



**EVIDENCE TO THE HOUSE OF LORDS SCIENCE AND
TECHNOLOGY COMMITTEE
SUSTAINABLE APPROACHES TO WASTE REDUCTION**

Tesco Submission

About Tesco

Tesco is one of the world's leading international retailers, employing over 450,000 people globally. We recognise the importance of addressing the challenge posed by waste and are committed to playing a leading role in responding to the challenge.

We have consistently been at the forefront of sustainable development within the retail sector across all areas of our business and have demonstrated a clear commitment to overcoming environmental challenges.

Across our business, internationally as well as in the UK, we are responding to the challenges posed by waste. We recognise that in order to grow our business in a sustainable way we must continue to address both the challenges and opportunities presented by the waste we generate. Waste is an increasing cost but also a resource.

Our policy is to use the waste hierarchy to deliver change – through waste minimisation, reuse and recycling. Disposal is viewed as the last resort. To ensure effective engagement across our business we have put waste at the heart of the Tesco Community Plan, with the result that each individual store measures and reports progress towards individual waste reduction targets.

As a result, in 2006/2007 we recycled 71% of the waste generated in our stores and distribution depots, including over 80% of our paper, cardboard and plastic. We also have a long term commitment to divert 80% of our operational waste from landfill which we are making progress towards. In 2007/2008 our goal is to divert 75% of waste from landfill.

We report annually on our progress in reducing waste and increasing recycling through our Corporate Responsibility Review and website. However, in order to ensure that waste reduction remains a prominent business priority, we have committed to achieving the following public targets:

- To reduce the amount of packaging on both branded and Tesco own-label products by 25% by 2010;
- To label all our own-label packaging according to whether it can be reused, recycled or composted by the end of 2008;
- To increase the proportion of waste from our own operations that we recycle from 71% in 2006 to 80% in 2009;
- To double customer recycling at sites where we introduce automated recycling units from 2006 levels by 2008;
- To cut the number of carrier bags given out by twenty-five per cent by May 2008 compared to May 2006.

As a signatory to the UK Government's 2005 Courtauld Commitment, we are also committed to helping WRAP achieve the following three targets:

- 1) To design out packaging waste growth by 2008;
- 2) To deliver absolute reductions in packaging waste by 2010;
- 3) To identify ways to tackle the problem of food waste.

We were also the first retailer to sign up to the Government voluntary code on carrier bags, committing to reduce usage by 25% by 2008.

Consumer attitudes

We recognise that we have an important role to play in helping consumers reduce their own waste.

Consumer concern at excess waste is strong and growing. This is focusing the minds of retailers and manufacturers and encouraging a high degree of competitive innovation.

When exploring in more detail consumer views on environmental issues, waste and packaging consistently come towards the top of their priority list. 71% of UK customers are concerned about the implications of packaging on the environment and 61% claim to have difficulty in finding products that are not over-packaged.

Recycling is a key issue for most customers. It is an area where people feel that they are able to do more. It also has a high public profile with attention from local authorities, interest from media and green initiatives in schools, homes and workplaces.

The majority of people are focused on waste reduction rather than on overall packaging sustainability. Customers often perceive recycling and packaging reduction as positive actions to achieve waste reductions. This is rarely linked directly to the challenge of combating climate change.

Packaging is becoming an increasingly important factor in making purchasing decisions as customers begin to link the issue of waste with their decisions at the point of sale.

Key areas of concern for customers include:

- Education: Over 50% of customers feel they do not know enough about packaging and its impact on the environment;
- Recyclability: Customers are confused about what they can and cannot recycle. In particular they dislike plastics, which they perceive to be the least recyclable and sustainable material;
- Over-packaging: Customers do not like unnecessary packaging which they feel is wasteful, both in terms of cost and impact on the environment;
- Labelling: Consumers are confused by the variety of different packaging symbols used;
- Collection facilities: People are frustrated by the lack of collection facilities for plastics and mixed materials and would like Local Authorities to recycle more plastic packaging than just bottles;

Barriers preventing consumers from doing more

Consumer research shows that customers want to do more to protect the environment. However, there are a number of barriers preventing them from changing their behaviour.

These include:

- the feeling that doing more to reduce waste will make life more complex or more expensive, whether in terms of the price paid at the checkout or council tax;
- a lack of clear consistent information about what to do, what can be recycled, where packaging can be recycled etc; and
- a concern that individual actions will not make a difference.

Our research also tells us that consumers expect Tesco and other businesses to make it easier and more affordable for them to help the environment by selling products with less packaging, making greater use of re-useable packaging and providing opportunities to recycle more waste where it cannot be reduced or prevented.

A central aim of work to achieve a sustainable reduction in waste must be to break down the barriers that prevent people from doing more. We are attempting to do this by providing customers with the incentive, opportunity and information they need to act.

Helping people overcome the feeling that individual actions will not make a difference is a significant opportunity. We need to help consumers understand just how much can be achieved together and that if millions of people undertake millions of small actions, the overall effect will be very large.

One example of positive consumer response to incentives is the work we have done to reduce the number of carrier bags in circulation as part of our pledge to reduce the number of Tesco bags we give away by 25% or 1 billion.

Every time customers re-use a bag to take their shopping home from a Tesco store we reward customers with one Green Clubcard¹ point. The message is very simple: one point is received any time any bag is re-used. On collection of a sufficient number of points customers receive vouchers every three months that can either be spent at Tesco or converted into vouchers to spend elsewhere.

As a result of our Green Clubcard carrier bag initiative we have already reduced the number of new bags we have given away since the launch in August 2006 by 1 billion. In addition to incentivising customers to change their own behaviour initiatives like this also build confidence that individuals, acting together, can bring about significant change.

Communicating with consumers

Businesses come into direct contact with millions of consumers on a daily basis. This gives business a great opportunity to communicate directly with customers in a variety of ways to help increase awareness and understanding of sustainable lifestyles. Our research suggests that customers will do more to reduce waste and recycle provided they have the opportunity to do so.

As part of our goal to double the amount of customer recycling at Tesco stores we have made front of store recycling even easier with the introduction of market-leading recycling facilities.

Our innovative automated recycling units, introduced in 2006, sort plastic, metal and

¹ Customers earn one Clubcard Point for every £1 spent shopping in-store, at Tesco petrol or on Tesco.com. Customers receive Clubcard Vouchers which they can spend in Tesco stores or elsewhere once they have collected 150 points or more.

glass so our customers do not have to. The automated units also shred and crush the material collected so that more can be stored, reducing the frequency of collections. The units are located in prominent positions and are highly visible, well lit, brightly colored and contain simple instructions. Unlike traditional recycling units customers put all their waste into a single inlet, as opposed to different types of materials into different inlets, again ensuring the recycling is simple for consumers. In addition to making recycling simpler and more convenient the new automated units have enabled us to reward customers with Green Clubcard points for recycling.

Progress to date is encouraging, demonstrating that consumers will respond positively when presented with simple solutions. Our first 27 units are on average collecting 7.69 tonnes of recyclate a week, an increase of over 54% traditional units installed in Tesco car parks and 92% higher than the average local authority bring bank (which collects 4 tonnes per week).

We have also recently produced twelve million booklets entitled 'Little Steps to being Greener' and delivered them directly to customers' homes in the UK. The booklet sets out hints and tips for consumers on how they can become more environmentally friendly on a day to day basis and compliments our ongoing communication on sustainability issues via the Tesco.com website and the Tesco Magazine.

Our Greener Living website, launched in October 2007, assists consumers by providing a glossary of green terminology as well as offering advice and tips on ways to reduce environmental impact at home, at work, for parents, in the garden, and when travelling. This practical assistance will help customers to understand more about green choices and how to implement them in a simple and achievable way.

We have also increased customer information on sustainability issues. On our website environment and climate change sections are located on our homepage alongside our traditional on-line shopping offer thereby maximising visibility for the 3 million people who access our website every week. Tesco Magazine helps customers understand what practical steps they can take to living more sustainably. For example our October 2007 edition features a twenty-five page section devoted to the issue of climate change, including guidance on simple things customers can do to help combat climate change and recycle more. The magazine is also now available online.

Breaking down the information barrier

Businesses and consumers suffer from a lack of clear information on sustainable waste reduction. For action to promote sustainable consumption to be truly effective, information on sustainability needs to be more widely available and communicated simply so that consumers and businesses fully understand how their decisions will impact the environment.

We believe that clear, consistent information can act as an incentive for positive change. We know that given this type of information consumers will make more sustainable choices. We also believe that business and public authorities working together with consistent messages can help deliver information on sustainable consumption to help consumers understand the context within which their decisions take place and understand the consequences of their behaviour.

For this reason Tesco is providing £25 million in funding to establish a Sustainable Consumption Institute at the University of Manchester in the UK. The Institute will

promote fresh thinking and explore vital areas of research such as how customers can be empowered and incentivised to buy green products and services, how business can adapt to meet customer needs and how we can train the next generation of environmental leaders and experts. Its research and conclusions will be shared freely.

Drawing on expertise from all four of the University's faculties, Manchester will lead and co-ordinate a wide range of focused research programmes. The SCI will also become a focal point for the next generation of researchers, policymakers and advisers in the area of sustainable consumption through an extensive postgraduate training programme.

Waste, recycling and packaging have been included in the research themes that will guide the Strategic Management Board in the prioritization of expenditure on individual research projects. Our aim is to evaluate, and consider the acceptability of, new technologies and approaches to packaging with a view to maximizing recycling and minimising waste.

Product Labelling

Customers tell us that lack of simple information constitutes a barrier to sustainable waste reduction. We believe that clear, consistent labels, based on universally accepted and commonly understood principles have an important role to play in overcoming this barrier.

Based on our experience over the past twenty years of developing simple nutritional labelling for products, we believe that more effective recycling labelling can help boost recycling rates. Customers believe that recycling is one area where they can really make a difference. However, there is currently a lot of confusion over what can and cannot be recycled. For example in the UK only one in every four plastic bottles is recycled as customers are confused over whether or not plastic can be recycled.

Just as in the case of carbon labelling we are working in conjunction with other retailers and the Waste and Resources Action Programme (WRAP) to develop a simple, consistent labelling system to help customers understand which types of packaging can be recycled and where. Our aim is to produce a simple set of symbols that all retailers can use to let consumers know for each component part of a product's packaging whether or not it can be recycled and if so, where.

We aim for the first labelled products to appear on our shelves in 2008 as a first step towards labelling all Tesco own brand products with recycling information.

Better design and the use of materials

Efficient and effective design can play a major role minimising consumer waste, for example by reducing the size and material content of particular products. It can also identify ways of increasing the use of alternative materials that are reusable, recyclable or derived from sustainable resources. Better design can also impact on distribution and reduce waste through the entire supply chain.

There are a number of factors that affect the use of a particular material in packaging. These include:

- The type and quality of the product;
- Its durability (to ensure that it is fit for purpose and appropriate for the distribution cycle);

- The shelf life of the product;
- Whether it can be reused, recycled, or composted;
- Brand image and competition;
- Legislation.

Our commercial categories are currently engaged in a review of all packaging - primary, secondary and tertiary – to improve design and meet our targets to reduce primary packaging by 25% by 2010. To help categories achieve packaging reductions they are supported by Technical Managers and a dedicated packaging team who coordinate progress across categories and work to identify best practice solutions. The packaging team also works closely with WRAP and our own recycling and carbon footprint teams to develop innovative, eco-friendly and sustainable packaging for next generation products.

Examples of some of the work that we have already done to reduce packaging through improved design and a better use of materials include:

- Transferring our Beer, Wine and Spirits glass bottles to best in class benchmarks, with the aim of reducing our glass intake for this category by 13,000 tonnes;
- Packaging of all our electrical products is currently being addressed in order to reduce it to minimal levels with maximum recyclable content;
- We aim to source our paper content from Forest Stewardship Council mills and maximise recycled content as far as possible;
- Reductions of our plastic packaging in our chilled category will deliver a saving of 3,700 tonnes a year;
- Moving our Tesco branded detergent to concentrate will reduce our plastic usage on bottles by five hundred tonnes this year. We are now working with branded manufacturers to encourage them to follow suit;
- We aim to introduce recyclable crates in our produce category which we estimate will save 1,100 tonnes of cardboard trays;

Tesco is clearly only one participant in the packaging and recycling market and we are therefore keen to work with other stakeholder groups to address this challenge.

We are particularly keen to work closely with local authorities to achieve greater harmonisation between materials collected by local authorities for recycling and the materials used in product packaging. A more uniform local authority approach linked with a greater convergence of packaging specifications has as yet unexploited potential to achieve a closed loop system in which retailer and manufacturer packaging and local authority collection strategies are focused on the same range of materials, simplifying recycling for consumers and stimulating more effective recycling markets.

Government policy

Given the level of voluntary progress being made by industry in response to growing consumer concern, we believe that government policy should focus on:

- incentivising further behavioural change, encouraging industry and households to do more;
- Identifying and working to overcome barriers which prevent people from doing more.

Specific areas of action might include:

Fiscal Incentives

Fiscal incentives for waste efficiency have an important role to play. Landfill tax is set to continue to rise at its pre-announced rates until 2009 and the cost of the tax is being passed through to waste generators. This cost pass through is already providing incentive for business to invest to reduce the environmental impact of waste. We believe that the government should consider utilising the additional revenue available from landfill tax to support 'green' projects such as front of store recycling units and alternative landfill solutions. We also believe that it would be beneficial for a scheme similar to Landfill Allowances Trading to be introduced for retailers. This would set clear targets on waste to landfill, providing fiscal incentives for achieving and surpassing targets.

Funding Support

It is important to ensure that public funds are available to incentivise and support research and development work on waste technology to help better tackle the environmental impact of waste. Funding support is also likely to facilitate innovation and should be targeted at the most efficient operators in the market. We would urge the Government to review the existing guidelines on state aid to clarify in which cases state aid may be granted to support waste, recycling and environmental protection initiatives.

In particular we believe that recycling credits have the potential to incentivise investment, provided that they are made available by all local authorities. While recycling credits are currently applied universally, a number of local authorities (both county councils and district councils) are proving reluctant to involve private sector operators in the awarding of credits.

This position could be eased by the Government issuing clear guidance on recycling credits and their application at a local authority level. Greater clarity would offer long-term stability in terms of planning for businesses and facilitate business commitment to long term investment in the provision of recycling facilities.

Government can also play an important role in encouraging greater recycling and reuse of waste. In this respect Tesco supports Enhanced Capital Allowances for waste investment. By allowing the cost of capital assets to be written off against a business's taxable profits, Capital Allowances provide fiscal incentives for investment in waste related projects that would otherwise be unaffordable.

Facilitating dialogue and convergence

Ensuring greater consistency and convergence throughout the entire product life-cycle will be a fundamental to making real progress in this area and the Government has a role to play in facilitating co-operation across the supply chain.

The link between packaging and recycling is an example. Packaging for individual products is commonly produced from a wide range of materials across the industry. This multiplicity of materials makes communication to customers about the recycleability of yoghurt pots complex. This complexity is added to by wide variations in local authority recycling and collection programmes. As a result, customers are often unsure about whether and where individual product packaging can be recycled, leading to inertia.

A more sensible starting point would be to work towards greater convergence of materials used in product packaging – so that packaging types (e.g. yoghurt pots) are made out of a smaller number of materials. Where possible packaging manufacturers

should be encouraged to move out of materials that are technically difficult to recycle. This would provide retailers, customers and local authorities with greater potential to work more effectively together to promote recycling.

Consistent use of materials, plus consistent labelling could also be used to encourage local authorities to collect materials in a more consistent way across the UK. It would develop opportunities for more consistent communication and stimulate the development of more effective recycling markets, with fewer materials in circulation, but with larger volumes being recycled.

We therefore welcome any support from government to facilitate discussion across the stakeholder groups with the aim of achieving greater levels of consistency and convergence as part of its drive to achieve a sustainable reduction in waste.

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