

A Better Retailing Climate: Towards Sustainable Retail



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BRC FOREWORD



We must embrace more sustainable ways of doing business as we compete in an increasingly resource-constrained world. As global consumption increases, we have to be smarter about the way we provide goods and services, and how we re-use and recycle them at the end of their use.

Retailers are leading the way in improving resource efficiency while reducing environmental impact. Government support is crucial for business to make this change. Together, we can build a competitive and sustainable economy that continues to meet our customers' needs in ways that improve, rather than degrade, our environment.

I'm delighted to showcase the depth and breadth of activities our members are undertaking to address the sustainability challenges they face. The majority of the UK retail sector is represented by this BRC initiative, including food, fashion, online, health and beauty and home improvement retailers.

Signatories to this BRC initiative continue to make impressive progress to increase efficiency, reduce their direct impact and support their customers and suppliers to do the same. Individually and in collaboration with others, the sector continues to seek innovative solutions and to understand more about the complex challenges we face.

This report serves as a platform for further development, demonstrating where progress can be made without need for additional regulation and encouraging all retailers to continue to improve the sustainability of their business, because it makes good business sense. It also meets our commitment to report our achievements transparently and consistently. I am proud to represent the retail sector as it leads the UK towards a more sustainable future.

A handwritten signature in blue ink that reads "Stephen Robertson". The signature is written in a cursive, flowing style.

Stephen Robertson
Director General
British Retail Consortium

MINISTERIAL FOREWORD

This report highlights the retail sector's environmental ambitions and the progress they have made in reducing their industry's environmental impact.

The BRC is a valued partner of ours and has worked tirelessly on projects as wide ranging and varied as the Green Food Project, the Courtauld Commitment and the Product Sustainability Forum. On supply chain resilience, the BRC have played an active part on the Government's Food Chain Emergency Liaison Group.

Retailers are uniquely placed to help consumers understand how their actions, behaviours and attitudes can make a real difference and support change. The On-Pack Recycling Label, WRAP's Love Food Hate Waste initiative and the EU Energy Label scheme are some examples of where retailers have used their influence to help consumers make better environmental choices.

I believe reducing customer impact will continue to be a key challenge for the retail sector. As the report indicates, this includes not just direct messages and labelling, but also the potential to adjust retail business models to use fewer environmental resources while retaining profitability and customer service.

It's important all concerned build on this and work to create a green economy, by finding innovative ways to minimise waste, introduce resource efficiency measures, use water and raw materials more sparingly.

Defra has published the 'Sustainable Lifestyles Framework', a tool for others that identifies the elements needed for a sustainable lifestyle, offers insights on why some people act in certain ways, and identifies ways to influence behaviour.

I look forward to continuing to work with the BRC on future initiatives.



Caroline Spelman
Secretary of State for Environment, Food and Rural Affairs



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INTRODUCTION

There are good business reasons to adopt a more sustainable approach. Retailers are operating in a climate of global economic uncertainty and volatile commodity prices. Pressures on supply chains are increasingly acute. Retailers need to be more resilient to these pressures if they are to continue to do business.

Drivers for change include reduced access to water and other crucial resources, less predictable and more extreme weather patterns, and greater competition for resources because of growth in global population and increasingly rich global diets¹.

Retailers are also responding to regulatory and voluntary commitments made by Government. The UK Government has set ambitious targets to reduce carbon dioxide emissions by 34 per cent by 2020 and 80 per cent by 2050². Recycling targets have been set in each of the UK nations, from 45 per cent and 50 per cent by 2020 in Northern Ireland and England respectively to 75 per cent by 2025 in Scotland and Wales. A strong contribution from the retail sector is vital if the UK is to meet its targets.

Retail represents 5 per cent of UK GDP and 10 per cent of UK employment. Trading has been tough, with total sales growth of 0.1 per cent (-1.1 per cent in non-food) in 2011 on a like-for-like basis. Despite difficult trading conditions, the sector continues to embrace sustainable business practices.

Retailers are reducing their environmental impact and building resilient supply chains by innovating, investing in sustainability initiatives and working together. They are introducing efficiency measures that cut operating costs, as well as supporting customers and working with their supply chains.

The sector is also striving to decouple economic growth from resource consumption by finding more sustainable ways to grow. Leading retailers recognise that they must embrace sustainable business practices if they are to continue to be competitive in a resource constrained world. Increasingly, retailers are mainstreaming and scaling up successful approaches, increasing collaboration on environmental approaches and sharing best practice. They are transforming their operations in a drive towards sustainable retail.

Commitment

We will report our achievements transparently and consistently

Progress

Signatories to the *Better Retailing Climate* initiative are reporting against progress on environmental issues individually, as well as through this annual progress report. Environmental issues are considered at a Board level by an ever increasing proportion of retailers and the environmental sustainability agenda is increasingly a key component of retail's strategic approach.

INDEPENDENT ASSESSMENTS

The UK's retail sector is significant, not just because of its size and its important contribution to the UK economy, but also because of its profound influence on the lives of millions of UK citizens. This report is important as it signals a retail sector that is aware of the significant sustainability challenges it faces, and critically, that business as usual won't secure the future prosperity of UK retail.



Throughout this report is evidence of a sector making good progress on tackling its direct environmental impacts. Progress towards achieving carbon targets is either on track or ahead of schedule. For example, the sector delivered a 3% reduction in absolute carbon emissions in the last year, despite the Government's unhelpful change to the CRC. Waste to landfill is also down, from 45% to 14%. However, there is no room for complacency, as some of the targets are not that stretching – all retailers should be measuring water use, not the current target of 75%.

The report also describes some progress in tackling consumer impacts, although the exact degree of progress is hard to judge as there are only qualitative, non-specific targets for this area. Given that the environmental footprint associated with the use phase of goods is magnitudes greater than that associated with manufacture and transport, measuring and then reducing these impacts is a critical challenge for the sector.

Recommendations

UK retailers should build on the progress made in addressing direct environmental impacts by developing quantitative and ambitious targets for all aspects of sustainability, including biodiversity, supply chain and consumer use.

Retailers need to move from supporting their customers to be sustainable, to leading them and making sustainable living much easier than it is today.

There is recognition of the need for a 'transformative change in current business practice', for example shifting from selling products to services. These are bold words, although it isn't clear how the sector is preparing for this shift.

Recommendation

The UK retail sector needs to think now about alternative, sustainable business models, and start to experiment with these new models in earnest. The rapid growth of on-line retail and the explosion of peer-to-peer business models is an indication of how quickly business practice can change.

The collaboration evidenced in this report is impressive, but the sector needs to go further – there needs to be a reframing of the boundary between pre-competitive and competitive issues in order to deliver collaboration at the scale required. Ultimately, the BRC and UK retail should aspire to deliver a new and valuable export from the UK economy – a sustainable business model for retail.

Sally Uren, Deputy Chief Executive

Leading retailers recognise building resilience is crucial in these increasingly volatile times, brought by escalating water scarcity, natural resource constraints and climate change. Future-proofing supply chains and natural assets have become increasingly converged agendas.



Some have started to grapple with these challenges and respond with measures that manage increasing risks. Sustainability plans and strategies from a number of retailers over the last few years include a range of pioneering elements – with a breadth and depth of detailed targets, or with explicit ambitions to decouple business growth from increasing impacts, or even with restorative aims to support the reversal of natural capital depletion. Any retailer without a comprehensive sustainability plan would do well to produce one that incorporates such elements.

There has also been a good deal of collective effort within the commodity roundtables such as the RSPO, industry groups such as the Consumer Goods Forum and the ‘Tasting the Future’ initiative supported by WWF-UK. This comes with the increasing recognition that moves towards sustainable retailing requires a pre-competitive spirit and collaborative working.

Collaboration is certainly essential in tackling water scarcity. Increasing water efficiency in the supply chain is only part of the story. Ensuring suppliers work together to achieve integrated water stewardship around vulnerable watersheds will be more effective in reducing business risk. WWF’s ‘Water Futures’ work provides advice within this arena.

These pioneering plans and collaborative activities indicate good progress in the retail sector. There have also been greater efforts to boost brand resilience by building sustainability into marketing communications.

However, there is a great deal more to do and these are a few suggestions for moving forward:

1. Sustainable Production - Businesses will achieve more resilient supply chains by understanding the impacts of sourcing practices, being an active participant in relevant roundtable and certification schemes and committing to sourcing 100% certified sustainable supplies around key commodities.

2. Sustainable Consumption - Production improvements alone will not bring sustainable retailing - a change in consumer behaviour is also required. For example, on food, WWF-UK’s Livewell work shows greener diets are essential for the food system to start operating within the world’s natural limits. The same is true for consumer goods of all kinds.

3. Sustainability Plans - Companies will reap rewards by developing and promoting stand-out plans that incorporate leading edge commitments around production and consumption, decoupling, restorative aims, collaborative action and integrated water stewardship.

4. Sustainability Innovation - Innovation and experimentation with more sustainable business models will bring further resilience ahead of inevitable changes on a grand scale within this sector. For example, collaborative consumption is increasingly explored to support the move from a ‘throw away’ to a ‘re-use’ society. www.wwf.org.uk/gamechangers highlights an explosion of new entrepreneurial approaches that could be mainstreamed within general retailing.

Dax Lovegrove, Head of Business & Industry

COLLABORATION

The progress made by the retail sector and highlighted throughout this report could only have been achieved through collaboration.

Collaboration is an extremely useful approach as it establishes common issues and potential solutions. It enables the sector to talk with stakeholders in a more unified and coherent voice. When retailers make similar requests of their suppliers over similar timescales, there is a stronger case for suppliers to take action.

Many large retailers hold collaborative forums for their suppliers to share experiences and good practice.

Examples of successful collaborative initiatives include:

- **The Courtauld Commitment and Home Improvement Sector Commitment** - Waste & Resources Action Programme (WRAP) initiatives to reduce the environmental impact of packaging (page 36).
- **The On Pack Recycling Label** - a BRC scheme to improve provision of recycling information to customers, with support from WRAP (page 37).
- **Carrier bag reductions** - An agreement between major grocery retailers and UK governments that has seen a 40 per cent reduction in the number of carrier bags distributed between 2006 and 2010 (page 38).
- **Improvements in sourcing practices** - a range of collaborative initiatives, including the Round Table on Sustainable Palm Oil (RSPO), the Round Table on Responsible Soy (RTRS) and the Sustainable Clothing Action Plan (SCAP) (page 46).
- **The Green Food Project** - a government-led initiative examining the potential for increasing food production and improving environmental impact.
- **Reductions in emissions from refrigeration** - developed collaboratively by the Carbon Trust, retailers and the refrigeration industry, the Refrigeration Code of Conduct is designed to support retailers reduce refrigeration emissions (page 16).
- **Phase outs of inefficient energy-using-products** - UK retailers committed to stop selling inefficient light bulbs on a cross-sectoral voluntary basis before the introduction of European legislation.

The Courtauld Commitment is a perfect example of how good collaboration can work in practice: it has seen companies from across the food and drink sector putting aside purely commercial interests in order to seek and deliver environmental benefits, and more recently, improve overall resource efficiency.



Working together for
a world without waste

Such voluntary agreements provide a framework for collective ambition that enables organisations to identify and adopt solutions. This sector has demonstrated a real desire to achieve the targets it has set for itself, and good progress is being made towards the second-phase goals. Keeping that momentum going is a challenge, but one that we're confident can be met.

Liz Goodwin, Chief Executive Officer, WRAP

NEXT STEPS

Despite the impressive progress reported here against the retail sector's environmental commitments, there is more to do. The current commitments come to an end in 2013. We will set new, stretching, sector-wide commitments that further address the issues already identified, as well as looking at areas where a formal commitment has not been set to date. In the meantime retailers will continue their efforts against existing targets and we at the BRC will continue to report on progress.

This year we invited Forum for the Future and WWF to identify challenges the sector faces. They identified sustainable production, sustainable consumption and new business models as issues the sector will need to address in future. These present substantial challenges.

1. **Sustainable production** - Impacts in the supply chain are often unknown, particularly when sourcing from complex supply chains. They vary widely across different areas of retail, from food to home improvement products. To improve understanding of these impacts and identify potential solutions, retailers are leading in progressive collaborative initiatives such as the Product Sustainability Forum, the Consumer Goods Forum and the Sustainability Consortium. We expect our understanding of environmental impacts in the supply chain to develop substantially and solutions to emerge in the next three to five years.
2. **Sustainable consumption** - Forum for the Future's recommendation that the sector 'move from supporting customers to be sustainable, to leading them and making sustainable living much easier than it is today' is bold. Business must develop environmentally and socially sustainable approaches whilst achieving economic success. Retailers who do not respond to customer demand risk failure. Retailers must continue to deliver customer priorities on price, quality and service first, while developing increasingly sustainable products and services.
3. **New business models** - We recognise that new business models will be fundamental in the transformational change to more sustainable business models. Retailers are considering and trialling alternative business models. A collective commitment is not appropriate as new business models offer a potential competitive advantage. Instead, it is likely that retailers will adopt innovative approaches individually.

The retail sector is a dynamic one. It is at the forefront of the move to sustainable business. Despite the sector's leading position, we recognise that we are in the early stages on the journey to sustainability and that substantial change is yet to come.

SECTION 1: REDUCING DIRECT IMPACT

| | | Commitment | Progress |
|-----|-------------------------------------|---|--|
| 1.1 | Buildings On target | To cut energy-related emissions from buildings by 25% by 2013, accounting for growth, compared with 2005 levels | Reduced by 20% per square meter; 3% in absolute terms |
| 1.2 | Refrigeration On target | To reduce the total GHG emissions from supermarket refrigeration by 50% by 2013 relative to floor space (tonnes CO ₂ e) | Reduced by 37% per square meter; 25% in absolute terms |
| 1.3 | Transport Exceeded target | To reduce energy-related carbon emissions reductions from store deliveries by 15% by 2013 compared with 2005 levels | Reduced by 23% relative to volume of goods transported; 7% in absolute terms |
| 1.4 | Waste Exceeded target | To divert waste from landfill so that less than 15% of our waste is landfilled by 2013, with a longer term aspiration to achieve zero waste to landfill | Reduced waste to landfill from 45% in 2005 to 14% in 2011 |
| 1.5 | Water Exceeded target | To measure water use in sites collectively anticipated as accounting for at least 75% of usage | An estimated 83% currently measured, up from 51% in 2005 |

SECTION 2: REDUCING CUSTOMER IMPACT

| | | Commitment | Progress |
|-------|---|--|---|
| 2.1 | Green products and services On target | We will deliver new products and services that will enable all households in the UK to cut their emissions | Substantial improvements in customer communications and the range of low carbon products and services available |
| 2.3.1 | Domestic Food waste Exceeded target | Courtauld Commitment Phase 1: To help reduce the amount of food the nation's householders throw away by 155,000 tonnes by 2010, against a 2008 baseline | - 670,000 tonnes avoided from 2005 to 2009 - Food waste fell by 1.1 million tonnes (13%) from 2006 to 2010 |
| | Ahead of target | Courtauld Commitment Phase 2: To reduce UK household food and drink waste by 4% by 2012, against a 2009 baseline | Household food waste reduced by 3% from 2009 to 2010 |
| 2.3.2 | Packaging Target part met | Courtauld Commitment Phase 1: To design out packaging waste growth by 2008, and deliver absolute reductions in packaging waste by 2010 | Zero packaging waste growth by 2008 but absolute packaging reductions not achieved |
| | Ahead of target | Courtauld Commitment Phase 2: To reduce the carbon impact of packaging by 10% between 2009 and 2012 | 5.1% reduction from 2009 to 2010 |
| | On target | Home Improvement Sector Agreement: Reduce packaging by 15% between 2009 and 2012 | 12% reduction in own-label packaging, a reduction of more than 14,000 tonnes, between 2007 and 2010 |
| 2.3.3 | Carrier bags On target | To measure the number of carrier bags distributed, reporting progress in summer 2012 | Single-use carrier bag usage 40% down from 2006 to 2010 |

SECTION 3: REDUCING IMPACT IN THE SUPPLY CHAIN

| | | Commitment | Progress |
|-------|--|--|---|
| 3.1 | Making products more sustainable On target | We will identify hotspots and share this knowledge with stakeholders to promote better understanding and address emissions in the supply chain | Exciting collaborative initiatives are underway, such as the Product Sustainability Forum |
| 3.2 | Working with Domestic Supply Chains On target | To work with our suppliers to improve the sustainability of their products, packaging and services | Improving understanding of product impacts, reducing impacts, and increasing resilience to climate change |
| 3.2 | Reducing waste in the supply chain Behind target | Courtauld Commitment Phase 2: To reduce traditional grocery product and packaging waste in the grocery supply chain by 5% | 0.4% reduction from 2009 to 2010 |
| 3.3.2 | Palm Oil and Soy On target | Individual BRC members sourcing palm oil have pledged to increase the quantity of sustainably sourced palm oil for their own label products to 100% by 2015 at the latest. | Sustainably sourcing 70% of palm oil used in own label products, 30% of which is certified |

SECTION 4: SUPPORTING GOVERNMENT TO MEET ITS OBJECTIVES

| | | Commitment | Progress |
|---|--|---|--|
| 4 | Supporting Government to meet its objectives On target | We will engage in the public policy debate and support the Government in meeting its climate change goals | The BRC and individual retailers are working closely with Government to deliver shared environmental objectives. Substantial progress has been made by the sector to reduce waste and carbon emissions, as outlined throughout this report |



Section 1

Reducing Direct Impact

The BRC estimates that the retail sector is directly responsible for around 3.5 per cent of UK greenhouse gas emissions. Emissions from buildings, refrigeration and transport account for over three quarters of this.

The most substantial progress to date has been in achieving efficiencies in energy use and waste. Following on from this, retailers are also taking steps to understand the impact more complicated challenges, such as climate change and loss of biodiversity, might have on their business.

1.1 BUILDINGS

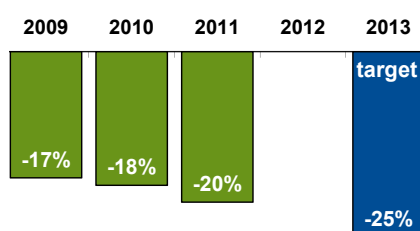
Commitment

To cut energy-related emissions from buildings by **25% by 2013**, accounting for growth, compared with 2005 levels.

Progress

ON TARGET

Carbon emissions from stores were reduced by **20%** between 2005 and 2011. Absolute emissions were reduced by **3%**.



Energy use in buildings contributes over half of the sector's direct carbon footprint of the retail sector. Reducing energy use is fundamental to reducing the overall carbon footprint of the retail sector's operations.

What are retailers doing?

Retailers are building new low carbon stores and retrofitting old stores. Methods include:

- low energy technology - low energy light bulbs, efficient heating and cooling systems and natural refrigeration systems.
- improvements to building management systems and controls - automated meter readers, passive heating and cooling systems and greater use of natural light.
- renewable energy capacity - biomass boilers, solar panels and geo-thermal technology.
- sustainable building materials - timber frames and recycled material.

What is the Government's role?

Business needs a simple and consistent policy framework that gives confidence invest in reducing emissions. UK energy policy is uncoordinated, inconsistent and confusing for business. This increases the administrative burden for retailers and diverts money from actions to ensuring compliance. A more co-ordinated and consistent policy framework would enable business to take further action.

Regulatory barriers include:

- CRC Energy Efficiency Scheme - Removal of the financial recycling payments from the scheme has reduced the incentive for business to reduce their carbon emissions. All sectors of the business community have called for the scheme to be scrapped as it is costly and burdensome.
- Feed-in-Tariffs for Solar PV (FITs) - Changes made to the FITs in late 2011 were announced with extremely short timescales, significantly damaging business confidence in the reliability of Government policy and reducing investment.
- EU Energy Audits - The threat of Energy Audits through the EU Energy Efficiency Directive is a further burden for business. If introduced, Energy Audits would add duplication with the CRC scheme.

Retail is a key sector with an important role to play both in reducing its direct impact on carbon emissions but also through its supply chain influence, where it can use its purchasing choices to encourage greener behaviour among suppliers. Our advisory work in this area has also demonstrated that consumers are looking to retailers and their supply chains for practical information on the environmental impacts of their products and services. With over 50 per cent of the retail UK market certified to the Carbon Trust Standard, demonstrating real reductions in their carbon emissions, it's clear that the retail industry is taking climate change seriously.

Hugh Jones, Managing Director, Carbon Trust Advisory



ADOPTING A RANGE OF ENERGY SAVING MEASURES

Working closely with the Carbon Trust, Comet introduced an energy policy in 2005. Comet trained all its managers on good practice energy use, installed smart meters into all its buildings, introduced building management systems into new and refitted stores, installed a range of energy efficient technology and monitored and targeted each site every month.

**REDUCING CARBON EMISSIONS BY INCREASING EFFICIENCY**

In 2006, N Brown Group (owners of Fagleaves and J D Williams) established an Energy and Environmental committee to identify and facilitate energy and carbon saving initiatives. The group has installed sophisticated heating controls, low energy lighting and automated PC shut down processes and improved insulation at old mills. The Group plans to install heating controls at its Hadfield site (with a predicted saving of 247 tCO₂e per annum), introduce voltage optimisation (with a predicted saving of 195 tCO₂e per annum), and introduce Liquid Pressure Amplification cooling systems at their call centre, with a predicted saving of over 60 tCO₂e per annum.

**GEO THERMAL TECHNOLOGY CONTRIBUTES TO STRETCHING CARBON REDUCTION TARGETS**

As part of its 20 by 20 Sustainability Plan Sainsbury's has committed to reduce absolute operational carbon emissions by 30 per cent by 2020 (65 per cent relative to sales). The company has trialled a range of renewable technologies in their stores. It was the first retailer globally to use on-site geothermal energy and had installed geothermal technology at nine stores by the end of 2011.

**UK RETAILER TOPS CARBON DISCLOSURE PROJECT (CDP)**

Tesco was the top rated company in the FTSE 350 and fourth best company in the world on carbon disclosure. Tesco was also named the top retailer in the world for their work on climate change. The ranking demonstrates the leading role of UK retailers in reducing carbon emissions.

Despite a 7.3 per cent increase in floor space, Tesco's UK carbon emissions fell 5 per cent in absolute terms in 2010 - the second year in a row they have declined. These emissions reductions have been achieved by focusing on energy use in buildings and transport. Measures have been introduced such as opening a new low carbon distribution centre in Daventry, installing large wind turbines at distribution centres, reducing maximum fleet speed, introducing bigger lorries and installing energy monitoring boards in stores.

**INSTALLING SOLAR POWER**

The Body Shop have installed one of the UK's largest solar PV installations at their Head Quarters in Littlehampton. Despite the short deadline of the FIT reductions, which saw many businesses pull out of similar schemes, The Body Shop completed the installation before the deadline. Their system generates 25 per cent of their HQ energy needs and will cut their carbon emissions by 650 tonnes per year. The installation also inspired a number of employees to install solar PV in their own homes.



I.2 REFRIGERATION

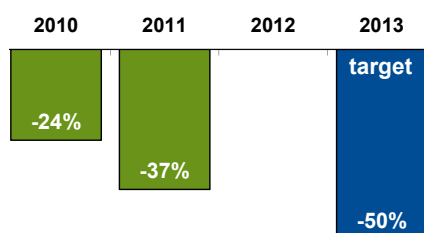
Commitment

To reduce the total GHG emissions from supermarket refrigeration by **50% by 2013** relative to floor space (Tonnes CO₂e).

Progress

ON TARGET

Total emissions to air from escaped refrigeration gases were reduced by **37%** relative to floor space between 2005 and 2011. Absolute emissions were reduced by **25%**³.



Greenhouse gas (GHG) emissions from commercial refrigeration are estimated to contribute 15 to 30 per cent of grocery retailers' total carbon footprint. The major source of emissions is leakage of HFC refrigerant gases, extremely potent greenhouse gases with a global warming potential of 2,000-4,000 times carbon dioxide. All leading UK grocery retailers have made long term commitments to address the impacts of refrigeration and some have committed to eliminating HFC systems altogether.

What are retailers doing?

Retailers are using a variety of approaches, including:

- Improving efficiency of existing systems to reduce leakage.
- Installing alternative refrigeration systems using gases with a lower global warming potential such as CO₂ and propane.
- Improving efficiency of fridges by installing doors where appropriate.
- Using innovative approaches such as capturing cold air spillage from open-front refrigeration cases and redistributing it to areas of the store that require cooling, and; using the heat produced from the cooling of refrigeration cases to heat the aisle space.

The sector has addressed the issue collaboratively, launching a Code of Conduct for Carbon Reduction in the Retail Refrigeration Sector in June 2011⁴. Developed by the Carbon Trust, retailers and the refrigeration industry, the Code of Conduct is designed to support retailers to reduce refrigeration emissions.

What is the Government's role?

Some financial and technical barriers continue to frustrate faster progress. The BRC would recommend:

- Stronger economic incentives for retailers to adopt natural refrigeration systems. This would prompt faster uptake of these systems.
- Common standards for engineer training. This would ease the training and certification requirements placed on retailers. These are being developed with City and Guilds.

Clearly refrigeration plays an essential role for many organisations in the retail sector, but it is also responsible for substantial carbon emissions. Refrigeration typically accounts for up to 50 per cent of energy costs for retail businesses such as food supermarkets, and significant savings are possible even through simple no and low cost steps. Businesses should certainly start implementing these cost effective and energy efficient measures to improve their own bottom line.

The Carbon Trust has developed a wide range of support to help identify and implement energy efficient measures for refrigeration systems. Visit www.carbontrust.co.uk/refrigeration to download their Refrigeration Systems guide, view online advice, or watch the training webinar.

Richard Rugg, Director, Carbon Trust Programmes



REDUCING GAS LEAKS

Asda has made significant reductions in refrigerant gas leaks by utilising an interdisciplinary focus combining the design, operation and maintenance of fridges and focuses on key intervention points throughout their life cycle. Detailed investigations identify current weaknesses and possible improvements, such as ensuring that sufficient time is allocated for installations in order to assure good quality. A Refrigeration Supervisor is appointed at each store to ensure effective management and provide local responsibility for the carbon emissions. Asda has achieved a leakage reduction of 22 per cent in the last year (38 per cent since 2007). All new stores opened since 2007 are averaging leakage rates of around only 2.6 per cent, a fraction of the 25 per cent industry average, and 35 existing stores have already undergone a refit in 2010 in line with best practice.

NATURAL REFRIGERATION SYSTEMS

In the last three years, Morrison's has invested over £100 million in new refrigeration systems and reduced refrigeration emissions by over 40 per cent.

Morrison's has established a joint venture, the Natural Refrigerant Technology Centre to test emerging technologies. The company has also introduced a portable refrigeration plant run using natural refrigerants, to be used during refurbishments and new builds.

MORRISON'S**AN INNOVATIVE APPROACH**

Emissions reductions of up to 60 per cent have been achieved in some stores by adopting a range of approaches, including use of natural refrigerants, recycling warm and cold air to other areas of the store, and installing equipment which reduces incoming voltage, and therefore energy consumption.

Waitrose has committed to halving refrigeration emissions by 2012/13, compared to 2008/09 levels. The company is operating an extensive leak prevention programme (including the trial of a cherry and almond scent to further aid the detection of leaks) and the continued implementation of its recently developed low-carbon propane-based, water-cooled refrigeration system.

Reductions in emissions from refrigeration are complemented by the introduction of leading sustainable energy solutions at the heart of Waitrose's building programme. Two stores have dedicated energy centres on-site, powered by wood-chip from sustainably-managed woodlands. Once open, the centres will provide the stores with all of their heating, cooling and electricity needs, in addition to producing surplus power which will be fed back into the national grid. This will save Waitrose money on its energy bills and save nearly 800 tonnes of CO₂ per annum per branch. Waitrose wants more of its stores to operate off-grid and plans to roll out on-site energy centres to future builds.

I.3 TRANSPORT

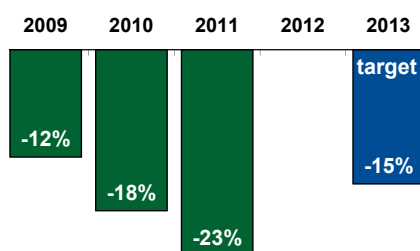
Commitment

To reduce energy-related carbon emissions reductions from store deliveries by **15% by 2013** compared with 2005 levels.

Progress

EXCEEDED TARGET

Carbon emissions from store deliveries were reduced by **23%** between 2005 and 2011. Absolute emissions were reduced by **7%**.



Road haulage is the major component of retailer transport emissions, accounting for approximately 10 to 15 per cent of total retail carbon emissions.

What are retailers doing?

Retailers are adopting a range of process changes and innovations, including:

- Improving vehicle efficiency, by increasing load capacity, for example via the introduction of double decker vehicles, as well as introducing more fuel efficient vehicles and aerodynamic trailers.
- Using lower carbon vehicles, such as electric vehicles, hybrids and more efficient engines.
- Re-designing distribution networks and introducing intelligent journey planning to reduce road miles.
- Relocating depots so they are closer to stores.
- Other initiatives, such as driver training and sharing loads where feasible.

Changes in the supply chain and distribution network (such as taking on supplier deliveries as part of overall efficiency improvements and reconfiguring transport routes to gain other efficiencies) present significant future challenges.

Other Initiatives

A number of retailers have joined the Freight Transport Association's Logistics Carbon Reduction Scheme, an industry-led approach to reducing carbon emissions by recording and reporting reductions in CO₂ emissions⁵.

As part of its Efficient Consumer Response initiative, the IGD Sustainable Distribution Group is spearheading a drive to save food and grocery mileage by identifying strategic opportunities to improve sustainability by working together to improve transport networks.

What is the Government's role?

It is important that the Government does not introduce new regulations that work contrary to common environmental aspirations. Government should support innovation and investment to support lower impact solutions.

The BRC welcomes the *Logistics Growth Review*, published by the Department for Transport⁶. The review identifies opportunities to support businesses to increase efficiencies in their transportation networks. For example, the review announced that the Government:

- Will continue to resist the draft EU proposal to impose a 4 metre height limit on heavy goods vehicles
- Will carry out a trial of up to 1,800 longer semi-trailers, starting in January 2012.
- Is making available £8 million capital funding to pump prime procurement of low emission HGV technologies and their supporting infrastructure.

CARRIER SCHEME INCREASES EFFICIENCIES AND REDUCES VOLUME OF DELIVERIES

In February 2011, ASOS consolidated supplier deliveries making it easier to manage deliveries into the Fulfillment Centre and improving the company's Carbon Footprint. The change decreased delivery numbers from over 150 separate deliveries per day to eight Full Trailer Loads, all being delivered during the morning. ASOS have also changed their load requirements from pallets to loose carton loading, enabling trailers to be used up to 40 per cent more efficiently.



CUTTING MULTI-DECK LORRY JOURNEYS

Boots has designed a multi-deck trailer which has 50 per cent greater capacity than a traditional 10m urban trailer and an 83 per cent increase in capacity over a standard store delivery rigid vehicle of similar length.



A member of
Alliance Boots

The innovative design was undertaken to reduce emissions from deliveries to high street stores where space limits the use of traditional double-deck HGVs. In these cases, retailers have to use smaller, less efficient vehicles.

Boots' solution significantly improves efficiencies in delivering to these stores. Following the completion of operational trials a fleet of 11 vehicles has been rolled out, saving an estimated 475,800km and 358 tonnes of CO₂ per year. Boots also uses 227 double-deck trailers in deliveries from its central distribution centre in Nottingham.

This means that only two journeys need to be made, rather than three. There are also 45 curtain sided vehicles which makes backloading from suppliers much easier.

INCREASED RAIL FOR DISTRIBUTION CUTS ROAD JOURNEYS

Tesco is increasing its use of rail services to move goods as part of its strategy to reduce emissions from distribution and become a zero carbon business by 2050.



In 2011, two new rail services were introduced to transport products from Tesco's distribution centre in Daventry in the Midlands to Essex and South Wales, to work alongside existing services from Daventry to Livingston in Scotland, and from Livingston to Inverness. There will be ten trains a day, six days a week, by the end of the financial year.

In addition to existing train services, the four rail services combined will take 72,000 journeys off the road, saving around 24,000 tonnes of CO₂ emissions a year.

COLLABORATION CUTS SUPPLIER JOURNEYS

WHSmith works with its suppliers to improve transport efficiency, both for its own business and for its partners. Its Collection Service involves collaboration with suppliers to share space in lorries and reduce traffic on the roads. WHSmith collects products from supplier sites when their premises are on or near existing transport routes, using spare capacity in lorries and reducing the overall emissions associated with transporting products.



During 2011, eleven new suppliers joined the Collection Service, including Coca Cola, Nestlé and Harper Collins, and collections increased by over 25 per cent. The approach has reduced supplier transportation to WHSmith distribution centres by 1,324,000 km.

I.4 WASTE

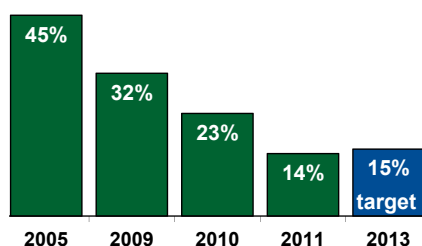
Commitment

To divert waste from landfill so that **less than 15% of our waste is landfilled by 2013**, with a longer term aspiration to achieve zero waste to landfill.

Progress

EXCEEDED TARGET

In 2011, signatories sent **14%** of waste direct to landfill, down from 45% in 2005.



Waste is considered an increasingly important and valuable resource in the UK. Recycling targets have been set in each of the UK nations, from 45 per cent and 50 per cent by 2020 in Northern Ireland and England respectively to 75 per cent by 2025 in Scotland and Wales.

This year, for the first time, the sector has committed to a long term ambition to send zero waste direct to landfill, an achievement a number of large retailers expect to attain before 2015.

What are retailers doing?

Retailers have made substantial improvements in the way they manage their waste, with an ever-increasing proportion being recycled. However, reducing retail waste volumes is a greater challenge.

Retailers are diverting waste from landfill in a number of ways:

- Reusing materials or finding partners who can reuse them.
- Recycling or recovering raw materials.
- Recovering energy through alternative technologies for organic waste. For example, grocery retailers are 'back-hauling' waste to distribution centres, where it is bulked up and sent for anaerobic digestion.

What is the Government's role?

Policies that provide long term certainty and facilitate investment, such as the Landfill Tax Escalator, are welcomed by the BRC. It has enabled investments in alternatives to landfill, such as anaerobic digestion. Business has been able to take a long-term view to using those alternatives.

We were disappointed with the Waste Policy Review, launched in June 2011. This presented an opportunity to develop an integrated waste management programme but the final Review fell short of this vision. Instead, it focussed on future consultation, reviews and the sharing of best practice.

To be effective, waste policy should address the following critical areas:

- Reduction of food waste and better management of unavoidable food waste.
- Development of waste management infrastructure, improving availability and consistency of recycling services and overall waste management for both households and businesses.

The BRC supports the Government's ambition to make the UK a zero waste economy and is working hard to achieve this. Further support from the Government would increase the capacity of effective waste management options and provide incentives for businesses to go further, faster.

The great progress being made by many retailers puts the lack of Government ambition to shame. The sector's commitment to send zero waste to landfill is welcome, but the genuinely zero waste challenge is to prevent, reuse and recycle all their waste rather than using the escape valve of energy-from-waste. We're sure the best performers will continue to lead the pack in rising to this challenge.

Julian Kirby, Resource Use Campaigner, Friends of the Earth



MAJORITY OF WASTE DIVERTED FROM LANDFILL

94 per cent of Asda's operational waste was diverted from landfill by the end of 2010, against a target of 100 per cent. The reason the 100 per cent target was not achieved was due to the lack of waste reprocessing facilities in Northern Ireland and the South-West of England. Empty delivery lorries backhaul materials for recycling at regional Asda Service Centres (ASCs).

Asda does not send any food waste to landfill. It is either donated to charity or transported back to the ASC. Bakery products are sent to animal feed and animal by-products (ABP) are sent to energy recovery via anaerobic digestion or to a rendering plant to be converted into bio fuels and pet food.

REDUCING WASTE TO LANDFILL

Lands' End reduced waste sent to landfill by 51 per cent between 2008 and 2011. Materials recycled include paper, card, plastic, cans, cups and cooking oil. In addition, bins have been removed from employees' desks. The Company was named Rutland County Council's Local Business Recycling Champion for 2011.

ZERO WASTE TO LANDFILL.

In 2006, N Brown Group (owners of Fingleaves and J D Williams) implemented a waste minimisation strategy and installed new recycling equipment, including on site waste management, sorting and efficient bailing of recyclable waste. Since inception, the waste management strategy has evolved to capture waste from new acquisitions and smaller sites.

Waste is returned to depot in empty delivery vehicles, which has reduced vehicle movements, resulting in lower carbon emissions and benefiting the community.

CHARITY PARTNERSHIPS DIVERT TEXTILES AND FURNITURE FROM LANDFILL

As part of Next's target to divert waste from being sent to landfill, Next has been able to identify products that previously would have been disposed of via landfill, and offer them to a group of registered charities and social enterprise organisations. These organisations are able to create value from the products and provide sustainable employment and training opportunities within their communities by renovating, repairing and making the products available for reuse, to benefit their aims.

BAKERY WASTE TO ANIMAL FEED

Tesco has sent no waste directly to landfill since 2009. Tesco in store bakeries produce over 39,000 tonnes of waste every year. In 2011, Tesco established a partnership with SugaRich to reuse the waste as animal feed for farmed animals. Waste is collected from stores on a daily basis, and processed to produce animal feed. The project is due to be expanded in 2012.

I.5 WATER

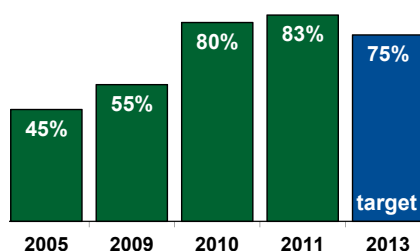
Commitment

To measure water use in sites collectively anticipated as accounting for at least **75% of usage**.

Progress

EXCEEDED TARGET

In 2011, an estimated **83%** of water use was measured, up from 51% in 2005.



Typically, water use in direct retail operations only accounts for one per cent of the total water footprint of products sold, with the vast majority taken up by the supply chain. Drought and flooding present risks to retail supply chains in both the short and long term. Around two thirds of major global businesses identify that water-related risks will have a potential to impact their business either now or within five years⁷.

Even though reduction of water use at the store level may do little to impact the global availability of water, retailers are working to address their impact by improving measuring techniques and making reductions where possible.

The bigger challenge is to reduce impact in water stressed areas of the world and to increase resilience as the water supply becomes increasingly scarce and unreliable.

What are retailers doing?

Larger retailers have installed systems to reduce water use through the installation of rainwater harvesting systems and low flushing toilets. Typically, harvested rainwater is used for washing vehicles and flushing toilets.

As the majority of water consumption is in the supply chain, retailers are increasingly turning their attention to better understanding how to measure and reduce water use in the supply chain.

However, measuring and addressing water use in the supply chain is extremely complex and challenging, particularly as availability is both a local and a seasonal issue. There are no internationally recognised accounting standards and the majority of suppliers have no means of recording and reporting their water use. In addition, certain supply chains have minimal traceability, particularly where materials are bought on commodity markets such as paper and clothing.

What is the Government's role?

Government and society in general need to place a higher value on water in order to provide incentives for its conservation and reduction. Further support through investment in water system infrastructure as well as fostering innovation in irrigation technology and recovery of water from wastewater management systems could help to relieve future water stress.

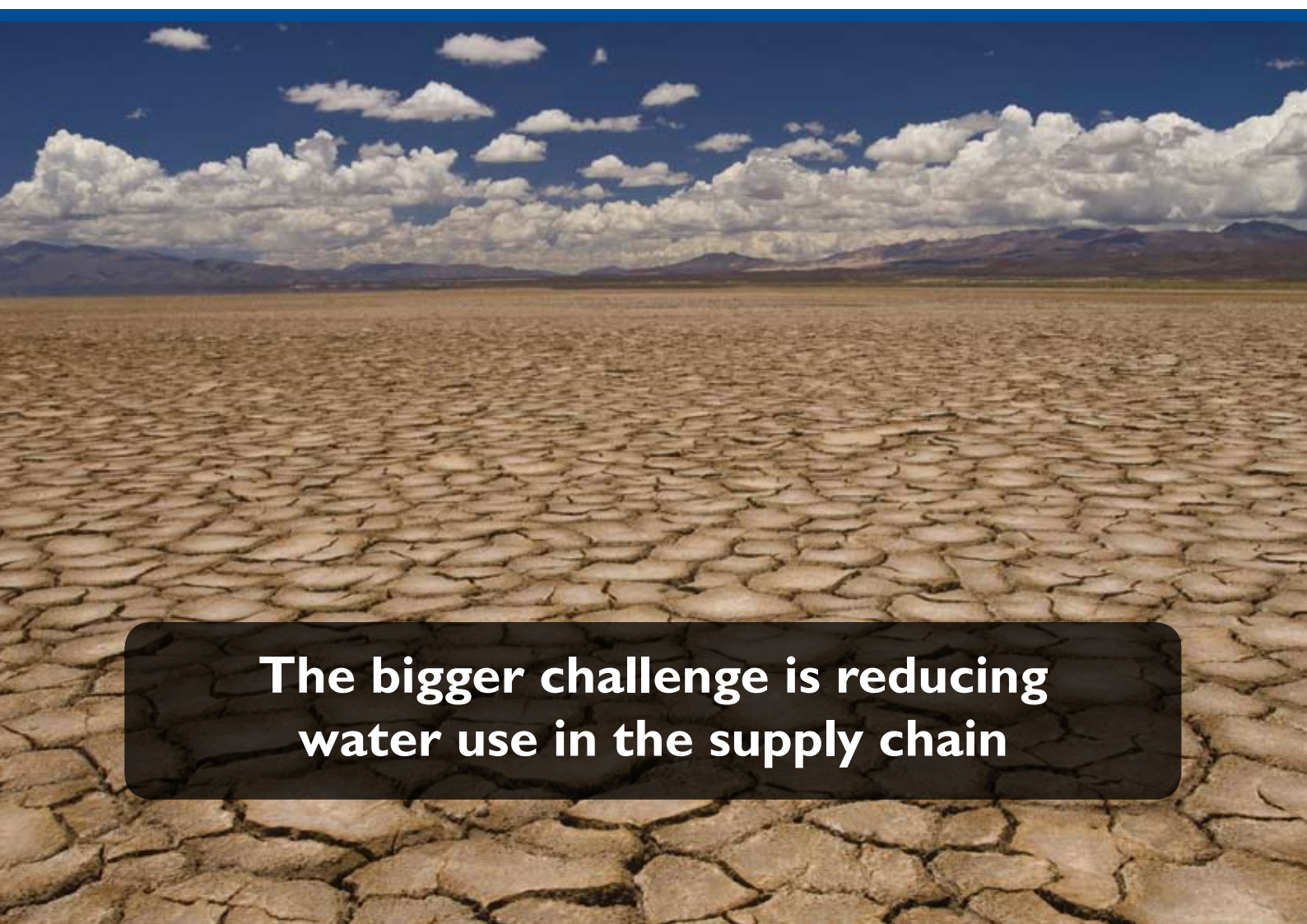
INSTALLING WATER SAVING MEASURES

The N Brown Group (owners of Figleaves and J D Williams) initiated their sustainability plan in 2006 with the formation of an Energy and Environmental Committee. Steps taken to reduce water use include installation of waterless urinals, cistern blocks and self-closing taps.



DELIVERING WATER SAVINGS IN STORES

Wilkinson have partnered with a supplier, Waterscan, who carry out bill validation. Waterscan are also incentivised to identify leaks and excessive consumption based on a shared saving scheme. Additionally across their stores, a number of measures are fitted as standard water meters, low (dual) flush toilets, Cistermisers (urinals), non concussive taps and new from 2012 thermostatic mixer valves and one tap per hand basin for hand washing at the correct temperature to avoid waste. During 2011 a trial was carried out across 15 stores to test a range of water saving devices to reduce water consumption, the upgrade work included new non concussive taps and thermostatic mixers, captive wastes to sinks, new electronic Cistermisers to urinals, low flush cistern upgrades including dual flushing. The initial trial stores are showing consumption savings up to 41%. At one of their distribution centres, there is a water borehole which is used to provide water to their lorry and packaging wash facility.



The bigger challenge is reducing water use in the supply chain

1.6 BIODIVERSITY

Commitment

A collective commitment has not been set as part of this initiative. This issue is being covered for the first time in this progress report.

Biodiversity is vital to the preservation of ecosystem services. It provides inputs such as pollination and nutrient cycling into agricultural production systems, helping to keep food affordable⁸.

The value of biodiversity and ecosystems is often considered an 'externality' and not factored into pricing or fiscal policies. A global study commissioned by the G8, *The Economics of Ecosystems and Biodiversity*, makes the case for integrating the economics of biodiversity and ecosystem services into decision making⁹.

While not covered by the BRC's *A Better Retailing Climate*, retailers are trying to minimise loss of biodiversity in a number of ways:

- Risk assessment and mitigation - Working with Government, as well as other stakeholders and partners to better understand the risks associated with loss of biodiversity, and developing potential solutions.
- Sourcing sustainability - Reducing product impact through green procurement strategies or sourcing of certified material.
- Promoting local biodiversity throughout the UK.
- Improving local biodiversity around stores and designing biodiversity considerations and enhancement features into store designs.
- Advising and supporting suppliers.
- Selling products that enable consumers to play their part in protecting and enhancing biodiversity.

What is the Government's role?

The UK Government has set out its approach to halting the decline in biodiversity over the next decade in its strategy paper for England's wildlife and ecosystem services, *Biodiversity 2020*¹⁰.

As announced in the 2011 *Natural Environment White Paper*, the UK Government has also established the ecosystem markets taskforce, led by a retail Chief Executive.

These are welcome steps for retail. This work will assist the development of greater understanding of the risks and opportunities available to UK business to develop green goods and services, and markets which value and protect the environment.

ECO STORE

M&S 'eco-store' in Sheffield opened earlier this year and is the first 100 per cent FSC build and fit-out retail store anywhere in the world. The store has a living wall, 'green' roof and 62 types of native plants in its surrounding landscaping.

YOUR **M&S**

PLAN BEE SUPPORTS AT RISK POLLINATORS

The Co-operative Group's Plan Bee seeks to address the decline of 'at risk' pollinators. The Group has given away nearly one million packets of wildflower seeds to our customers and members since 2009, funded urban beekeeping projects, and provided information to customers on how to create a bee-friendly garden.

The Co-operative Farms have established Habitat heroes, a project on six of the Co-operative's own UK farms to support endangered and declining species.

The **co-operative**



Loss of biodiversity presents significant risks for UK retail and its supply chain

1.7 CLIMATE CHANGE ADAPTATION

Commitment

We will examine the impacts of expected climate change and develop business strategies that:

- Ensure our customers receive continuity of supply and the highest levels of service, working with national and local government.
- Provide our customers with the new products and services that they will need as average weather conditions change.

Progress

Retailers are making progress individually. This remains a competitive issue at present

Although the exact nature and extent of the impacts of climate change on the world remain unknown, experts anticipate significant changes in global weather patterns, with a notable increase in the frequency and intensity of extreme weather events, as well as disruptions to water and energy availability. Against this context, retail businesses will need to ensure continuity of supply while meeting changing consumer demand. For UK retailers, specific challenges could range from localised weather events, such as the flooding in summer 2007 and cold winter in 2010, to severe disruption in global supply chains.

But climate change also presents opportunities for the sector, both in terms of ensuring that future investment is resilient to a changing climate and also the emergence of new markets for products.

Since significant changes are not forecast until 2020-2030 (and there remains a great deal of uncertainty on the effect of these changes on business), more immediate threats like those relating to the global economic downturn may be given higher priority. However, as it is widely acknowledged that investing in climate change mitigation is more cost effective if done early on, planning for the future now could help businesses to adapt and reduce costs over the long term.

Retailers will need to integrate climate change more effectively into their risk management programmes to increase the resilience of both direct operations and supply chains.

What is the Government's role?

The UK Governments have programmes to support UK businesses to adapt to climate change. Guides have been made available by the UK Climate Impacts Programme (UKCIP)¹¹ and Adaptation Scotland¹².

Greater understanding of the risks and uncertainties will help businesses to integrate climate change into their risk management framework.

The Environment Agency is taking on a new role, as the UK Governments' delivery body for climate change adaption advice, building on the good work by UK Climate Impacts Programme (UKCIP). We want to make sure that key sectors have the types of information and support that they need in order to make robust business decisions that are resilient to changing weather impacts and expected sea level rise. Those impacts range from disruption to international supply chains (eg on foodstuffs) to new opportunities for goods and services at a local level. The retail sector has a really important leadership role and we invite retailers to engage with us via our online survey at <https://web.questback.com/theenvironmentagency/atccp/> so we can better understand the sector's needs.



Liz Parkes, Head of Climate Change, Environment Agency

HOW WEATHER AFFECTED RETAIL DURING THE 2000s

During the wet summer of 2008, shoppers turned to so-called comfort foods in an effort to dispel the cold and wet summer weather. According to Asda, sales of mince, soup, custard and gravy showed significant increases.

In contrast, high street sales surged in June 2003 in response to soaring temperatures. The heatwave fuelled sales of ice cream, barbecue food and alcohol, with clothes and sandals also selling well.

Taken from the UKCIP report, A Changing Climate for Business



UNDERSTANDING ADAPTATION IMPACTS FOR FRESH FOOD

Under its Sustainability 2.0 Strategy, Asda has targets to ensure every building has a climate change mitigation plan by 2016 and at least 5 product categories have a plan by the end of 2012. They are working with PriceWaterhouseCoopers in 2012 to examine the adaptation impacts for their entire fresh food category.

ASDA

CONDUCTING COMPREHENSIVE CLIMATE CHANGE RISK ASSESSMENTS

M&S has committed to conduct a climate change risk assessment for its own estate as well as all parts of the supply chain. Where relevant, M&S will then develop mitigation, resilience and adaptation plans.

YOUR **M&S**



Section 2

Reducing Customer Impact

If the UK is to meet stretching carbon emissions and waste reduction targets, consumer impacts must be radically reduced.

A quarter of UK greenhouse gas emissions are attributable to energy use in the home directly¹³. However, approximately three quarters of the UK's greenhouse gas emissions are either directly or indirectly attributable to consumers. These impacts mainly come from our homes, transport and products¹⁴.

Responsible retailers recognise the value of improving customer awareness of sustainability issues and meeting customer expectations with products that help them lead more sustainable lifestyles. The challenge is to make it easy for customers to make more sustainable choices, without presenting barriers such as increased cost or decreased functionality.

2.1 GREEN PRODUCTS AND SERVICES

Commitment

We will deliver new products and services that will enable all households in the UK to cut their emissions.

Progress

ON TARGET

Retailers are increasing the range of low carbon products and services and improving customer communications on environmental sustainability

Retailers are in a unique position to empower customers to make more sustainable choices and provide them with products and services that enable them to reduce their environmental impact. This presents a significant opportunity for the retail sector as the market for environmentally sustainable products is expected to grow from £3 trillion to £4.3 trillion by 2015¹⁵.

What are retailers doing?

Retailers are providing a wide range of 'green' products and services, such as:

- Efficient energy-using-products (EuP) - there are constant advances in technology improving the performance of energy using products from low energy lightbulbs to domestic appliances.
- Energy-related-products (ErP) - from loft insulation and windows to water using devices.
- Renewable energy generation - solar panels.

Retailers are:

- Working with suppliers to introduce new, 'green' products.
- Improving the performance of individual products or product ranges.
- Removing products or product ranges that do not meet certain ethical or environmental requirements ('choice editing').

Retailers are also empowering customers to make more environmentally friendly decisions by improving the quality of information provided at the point of sale. Labelling initiatives, such as the Carbon Reduction label and Energy Saving Trust Recommended label enable retailers to communicate the environmental impact of products both in their manufacture and use.

Progress is also being made collaboratively via the Product Sustainability Forum (see page 42).

What is the Government's role?

Establishing the right incentives for businesses and consumers to choose low impact, resource efficient products and services is essential to achieving emissions reductions. Appropriate price and taxation signals stimulate innovation, reward responsible businesses and ease the burden on consumers wanting to make responsible choices.

The Eco-design Directive aims to improve the environmental performance of products throughout the life-cycle, by specifying minimum performance standards in product design and introducing energy labelling requirements, via the A-G Energy Label. In 2009 the Eco-design Directive was extended to Energy Related Products and with the review in 2012, may extend to wider environmental impacts as well as into non-energy-related products.

HELPING CUSTOMERS CHOOSE THE MOST ENERGY EFFICIENT PRODUCTS



The amount of energy an appliance consumes can vary hugely between models, types and brands of products. Home Retail Group are making it easier for the customer to select more energy efficient models by including clear information online, in-store and in the catalogue. The Energy Saving Trust logo is displayed alongside appliances that guarantee to save energy. By choosing the most energy efficient models available customers can cut their energy consumption by nearly half compared with non-efficient models.

PRODUCT IDENTIFIER LOGO

John Lewis

John Lewis has launched product identifiers to support customers to make informed purchasing decisions based on the provenance and sustainability of products.

A 'Green' identifier, launched in 2011, appears on point of sale information for products carrying certification for environmental sustainability, such as FSC, PEFC, Fairtrade, Energy Savings Trust and the Rainforest Alliance. Further items are also identified as a more sustainable choice, including items made from bamboo, linen, coir and hemp; products which are made from over 50% recycled materials; and low energy products.

The Department store is also championing British manufacturing by launching a 'Made in UK' identifier to appear on over 4,000 British-made products from early 2012.

LET'S GROW



MORRISONS

In 2008, Morrison's created their Let's Grow programme, designed to inspire children about fresh produce and food production. Through practical experience and outdoor learning, the programme aims to teach children about how food is grown and improve understanding of environmentally responsible food choices.

In 2010, the programme gained environmental recognition at the international Green Awards, where Let's Grow was named Best Green Educational Project.

Now in its fourth year, Morrison's have donated over £10 million worth of gardening and cooking equipment to over 26,500 schools - over 67 per cent of all primary schools and 40 per cent of secondary schools in the UK.

With the Green Deal on the horizon and a surge of interest in sustainable consumer goods, retailers have a huge role to play in helping consumers make decisions that both save them money and reduce carbon emissions. We're proud of the work we do with retailers and believe they have a major role to play in the coming years. Consumers need to know the advice they get on green products and services can be trusted and if we fail in this there could be consumer backlash. The key to success will be to achieve consistent advice right across the retail sector and we believe that accrediting advice will be a real priority.



Philip Sellwood, Chief Executive, Energy Saving Trust

2.2 GREEN HOMES

Commitment

A collective commitment has not been set as part of this initiative. This issue is being covered for the first time in this progress report.

Emissions from homes need to fall substantially if the UK is to meet its carbon targets. Existing building stock contributes 43 per cent to UK carbon emissions, with 26 per cent coming from domestic housing¹⁶.

What are retailers doing?

A number of retailers offer home improvement products and services, from loft insulation and energy saving products to energy services. Retailers are supporting their customers to make improvements to the energy performance of their homes and they are developing innovative approaches that meet their customers' needs.

What is the Government's role?

The Green Deal could be an important tool to enable the Government to meet its objective to reduce UK carbon emissions radically by improving the energy efficiency of UK domestic housing. A number of large retailers could become Green Deal Providers – providing the interface with consumers to make energy efficiency improvements to their homes without the need to invest up front.

The BRC and leading retailers joined the WWF campaign urging the Government to outline its ambition for the scheme by supporting the 'Warm Homes Amendment'. This amendment aimed to include more detail, as well as targets, in the primary legislation.

To be successful, the Green Deal must:

- Generate sufficient consumer demand.
- Establish the right financial framework in order to promote it as a more attractive investment opportunity than existing mechanisms.
- Minimise or remove barriers to take-up, including upfront charges, lack of UK skills and technical capacity.
- Ensure bills are always less than or equal to previous bills.
- Ensure credibility of service providers

The success of the Green Deal is critical to the Government's plans to meet carbon budgets, cut energy bills, reduce the UK's reliance on gas, and create jobs. The retail sector is one of the key sectors that can play a role in delivering the new energy-saving programme and could be influential in mobilising the Great British public to cut their energy use. But, the Government is misguided if it believes the current framework is sufficient for motivating people to take up the Green Deal. Further changes, such as financial incentives, are needed for an ambitious energy-saving programme to become a reality and for people to take it up.

Darren Shirley, Campaign Manager (Climate & Energy), WWF UK



HOMEbase ECOHOME




The Homebase ecohome helps and advises customers on how to reduce the environmental impact of the products they use, make their homes more efficient and save themselves money. The ecohome website contains information and advice on the everyday things people can do to reduce their energy bills, like turning the thermostat down by 1 degree, to the bigger home projects such as loft and cavity wall insulation. Homebase has a range of products and services to help customers save money, cut their energy and water bills and reduce waste in the home.

CUSTOMER ENERGY SERVICE



In October 2008, M&S Energy was launched, offering gas and electricity at competitive prices whilst rewarding customers who successfully reduce their energy consumption. During 2010 it was expanded to include home insulation and solar energy installation. M&S Energy has over 300,000 customers.



Retailers play a vital role in reducing consumer emissions

2.3 FOOD WASTE

Commitment

Courtauld Commitment

Phase 1: To help reduce the amount of food the nation's householders throw away by 155,000 tonnes by 2010, against a 2008 baseline.

Courtauld Commitment

Phase 2: To reduce UK household food and drink waste by 4% by 2012, against a 2009 baseline.

Progress

Courtauld Commitment

Phase 1:

EXCEEDED TARGET

670,000 tonnes of food waste was avoided in the UK between 2005 and 2009.

Annual UK household food waste fell by 1.1 million tonnes (13%) from 2006/7 to 2010, from 8.3 million tonnes to an estimated 7.2 million tonnes.

Courtauld Commitment

Phase 2:

AHEAD OF TARGET

A year into the commitment, household food waste has been reduced by approximately 3%.

Around half of all UK food waste is generated in the home, compared with less than 5 per cent in retail. UK households dispose of 7.2 million tonnes of food waste, 4.4 million tonnes of which is avoidable¹⁷.

Cutting food waste is crucial to reducing the environmental impact of food production systems. It is estimated that between 30 per cent and 50 per cent of all food produced globally is wasted and that halving food waste by 2050 would have the same effect as increasing production by a quarter¹⁸.

What are retailers doing?

All major UK grocery retailers¹⁹ are working in partnership with the Love Food Hate Waste campaign²⁰ to support customers to reduce food waste. Retailers have adopted a range of approaches, including

- Providing storage advice - "Best Kept" stickers on fresh produce, storage information printed on loose fruit and veg bags, additional advice at deli counters.
- Educating on 'Best Before' and 'Use By' dates – where there is still a lot of consumer confusion.
- Modifying promotional activity – including half price and mix and match deals on perishable Buy One Get One Free promotions.
- Providing recipe advice – in particular advice on how to use leftovers, through in-house magazines and websites.
- Providing different portion sizes – for example bread is now being sold in 400g, 600g and 800g sizes.
- Encouraging greater use of the freezer to prevent food waste.

European law requires that perishable food products carry date labels. 'Best Before' dates indicate the date after which a product loses quality whereas 'Use By' indicates the date at which a product is no longer safe to eat. This is the most effective way to communicate this information to customers to enable them to make safe decisions about whether or not they should eat any particular food.

What is the Government's role?

Love Food Hate Waste has been an extremely successful campaign, backed by all of the major grocery retailers. Continued government support for the campaign will enable WRAP and retailers to build on the good progress to date.

Evidence suggests that introducing separate food waste collections in homes reduces domestic food waste. Although responsibility for waste collection is placed at a local level, Government could facilitate greater roll-out of segregated food waste collections. This would result in even greater reductions in domestic food waste.

A COLLECTIVE APPROACH TO REDUCING DOMESTIC FOOD WASTE

All of the major UK grocery retailers are partners of the Love Food Hate Waste campaign. Retailers and brands have spent over £10 million helping their customers reduce food waste. For example Sainsbury's "Love Your Leftovers" and Morrison's "Great Taste Less Waste" campaigns, and the Co-operative showing Food Lover messages in till screens reaching 20 million customers a week. Retailers are also providing recipe ideas in their customer magazines and on-line, improving on-pack labelling to ensure food is stored correctly, and introducing a range of pack sizes that are better suited to today's households. These actions should help meet the Courtauld Commitment food waste reduction target of 330,000 tonnes per year by 2012.



WRAP has built up a comprehensive evidence base which has raised awareness of the issue, developed a strong case of change, and given focus to the areas where consumers need the most help, where business and local authorities can benefit, and where the biggest impacts can be made.

FRESH PRODUCE BAGS EDUCATE CONSUMERS

The Co-operative Food has included storage information on all fresh produce bags. The storage instructions indicate the optimum conditions under which each of the products should be kept to maintain freshness. Printing the instructions on the bags ensures that customers can take the information home with them.

The **co-operative**



Reducing domestic food waste is a key priority for the retail sector

2.4 PACKAGING

Commitment

Courtauld Commitment

Phase 1²²: To design out packaging waste growth by 2008, and deliver absolute reductions in packaging waste by 2010.

Courtauld Commitment

Phase 2²³: To reduce the carbon impact of packaging by 10% between 2009 and 2012.

Home Improvement Sector

Commitment²⁴: Reduce packaging by 15% between 2009 and 2012.

Progress

Courtauld Commitment

Phase 1: TARGET PART MET

- Packaging waste growth was designed out by 2008 but absolute packaging reductions were not achieved
- 520,000 tonnes of packaging was avoided between 2005 and 2009.

Courtauld Commitment

Phase 2: AHEAD OF TARGET

A year into the commitment, a 5.1% reduction had been achieved.

Home Improvement Sector

Commitment: ON TARGET

12% reduction in own-label packaging, a reduction of more than 14,000 tonnes, between 2007 and 2010.

Consumers often perceive packaging to be the main contributor to household waste, but it actually accounts for just one fifth of the household waste stream²¹.

Packaging plays a vital role in protecting and preserving products. Without it, a significantly greater proportion of both food and non-food products would be wasted, with far greater environmental consequences.

What are retailers doing?

To date, waste reduction initiatives have focused on improving packaging. In particular, efforts have focused on improving resource efficiency, via weight reduction and increased recycled content, as well as improving recyclability. Under a series of voluntary agreements facilitated by WRAP, retailers have achieved substantial reductions in the weight and impact of packaging.

Major grocery retailers have set themselves challenging packaging reduction targets individually. Progress under the Courtauld Commitment demonstrates the impressive reductions to date. Signatories to the Courtauld Commitment Phase 2 achieved a 5 per cent reduction during the first year of the Commitment, building on progress made during the first phase.

Retailers have also been working with WRAP to improve recyclability of a range of packaging formats at the design stage, including changes in glue, labels and ink.

What is the Government's role?

Collective agreements, facilitated by WRAP, have been an extremely effective way to overcome the barriers to reducing packaging. As collective agreements have been put in place, brands and retailers have had the confidence to reduce their packaging without being commercially disadvantaged.

The Welsh and Scottish Governments have set ambitious recycling targets. The BRC supports stretching packaging recycling targets, as these support the development and investment in improvements to UK recycling infrastructure. Steadily increasing targets over time provides long term certainty to business, facilitating investment.

REUSABLE SOFA PACKAGING

Around 15,000 tonnes of disposable packaging for upholstered furniture are generated every year in the UK. In partnership with WRAP, Home Retail Group designed and tested a range of reusable bags. The bag was rolled out during 2010.



The reusable bag reduces product damage as well as reducing the use of raw materials and subsequent disposal costs. The company estimates that the sofa bag will reduce single-use packaging by at least 1,500 tonnes each year.

REDUCING THE IMPACT OF PACKAGING

Morrison's reduced its packaging by 15 per cent between 2007 and 2010. In the last year the company cut nearly 4,000 tonnes of packaging from its products.



MORRISON'S

- Replacing the punnet lids with a sealed film across a variety of strawberry lines saved 138 tonnes of plastic
- 100 tonnes of packaging was cut by reducing the thickness of the film on loose fruit and vegetable easypick bags
- Higher recycled content of mince and sausage trays saved the carbon equivalent of 290 tonnes of packaging
- The redesign of café sandwich trays from foamed plastic to card improved recyclability and saved 42 tonnes

IMPROVING RECYCLING INFORMATION ON-PACK

To help increase recycling rates, the British Retail Consortium launched the *On Pack Recycling Label* in 2009. Based on local authority recycling infrastructure, the *On Pack Recycling Label* communicates what is actually recycled in the UK. Within the first three years over 130 companies, including 25 retailers, joined the scheme, including retailers in grocery, home improvement, health and beauty, fashion and home wares. By the end of 2011, the label appeared on over 75,000 product lines.



Retailers are also undertaking initiatives to support customers recycle harder to recycle materials, such as plastic films and carrier bags. The majority of the UK supermarkets now collect plastic films at the front of store with carrier bags if the product carries the label 'recycle with carrier bags at larger stores'²⁷.

COURTAULD DELIVERS PACKAGING REDUCTIONS ACROSS THE SECTOR

The Courtauld Commitment has resulted in a range of impressive packaging reductions including reductions in the weight of wine bottles by 24 per cent, beer bottles by 32 per cent, and meat packaging by 67 per cent (plus improved product shelf life). For a selection of examples of packaging reduction visit www.wrap.org.uk/courtauld.



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a world without waste

2.5 CARRIER BAGS

Commitment

To measure the number of carrier bags distributed, reporting progress in summer 2012²⁵.

Progress

The number of single-use carrier bags used between 2006 and 2010 declined by 40%.

What are retailers doing?

Given their iconic status, there is a tendency to devote disproportionate attention to single-use carrier bags, despite their relatively insignificant impact on the environment. In fact, single-use carrier bags account for less than one per cent of household waste.

Since 2006, the BRC, retailers, each of the UK Governments and WRAP have worked together to support consumers in reducing consumption of single-use carrier bags. Retailers have adopted a range of approaches, including removing bags from tills, asking customers if they need a bag, offering reward points for reusing bags and voluntarily charging for bags.

A series of voluntary agreements to date have contributed to the progress made. The number of single-use bags distributed between 2006 and the year to May 2010 declined by 43 per cent. However, an increase of 5 per cent was seen between the year to May 2010 and calendar year 2010.

There was a 61 per cent reduction in the amount of new materials used in the manufacture of bags between 2006 and 2010 as retailers use more recycled plastic. In addition, retailers have introduced collection of plastic bags and other plastic films at stores (see page 37).

Under a voluntary agreement with each of the UK Governments, the supermarkets will continue to measure progress and will report again in summer 2012.

What is the Government's role?

The BRC does not believe there should be a mandatory charge on carrier bags. A charge introduces additional costs for retailers and their customers. Instead, the UK Governments should focus their attention on areas with greater potential to reduce environmental impact.

A charge was introduced in Wales on 1 October 2011. The BRC and its members are monitoring its impact and are communicating this with Governments across the UK.

REDUCING CARRIER BAGS ON THE HIGH STREET

WH Smith has reduced the number of plastic carrier bags handed out by 53 per cent over the last five years. Staff ask customers whether they need a bag, raising customer awareness and changing behaviour. As part of WH Smith's Think Twice campaign, customers can choose to pay 1p for a single use bag or buy a reusable bag, made from 100 per cent recycled materials. Profits from the sale of carrier bags are donated to the Woodland Trust, supporting the creation of new woodland and wildlife habitats. In 2011, WHSmith's donation enabled the Woodland Trust to provide 700 schools across the UK with tree planting packs, each containing 30 saplings.



2.6 FUTURE CHALLENGES: NEW MODELS OF SERVICE DELIVERY

What are retailers doing?

The transition to a sustainable future is likely to require a transformational change in current business practice.

Different models such as one based on services instead of products may enable retailers to support consumers in the transition by providing better service to the customer and a better model for the retailer.

In certain cases, rental, repair and reconditioning can deliver greater value or extend product lifetimes. For example, a service orientation has been proposed for certain DIY products, such as drills, where leasing may reduce the environmental impact across the product lifecycle. However, the majority of food and clothing markets do not lend themselves to a leasing model. Even where the model can deliver environmental benefits it is likely to appeal to a subsection of consumers.

What is the Government's role?

If novel approaches are to succeed, there must be environmental and commercial benefits. However, the market conditions are not always right for innovation. The Government announced the establishment of the £1 million *Waste Prevention Loan Fund (WPLF)* in its *Waste Policy Review* in June 2011, which seeks to address this.

The fund was established to enable organisations to introduce business models and processes which make more efficient use of material resources. Funding was made available for activities that could demonstrate new approaches which offer substantial resource savings and can be further scaled-up and replicated to have significant benefit at the national level. Examples include product reuse, repair and upgrading services (e.g. through leasing), and materials recovery and reuse by the manufacturer. This is a good example of stimulating innovation and supporting market development.

Commitment

A collective commitment has not been set as part of this initiative. This issue is being covered for the first time in this progress report. It is a competitive issue for retailers.



New business models are likely to emerge



Section 3

Reducing Impact in the Supply Chain

The BRC estimates that retail accounts for around 3.5 per cent of UK emissions, whereas the global greenhouse gas emissions of production, manufacture and shipping are in excess of 30 per cent²⁶.

Global production systems face a range of pressures that will increase emissions further, including rising population, greater demand for higher quality diets, greater competition for land, water, and energy and changing weather patterns as consequence of climate change²⁷.

To have an impact on supply chain practices, BRC members need to work collaboratively with other retailers and supply chain partners on a global level. We need to collectively improve understanding of impact and solutions, and concentrate resources most effectively, where we have the greatest potential to achieve reductions.

3.1 MAKING PRODUCTS MORE SUSTAINABLE

Commitment

We will identify hotspots and share this knowledge with stakeholders to promote better understanding and address emissions in the supply chain.

Progress

ON TARGET

Collaborative initiatives such as the Product Sustainability Forum are identifying hotspots, improving understanding and exploring ways to reduce product impacts.

What are retailers doing?

Retailers are taking an approach that considers the impacts of products across their life cycle. Most commonly, life cycle assessments are based on PAS2050 (the British Standard for the assessment of the environmental impact of products). Increasingly, the approach taken identifies 'hotspots', i.e. where the impacts are greatest, and seeks to reduce them as a priority.

Progress is being made collaboratively via the Product Sustainability Forum, a multi-stakeholder forum that provides a platform for retailers and their suppliers, WRAP, the UK Governments and other stakeholders to quantify, reduce and communicate the life cycle environmental impacts of everyday products.

The forum has three main functions:

- To improve the evidence, data and tools to reduce the environmental impacts of products.
- To work together to quantify, reduce and communicate the environmental impacts of products.
- To use this body of work to underpin any potential future voluntary agreements.

Currently, the Forum's focus is on the life cycle environmental impacts of grocery and home improvement products. In future it may work in other product areas. For example, work is closely aligned with the Sustainable Clothing Action Plan (see page 49). The Forum is working closely with other collaborative platforms such as the Sustainability Consortium, European Food SCP Round Table and Consumer Goods Forum.

What is the Government's role?

The Government can assist by working with industry to develop a widely accepted definition of sustainable supply and establishing a robust evidence base. Thorough research and debate will be needed to resolve issues such as the role of new technologies in a sustainable food supply chain. The Product Sustainability Forum provides an excellent opportunity to understand and develop such an evidence base.

Volatile resource prices, supply chain risks and increasing consumer demands are combining to create an unprecedented driver for businesses to focus on their supply chains. With Designing Out Waste consortium members, including Boots and Sainsbury's, Green Alliance has called for government to take the lead in facilitating the development of a practical, low cost and widely adopted way of evaluating products' impacts, and identifying where action should be taken. We're delighted that the Product Sustainability Forum is taking up this challenge. We'd also like to see new measures to tackle the generation of commercial and industrial (C&I) waste, and greater incentives for the recovery of valuable resources, such as metals, from both household and C&I waste streams.

Hannah Hislop, Senior Policy Adviser, Green Alliance



ADDRESSING SUSTAINABILITY OF PRODUCTS

Boots is improving assessment and management of impacts at a product level and throughout the supply chain. Achievements include:

- Using its internally developed product assessment model to assess and improve over 20 different impacts, and to set sustainability objectives for entire brands.
- Ensuring traceability of materials back to primary sources.
- Achieving a 44 per cent increase in recycled content, a 13 per cent reduction in the use of plastics, and a 6 per cent reduction in disposable cardboard for its Christmas 2010 gifts.
- Working with universities on sustainable innovations for products and packaging.



A member of
Alliance Boots

CLEANER PRODUCTION PROJECT

In 2011 Mothercare involved one of their key supplier factories in Bangladesh in a Cleaner Production Project, promoting cleaner production and environmental standards in the washing, dyeing and finishing (WDF) industry in the Textile value chain in Bangladesh. The project was facilitated by South Asia Enterprise Development Facility (SEDF), managed by the International Finance Corporation (IFC) World Bank Group, in partnership with Dutch NGO Solidaridad.

mothercare

The project introduced Cleaner Production and Energy Efficient Technologies in 12 selected industrial units of Bangladesh, engaging various stakeholders so that Cleaner Production could be embedded into the main stream decision making process. Through simple cost effective changes, such as replacing broken steam traps, monitoring leakage and repairing compressed air lines, the Mothercare supplier factory made annual savings equivalent to 378 tonnes of carbon and £10,898.

‘UGLY’ APPLES

Weather blemished apples have been on sale at Waitrose. The ‘ugly’ apples suffered from patchy-looking skin due to severe May frosts that wreaked havoc on crops in southern England in 2011. Growers lost up to half their predicted harvest and the fruit that did survive was left with frost markings to its skin. Despite their imperfect appearance, the blemished apples tasted just as good as their flawless-looking equivalents.

Waitrose

Waitrose stuck by these British apples and the farmers who grew them by stocking the ugly fruit in its stores. By selling packs of the weather blemished apples, Waitrose helped its growers maximise their income and reduced food waste.

3.2 WORKING WITH DOMESTIC SUPPLY CHAINS

Commitment

To work with our suppliers to improve the sustainability of their products, packaging and services

Courtauld Commitment Phase 2: To reduce traditional grocery product and packaging waste in the grocery supply chain by 5%

Progress

Retailers are working with national and international suppliers to improve understanding of product impacts, reduce those impacts, increase resilience to climate change and source high impact commodities more sustainably

Courtauld Commitment Phase 2: BEHIND TARGET
A year into the commitment, a 0.4% reduction had been achieved

What are retailers doing?

Retailers are increasingly working with suppliers to improve understanding and reduce impacts in the supply chain as well as building resilience to changes in weather patterns and rising resource costs.

Relationships are most advanced with domestic producers and dedicated supply chains. Retailers' dedicated supply chains for meat and dairy enables them to work more closely with farmers, rewarding them directly for improvements in environmental and animal management. Farmers benefit from research commissioned by retailers to implement practical improvements, such as feed regimes and waste management, to improve resource efficiency and cut emissions.

A range of collaborative work programmes exist, including the Green Food Project, the Milk Roadmap and Dairy 2020. Retailers are actively contributing to these programmes.

What is the Government's role?

Government investment is important where current research is sparse and generic. Research must be disseminated to farmers, particularly those not in dedicated retail supply chains. The Government also has a role to ensure the right structures are in place to deliver the best technology, techniques and practices on the ground.

We spoke to the NFU, who identified the following key priorities for publicly funded investment in R&D:

- Addressing future climate stresses such as water availability
- Minimising inputs
- Continued improvements to animal feed and nutrition
- Intercropping
- Identification of synergies between sectors to maximise value of resources and minimise waste
- Optimising the nutritional quality/benefits of food

The BRC agrees with the NFU recommendations. The Government should also act on the recommendations from the Green Food Project for sustainable intensification, when published in 2012.

The Dairy Roadmap was the first sector specific initiative of its type in the UK and has since been replicated in other sectors and other countries. It works because at its heart are measurable, regularly reviewed targets and because the entire supply chain is involved. As such, the ongoing commitment from the BRC and its members, as well as organisations such as Dairy UK, DairyCo and the NFU representing dairy farmers and processors, has been invaluable in delivering this successful initiative.

Ed Komorowski, Technical Director, Dairy UK

Dairy
UK

BUYING AND USING WHOLE CROPS

Morrison's buy and use whole crops from British farmers. It is relatively common practice to ask third parties to pack produce such as potatoes based on size and appearance. Morrison's take smaller potatoes out of the load and sell them as baby roasters or, if really small, as animal feed. Out-grades with skin blemishes or odd shapes can be sold in value packs. Nothing is thrown away. For a given tonnage of potatoes the approach can make use of 20 per cent more of the crop than more conventional approaches. Farmers sell their whole crop, customers save money and the retail reduces food waste.



The supermarket also runs the Morrison's Farming Programme, a cross-farming initiative aimed at helping to build a sustainable British farming industry. The programme includes work undertaken at Morrison's Dumfries House Farm, a base for cutting edge research, which is developing new thinking in best farming practice and helping farmers meet the challenges of economic and environmental sustainability.

SUPPLIER GROUPS

Sainsbury's has built strong relationships with its established group of farmers, growers and suppliers to build more resilient supply chains. Examples include:

- The British Flour Development Group, a partnership between Sainsbury's, Camgrain and Whitworths, looks at ways to share best practice in fuel and energy efficiency, biodiversity and crop protection.
- Crop Sustainability Groups work with growers on key issues affecting sustainable crop production, including soil health, water management, energy use and carbon emissions, waste, and biodiversity.
- Concept Orchards seek to develop techniques to combine high yields with efficient use of resources such as water, fossil fuels and Grade 1 land. Best practice has been shared amongst Sainsbury's growers.
- Over 2500 farmers have participated in Sainsbury's Dairy, Beef, Lamb, Pork, Egg & Poultry Development Groups since the scheme started in 2007, delivering cost savings of £1.2 million.

Sainsbury's

KNOWLEDGE HUB

Tesco has established an online 'Knowledge Hub' in conjunction with 2degrees, which has over 400 collaborators so far. It is a unique portal where suppliers can share best practice on carbon reduction and sustainability. Seminars, discussions forums and case studies are all held on the website, where expertise can be shared from industry experts, academia and the third sector. As an example, Branston, a medium-sized potato supplier, has decided to invest in an anaerobic digester for their food waste and are sharing their knowledge and skills with others.



Retailers are working with suppliers to improve understanding, reduce environmental impacts and build resilience to climate change

3.3 RESPONSIBLE SOURCING IN GLOBAL SUPPLY CHAINS

Commitment

A collective commitment has not been set as part of this initiative. This issue is being covered for the first time in this progress report.

BRC members source products and ingredients from all over the world - decisions that impact supply chain operations from working conditions through to resource management. As part of their sourcing strategy, retailers are increasingly integrating social and environmental requirements into their procurement policies and supplier codes of conduct. Supplier compliance with these requirements is then confirmed through certification or monitoring and verification.

However, commercial pressures can deter businesses from adopting standards that go beyond minimum requirements. In order to embrace sustainability, both retailers and their suppliers need sufficient financial incentive to invest in more socially and environmentally responsible practices.

3.3.1 REGULATORY REQUIREMENTS: FISHERIES AND TIMBER

Regulated at the European level, fisheries and timber are under severe pressure in some regions of production and harvest due to illegal practices and mismanagement. The use and management of both resources are the subject of numerous NGO campaigns and as public scrutiny increases, pressure on sourcing strategies and due diligence have reached an all time high.

FISH

Over 85 per cent of European fish stocks are overexploited and 30 per cent are in danger of collapse, due to mismanagement and overfishing. A reform of the current Common Fisheries Policy (CFP), proposed for 2013, aims to bring fish stocks to a sustainable level by 2015.

The retail sector is facing the growing challenge to source their seafood sustainably, at a time when crises facing our fisheries and aquaculture development are ever-present and worsening. Consumers are increasingly considering the environment in their seafood purchases, yet the lack of consistency in seafood labelling leaves them vulnerable to confusion. The legislative tools move slower than the problems escalate and we cannot afford to wait. This is why members of the Sustainable Seafood Coalition are taking matters into their own hands and it is heartening to see so many industry organisations collaborating to achieve the ambitious vision that all fish and seafood sold in the UK be from sustainable sources.

James Thornton, CEO, ClientEarth



What are retailers doing?

As only one player at the end of the supply chain and far removed from the fishing boats, UK retailers have limited ability to affect EU practices but are trying to influence in a number of ways:

- WWF Alliance - through our European representative EuroCommerce, the BRC are members of the WWF Alliance that is advocating for progressive reform of the CFP.
- Sustainable Seafood Coalition - convened by Client Earth, relevant BRC members have signed up to harmonise labelling and to promote the consumption of different kinds of fish as part of the Fish Fight campaign.
- Procurement strategies - retailers are purchasing more responsibly sourced fish through their own procurement practices or by sourcing third party certified fisheries products.

While these initiatives demonstrate the willingness of the retailers to work together and develop solutions for sustainable fisheries, success will depend on the willingness of the consumer to support these changes at the till.

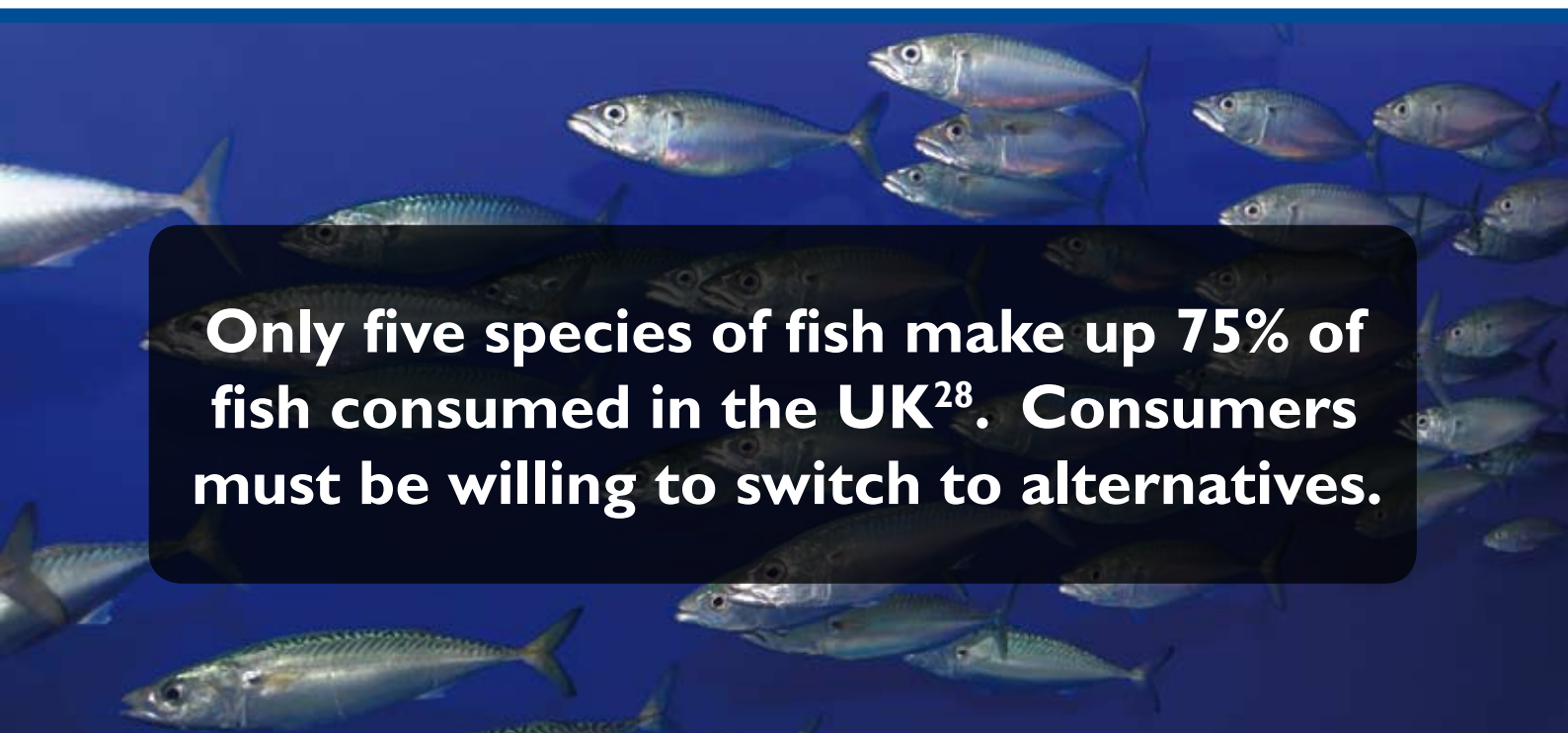
What is the Government's role?

The UK Government is taking an active role in the reform of the CFP. While the BRC and its members support progressive reform, we are extremely concerned about some of the implications outlined in the Common Market for Organisation (CMO), which is part of the CFP reform package. Of particular concern is a proposal to label 'date of catch' on fish products. With the majority of consumers unsure of the difference between 'Best Before' and 'Use By', there is a real danger that the "date of catch" proposals will end up replacing discards at sea with discards at the counter.

A more co-ordinated approach on labelling across sectors would help to reduce food waste and to prevent consumer confusion.

Commitment

A collective commitment has not been set as part of this initiative. This issue is being covered for the first time in this progress report.



Only five species of fish make up 75% of fish consumed in the UK²⁸. Consumers must be willing to switch to alternatives.

Commitment

A collective commitment has not been set as part of this initiative. This issue is being covered for the first time in this progress report.

TIMBER

Over the last decade, around 13 million hectares of forest were lost each year²⁹. Illegal logging is an important cause of this deforestation, particularly in developing countries where it undermines good governance and the legal trade timber, causes environmental damage, and costs governments billions of dollars in lost revenue. As of March 2013, when the European Timber Regulation (EUTR) enters into force, it will be a criminal offence to import wood and wood products that are illegally sourced into the EU.

What are retailers doing?

Many BRC members have been purchasing responsibly sourced timber for a number of years through their responsible purchasing policies or third party certified product.

To ensure compliance with the EUTR, a group of BRC members are working together to develop a Due Diligence Guidance document, which will outline the basic standards for compliance with the regulation. This document will be circulated to the broader BRC membership to support them to comply with the regulation.

What is the Government's role?

The EUTR will increase market demand for legally sourced products, sending a clear message to suppliers and producers, who will have no choice but to respond to legal requirements. Although the regulation does not directly address sustainability of production, it restricts deforestation in primary forests and in biologically sensitive areas. Responsible procurement practices will help to drive the broader aspects of sustainability.



The world's forests are essential to combat climate change and to provide goods and services vital to human well-being

3.3.2. SOURCING STRATEGICALLY: CLOTHING

For raw materials like wool and cotton, there are no global platforms or regulatory frameworks in place to help retailers source more sustainably. As a result, retailers are working together to create a unified voice (and subsequently increase collective market demand) for more ethically produced materials. Due to complexity in the supply chain and the mixing or blending of raw materials post-farm gate, it is difficult (and costly) to establish clear traceability back to the farm level.

What are retailers doing?

Individual retailers are working to increase their use of more sustainable types of cotton such as Fairtrade, Organic and Better Cotton Initiative.

To address broader aspects of sustainability in the global cotton and wool supply chain, the BRC and its members are working to:

- Develop policies and action plans through consultation with NGOs and other industry bodies.
- Encourage the eradication of child labour and the long term phasing-out of a practice known as mulesing in the wool industry.
- Educate stakeholders and share examples of best practice across the supply chain.

Retailers have come together with other stakeholders in the supply chain as part of the Sustainable Clothing Action Plan convened by WRAP. This initiative is addressing environmental challenges across the clothing lifecycle in a systematic way, from production to use and disposal.

What is the Government's role?

Through the Sustainable Clothing Action Plan, the Government is now working with almost all high street retailers and other actors in the supply chain to improve the sustainability of clothing. The initiative helps to share best practice across the supply chain, with specific focus in four project areas: design, measurement, impacts in product use and reuse and recycling.

The BRC supports engagement with the entire supply chain as a means to develop and deliver more comprehensive and effective solutions.

Commitment

A collective commitment has not been set as part of this initiative. This issue is being covered for the first time in this progress report.

The Sustainable Clothing Action Plan (SCAP) is a collective initiative aimed at reducing the environmental footprint of clothing. As part of SCAP, BRC retailers are actively working with the supply chain, including:

- recyclers and collectors to improve the collection of unwanted clothing;
- detergent manufacturers to reduce the impact of cleaning clothes; and
- designers and manufacturers to reduce the impact of sourcing by changing sales mix.

A key challenge is to respond to consumer values and priorities, while reducing supply chain impacts, cutting energy bills and ensuring clothing is reused for preference. SCAP is also exploring the potential of alternative business models such as hiring and buy-back of used clothing to reduce the overall demand for new materials.

Richard Swannell, Director of Design and Waste Prevention, WRAP



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3.3.3 VOLUNTARY INITIATIVES: PALM OIL AND SOY

Commitment

A collective commitment has not been set as part of this initiative. However, individual BRC members sourcing palm oil have pledged to increase the quantity of sustainably sourced palm oil for their own label products to 100% by 2015 at the latest.

Potential effects of palm oil³⁰ and soy³¹ production include the deforestation of high conservation value forest, conversion of peat land and conflicts with local communities over resources and land rights. To minimise negative impact, significant investments are required at the farm level to increase the availability of sustainably produced palm oil and soy.

UK retailers have limited opportunity to influence global production of these commodities. For example, EU demand for palm comprises 10% of global demand, with the UK market below 1.5 per cent³². For soy, the market is even smaller with the UK importing less than 0.5 per cent of the world's annual crop of soy beans and soy oil³³. In order to transform the market and provide producers with greater incentives to invest in social and environmental production practices, major global buyers need to demand more sustainable palm and soy, creating a critical mass in the market.

Progress

BRC supermarkets are sustainably sourcing 70% of palm oil used in own label products, 30% of which is certified palm oil.

RSPO's vision is to transform the market to make sustainable palm oil the norm. RSPO's commitment is not only focused towards encouraging sustainable production of CSPO, but also bracing the marketplace on the demand side. Hence, a significant increase in market commitment towards the uptake of CSPO is a key current priority for the RSPO. The uptake has been steadily increasing from 25 per cent in 2009 to 46 per cent in 2010, but we acknowledge that it continues to require accelerated commitment.

Retailers play an imperative role in this transformation. In the UK, a significant number of retailers have committed to sourcing 100 per cent CSPO ingredients in their products by dates ranging from 2012 to 2015. We see this as an encouraging progress which beyond a pledge, requires clearly mapped out, step by step specific measures leading towards this goal.

Darrel Webber, Secretary General, RSPO



What are retailers doing?

In order to access sustainably sourced palm oil and soy and to influence the supply chain, BRC members are working together through international initiatives such as:

- *The Roundtable on Sustainable Palm Oil (RSPO)*³⁴ and *Round Table on Responsible Soy (RTRS)*³⁵ - These roundtables were developed to set and promote standards on sustainable production and to stimulate trade in certified product.
- *Retailers Palm Oil Group (RPOG)*³⁶ - Attended by a group of BRC members and European retailers to engage directly with the RSPO.

Despite collaboration with other European and international retailers, BRC members remain a minority voice. As a result, progress towards increasing availability of sustainable palm oil and soy remains slow.

What is the Government's role?

Retailers are voluntarily making commitments to the sustainable sourcing of palm oil and soya. Government could contribute to market demand through public procurement strategies and providing incentives by eliminating any barriers to trade for RSPO/RTRS.

A regulatory approach is not appropriate for these materials. UK retailers account for such a small proportion of the market that regulatory requirements on UK businesses would do little to change global practices. Policies should focus on capacity building, education and awareness raising, governance and transparency.

RTRS certified 420,000 tons of soy in its first year of operation. This volume, even if small compared to global production (+200 million tons), marks a success in terms of showing possible responsible production of soy in South America. By 2015, our objective is to increase production to 6-8 million tons but evolution will depend not just on farmers push but mainly on buyers pull.

Retailers, as end sellers, have a significant role in creating demand. Many important UK and Europe companies have chosen RTRS as the platform to discuss and build a mainstream solution. While some retailers have already committed to RTRS solutions by fixed dates, there is a need for group movement toward this “qualified” demand and to start working together with their supply chains to convert the market.

Agustín Mascotena, Executive Director, Round Table on Responsible Soy





Section 4

Supporting Government to meet its objectives

Each of the UK Governments have set themselves ambitious environmental objectives.

Targets have been set to reduce UK carbon emissions by 34 per cent by 2020 and 80 per cent by 2050³⁷.

Recycling targets have been set in each of the UK nations, from 45 per cent by 2020 (Northern Ireland) and 50 per cent by 2020 (England), to 75 per cent by 2025 (Scotland and Wales).

Retailers are a key delivery partner for the UK's Governments if their environmental objectives are to be met. For UK carbon emissions, the direct impact of the retail sector comprises around 3.5 per cent, the impact of the retail supply chain is over 30 per cent, and direct emissions from homes are 28 per cent³⁸.

SUPPORTING GOVERNMENT

Commitment

We will engage in the public policy debate and support the Government in meeting its climate change goals.

Progress

ON TARGET

The BRC and individual retailers are working closely with Government to deliver shared environmental objectives. Substantial progress has been made by the sector to reduce waste and carbon emissions, as outlined throughout this report.

If the UK Governments are to meet their environmental objectives, it is vital that the retail sector delivers. As demonstrated by the depth and breadth of action outlined in this report, retailers are already making significant contributions by working collaboratively with competitors, suppliers, consumers, NGOs, think tanks and other industries. To go further still, the sector needs the support of all four UK Governments as well as constructive policy at a European level.

The role of Government Policy

To deliver environmental objectives effectively, Government policy should support retailers' long term sustainability strategies. The most effective policies are joined-up, based on sound evidence, encourage innovation and ensure UK businesses remain competitive internationally. Good regulation establishes a level playing field, provides business with the appropriate level of incentive to take responsible actions and sets long term certainty, giving businesses confidence to invest.

Effective policies should work with the grain of business, incentivising and rewarding businesses to adopt environmentally responsible actions.

The Government's *Plan for Growth*³⁹ makes clear that decarbonising the economy provides major opportunities for UK businesses. *Enabling the Transition to a Green Economy: Government and Business Working Together*⁴⁰ provides a clear picture of how the Government intends to work in partnership with business to stimulate environmentally sound economic growth. The BRC supports the principles set out in both of these reports; they should be applied when developing public policies across all government departments.

Areas for action

This report looks at climate change mitigation and adopting sustainable approaches to business. Key areas where the retail sector fits in are energy, sustainable consumption and production and waste. Policy that addresses these issues should help us deliver in areas where we have most influence.

- **Energy** - Energy policy needs to focus on delivering the required behaviour change rather than focusing on revenue generation. Carbon charges should be transparent, allowing energy users to understand the total costs of energy they are using. This is a powerful mechanism to drive energy efficiency improvements, especially in light of rising energy costs. The Green Deal provides an exciting opportunity to radically reduce the environmental impact of buildings in the UK. Investment in renewable energy generation requires significant resources upfront, with benefits being realised over the longer term. A consistent and long term policy outlook will provide the confidence to business to invest.
- **Sustainable consumption and production** - The BRC encourages the Government to take a lead at a European level to deliver a comprehensive consumption and production strategy. This should take a long term outlook to develop a healthy retail sector and supply chain, as well as delivering security of supply. We hope that the Green Food Project will build on the evidence base developed under Food Matters and Food 2030 to deliver a sustainable food strategy in the UK which can be championed on the European and International stage. We are also positive that the Product Sustainability Forum will deliver improvements in product sustainability.
- **Waste** - The Landfill Tax escalator provides an example of effective policy that has enabled businesses to meet waste management goals. It provides a financial incentive to businesses to reduce waste to landfill as well as providing long term certainty to the waste management industry, facilitating investment and innovation creating new jobs and services (see page 20).

The BRC will continue to work with each of the UK Governments to develop effective policy that facilitates progressive action from the retail sector.

CHANGES TO THE FEED-IN-TARIFFS IMPACT SOLAR ENERGY INVESTMENT PLANS



In March 2011, ASOS moved into a new state of the art fulfilment centre in Grimethorpe, Barnsley. As well as being a more energy efficient building, the roof space provided ample opportunity to install solar panels. After months of conversations between ASOS and potential partners, the plan was put on hold after the government introduced changes to the Feed-in-Tariffs.

The uncertainty has made it very difficult to make long term investments in this area. It has led companies to question the government's commitment to a long term alternative energy strategy and its role in moving to a more sustainable economy.

SOME EXAMPLES OF EMBEDDING SUSTAINABILITY

SUSTAINABILITY 2.0 STRATEGY

Asda's Sustainability 2.0 strategy is integrated across the business. The company has rethought the existing simple payback model of 'x years' for key environmental business decisions to ensure the right investment decisions are made. Initially Asda simply increased the standard payback model by a year for renewables or carbon reduction projects. This helped bridge the gap but was not scientifically rigorous. Asda subsequently identified a shadow price of carbon with the Retail Finance Director to assist future decision making. Asda embedded a shadow price of carbon into all carbon mitigation investment decisions in the first half of 2011.



INTEGRATING SUSTAINABILITY INTO PROCUREMENT

Sainsbury's 20 by 20 Sustainability Plan comprehensively redesigns their approach. All aspects of the business take responsibility for embedding sustainability into their operations and ways of working.

For example, Sainsbury's has successfully embedded sustainability into their agricultural development groups (see page 45) and is taking a similar approach in buying 'goods not for resale' (GNFR). The Sainsbury's Procurement team has developed a GNFR Sustainability Tool for buyers, incorporating sustainability alongside price and availability. Key sustainability risks are incorporated, such as carbon, water, waste and sustainable materials and commodities, and aligned to the 20 by 20 targets and best in class examples.



CARBON REPORTING TOOL

The Booksellers Association has developed a Carbon Reporting Tool to enable individual book retailers and publishers to measure and compare their Green House Gas Emissions (Scope 1 and Scope 2 – with an optional Scope 3). The reports generated by the web tool follow Defra reporting guidelines.

Individual businesses receive a report showing their own performance using turnover as the intensity ratio. The data is also used to generate a rolling average figure indicating how the bookselling and publishing sectors are faring against industry targets.

More information is available at <http://www.green4books.org.uk/EAGWebtool/>



ETHICAL OPERATING PLAN

The Co-operative, via its Ethical Operating Plan aims to be the UK's most socially responsible business. The Plan contains 47 targets, within eight focal areas such as protecting the environment, which together deliver this aim.

The Ethical Operating Plan is integrated into the financial operating plan - placing ethical and environmental issues on the same footing as other business priorities, guaranteeing financial resources allocation and ensuring sustainability and social responsibility are at the heart of its operations. The Plan runs on a three year rolling programme and is revised annually, being benchmarked against competitors, to ensure that it remains cutting edge and continues to deliver its aim.



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THE REPORT



A *Better Retailing Climate* was launched in 2008, setting out the retail sector's collective environmental ambitions. A group of leading retailers, accounting for 52% of UK retail by market value signed up to the commitments.

Each year, the British Retail Consortium (BRC) reports against the commitments set out in the original initiative, demonstrating how quickly the sector is making progress and outlining the journey the retail sector is taking towards environmental sustainability.

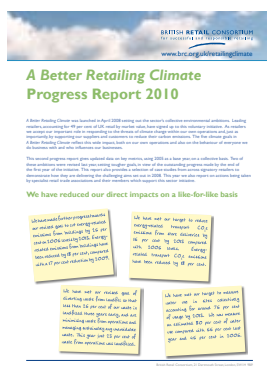
Our third progress report, *Towards Sustainable Retail* builds on the initial commitments made on climate change and captures elements of more significant change as the sector takes steps to embed sustainability at its core. As a result this year's progress report incorporates a broader range of sustainability challenges the retail sector faces.



The report examines the actions that have reduced direct environmental impacts and considers the changes that will be required to meet the longer term challenges. It also looks at ways in which retail can work with its supply chain partners and support its customers to reduce their environmental footprint. A range of innovative and best practice approaches have been highlighted to demonstrate the depth and breadth of action taken to date.

Commitments have only been made for certain areas. We have highlighted those areas where collective commitments have not yet been made as part of the initiative.

This report will be a useful reference outlining the approach taken by the retail sector to embrace sustainable business practices.



ABOUT THE BRC

The British Retail Consortium (BRC) is the lead trade association representing the whole range of retailers, from the large multiples and department stores through to independents, selling a wide selection of products through centre of town, out of town, rural and virtual stores.

BRITISH RETAIL CONSORTIUM
for successful and responsible retailing

The BRC is the authoritative voice of retail, recognised for its powerful campaigning and influence within government and as a provider of excellent retail information.

This report is available online at www.brc.org.uk/retailingclimate. Further information is also available, including a full explanation of the methodology.

THIRD PARTY COMMENTATORS

The BRC would like to thank the following for their comments:



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for successful and responsible retailing



www.brc.org.uk

For further information, please contact
Bob Gordon
British Retail Consortium
21 Dartmouth Street
Westminster
London
SW1H 9BP
020 7854 8945
bob.gordon@brc.org.uk