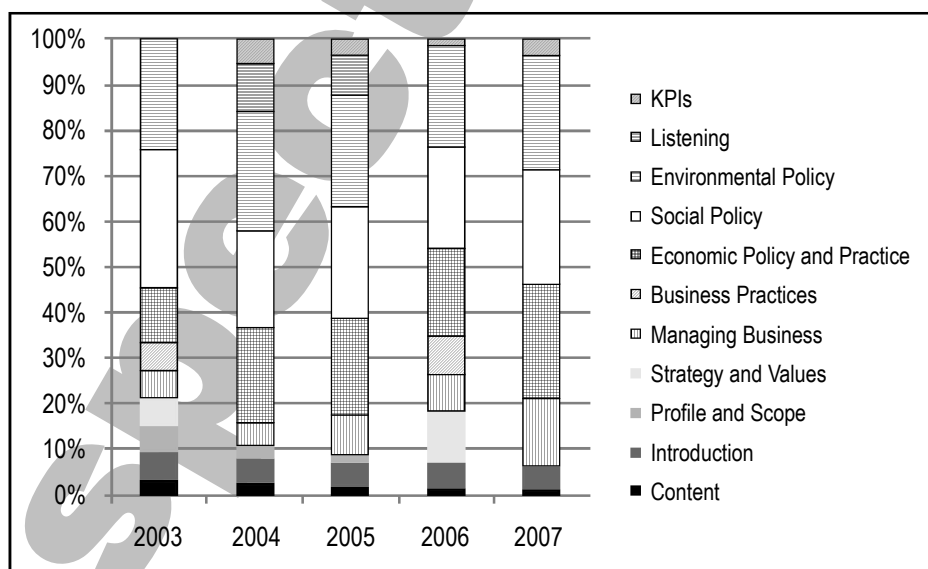
²⁰ Peter Jones, Daphne Comfort and David Hillier, "Corporate Social responsibility and the UK's top ten retailers", *International Journal of Retail & Distribution Management*, Vol.33 No.12, pp. 882-892, 2005

**Exhibit XI
Content Analysis**

Year of report	No. of Pages
2003	33
2004	38
2005	57
2006	72
2007	80

Tesco's CSR Review Reports: Proportion of Pages Category-wise (2003-2007)

Category of Disclosure/Year	2003		2004		2005		2006		2007	
	Proportion of Pages	No. of Pages	Proportion of Pages	No. of Pages	Proportion of Pages	No. of Pages	Proportion of Pages	No. of Pages	Proportion of Pages	No. of Pages
Total	100	33	100	38	100	57	100	72	100	80
content	3.030303	1	2.631579	1	1.754386	1	1.388889	1	1.25	1
Introduction	6.060606	2	5.263158	2	5.263158	3	5.555556	4	5	4
Profile and Scope	6.060606	2	2.631579	1	1.754386	1	0	0	0	0
Strategy and Values	6.060606	2	0	0	0	0	11.111111	8	0	0
Managing Business	6.060606	2	5.263158	2	8.77193	5	8.333333	6	15	12
Business Practices	6.060606	2	0	0	0	0	8.333333	6	0	
Economic Policy and Practice	12.12121	4	21.05263	8	21.05263	12	19.44444	14	25	20
Social Policy	30.30303	10	21.05263	8	24.5614	14	22.22222	16	25	20
Environmental Policy	24.24242	8	26.31579	10	24.5614	14	22.22222	16	25	20
Listening	0	0	10.52632	4	8.77193	5	0	0	0	0
KPIs	0	0	5.263158	2	3.508772	2	1.388889	1	3.75	3



Compiled by the author

society in general. The company emphasised on principles like fair trade, protection of children, health and safety, equal opportunities, freedom of association, freedom of employment and hours of work, and wages.

The large food retailers have reported on their response to concerns about Genetically Modified (GM) foods, food scares such as BSE and Listeria, the use of pesticides and heavy metals, and the growing consumer demand for organic products.

Few retailers reported on their commitment to animal welfare. Marks & Spencer emphasises that its customers believe that upholding good standards of animal welfare is important. The company had been selling only free range eggs since 1997. In 2002, it became the first major UK food retailer to use only free range eggs in all its food products. It has introduced a lower protein diet and slower maturation regime for all its chicken production.

In a similar vein, Sainsbury stresses that its customers have every right to be completely confident that meat sold for animals in its stores was well treated. More specifically, the company looks to guarantee that the Five Freedoms – freedom from hunger and thirst, from discomfort, from disease and injury, from fear and distress and the freedom to express normal behaviour – are achieved both within and outside the UK.

A strong commitment to customers that includes listening to customers, services for disabled customers, healthy living and data protection is also widely reported by the top 10 retailers. Retailers emphasise the importance of listening to their customers. Sainsbury provides facilities to aid disabled shoppers. These include wide aisle checkouts, disabled toilets, dedicated car parking spaces, electric shopping scooters and hearing loops and a home shopping service, available to 72% of the population in 82 stores.

Boots, another retailer, reports its measures in going beyond the Stage Three demands of the Disability Discrimination Act enforced in October 2004. It made all its service provisions fully accessible to all customers. Staff in all Boots stores has completed extensive disability awareness training, designed to help them learn modify their usual behaviour when dealing with disabled customers. Data protection is another reporting issue in retailing. Sainsbury reports that it does not provide customers' personal information to third parties without their prior permission.

Top retailers also report on their commitment to employees, saying that caring for staff is essential to their success. They illustrate this commitment in various ways including remuneration and benefits; training and development; equality and diversity; health and safety; recruitment; retirement; and work-life balance. Sainsbury provides a range of different types of training including courses, job shadowing, mentoring, qualifications and self-development books and videos. All employees have access to 'Learning@Sainsbury's' via the company Intranet and this offers information on 'Sainsbury's Behaviours, Operational Training' and the company's programme of qualifications and learning library.

All said and done, the major issue is their charitable contributions to local and national organisations. Although all the retailers are involved in CSR, Tesco has an edge over others by its vast contributions to community projects and other initiatives. The contribution for community plans and sales revenues are highly correlated. But with the market share, the correlation is not that high. However, compared with its competitors, Tesco's market share has increased significantly, giving it a competitive advantage over others. Among the competitive advantages given by Justin Keeble²¹, Tesco got the following CSR benefits: Reputation management and financial performance. Hence, Tesco's CSR initiatives have improved competitiveness, market position and profitability.

Tesco's community plans and KPIs are unique to each store and region. In each country, where it operates, Tesco has launched unique community projects, based on local needs but within the company policies. As Mark Palmer put it, "...in international markets and emerging markets in particular, Tesco embarked on a public relation campaign that would attempt to influence important regulatory decisions in their favour. In marked contrast to the early phase of development, Tesco noticeably changed by becoming proactive in enhancing their credibility and reputation in new markets with national and local governments as well as providing new opportunities for local suppliers to export produce."²² In principle, Tesco believed that a competitive advantage rests more on the outcomes of learning to improve local merchandising methods, systems and processes than simply on cost advantage in the distribution of standardised goods.

²¹ Justin Keeble, "Capitalizing on the Competitive Advantages Afforded by CSR", *Business and the Environment*, Aspen Publishers, Vol.15, No.1, 2004

²² Mark Palmer, "Lessons learned from the world's best retailers", *International Journal of Retail Distribution Management*, Vol. 33 No. 1, pp. 23-48, 2005

Philip Clarke, international director, Tesco (2006) says, "We have taken a significant step forward in strengthening our approach to corporate responsibility throughout our international businesses. Our approach varies by country but there are broad themes, which are important globally. For example, the expectation that we will create jobs, treat our suppliers fairly, reduce our impact on the environment and support good causes. Our international corporate responsibility KPIs demonstrate that we are committed to monitoring our impact and improving our performance – in each of the countries we operate in."²³ In all its locations, Tesco tries positive social impact on Society. Its CSR initiatives are from both local needs and the company's policies.

Conclusion

Through its commitment towards society, Tesco has ensured that CSR is an integral element of its core business. The underlying argument here is that Tesco believes that long-term economic viability is in the interests of all stakeholders and that by integrating CSR into its businesses, it will be better placed to provide long-term growth and financial security for those stakeholders and also to maintain and enhance its market position. Few experts opine that CSR has benefited Tesco significantly. At the operational level also, business imperatives seem to be the drivers of CSR. Thus, while many of the environmental initiatives addressed in the CSR reports are designed to reduce energy use and waste generation. It also reduced costs. In a similar vein, social issues focussing upon good working environment conditions, health and safety at work and training and management development promoted stability, security and efficiency in the workforce.

²³ "Tesco Corporate responsibility review 2006", http://www.investis.com/tesco/ar/pdfs/Tesco_CRR_2006_Full_1.pdf