

From BUSINESS to SOCIAL Leadership ON FOOD WASTE

WHEN NEW STORE OPENINGS ARE GREETED with street protests from local communities, you know you've got a reputational issue. That was the situation facing Tesco when we started working with them in 2012: The company had grown into one of the world's biggest food retailers, and yet was criticized for misusing its left—trampling over local independent retailers, bullying suppliers and farmers, and generally using its scale to squeeze more profits from customers.

Our advice was: If the source of people's concern stems from the sheer size of the company, we need to show that this scale can be used positively. It's a common story: As a company grows, so do its impacts. Tesco's brand slogan, "Every Little Helps," was ringing hollow, and so we suggested an accompanying corporate mission: "Scale For Good"—a commitment to use the company's size as a positive force.

We looked for a dramatic way that Tesco could convincingly use its Scale For Good—a big global challenge this big global company could take on. Our "issue mapping" exercise identified a major problem that had not yet seriously caught public attention, and one that Tesco was perfectly placed to tackle: food waste.

It was an exciting moment. We realized Tesco had the opportunity to become the leader in the fight against global food waste. We knew it was only a matter of time before it became a hot topic, and that Tesco had a chance for leadership in a literal sense: It could help to put the issue on the agenda, and be the first major company to seriously take it on.

Tesco's leadership embraced it. Food waste is a systemic challenge and the company was one of the three largest players in the global food system. Only by working with actors along the entire value chain could any progress be made—and Tesco had the scale and reach to do this. And since food waste wasn't an issue people were talking about yet, taking bold action would grab people's attention—and enable the company to be a catalyst to action.

A behind-the-scenes look at developing a powerful leadership campaign across the global food system, by Lucy Parker and Jon Miller, founding Partners of Brunswick's Business & Society offer.

Tesco's food waste campaign has blossomed into one of the great social value programs in the corporate world. The issue has since become a mainstream public concern and Tesco is a recognized leader. Dave Lewis, CEO from 2014 to 2020, went on to become chair of the global task force for delivering the UN Sustainable Development Goal on food waste.

Particularly striking to us is that, while society's expectations have clearly intensified since the campaign began in 2012, the steps on the journey from business leadership to social leadership remain the same:

Start within the business. Step one for any business is focusing on the issue internally. That's what Tesco did. Already strong at managing in-store food waste, the company leaders knew they could do even better. The company collected an enormous amount of data to pinpoint where the waste was showing up. That informed innovations regarding how Tesco processed, packaged and promoted their food. As employees saw how seriously the company was taking this issue, they became more serious themselves—it became a genuine source of pride internally and employees took ownership of the initiative in their own communities.

Go beyond the business. Tesco may be a huge company but it's still only a sliver of the global food system. Improving its operational performance was an important first step, but leading on the issue systematically required going beyond the business and working across its value chain—from "farm to fork." It set about engaging and partnering with farmers, suppliers, and customers to map the waste and reduce it.

Advocate for change. Even the most well-crafted campaigns flounder without committed leadership from the very top. Tesco's executives took the issue of food waste out into the public arena. They did more than just describe what Tesco had done; they called for others in their industry to follow their lead and for suppliers to publish their waste data.

Make a bold first move. In 2013 Tesco became the first supermarket to publish its own food waste data. It established a new level of transparency and provided the baseline for improvement. It was a breakthrough moment, for the business and the industry. The World Wildlife Fund wrote that other retailers should follow Tesco's lead and take food waste more seriously. For Tesco's leadership, it was an unusual experience—people were reacting positively about the company.

A year later, Dave Lewis joined the company as CEO, and he took the efforts on food waste—as a leader, and as a business—even further. In our 2020 interview with Lewis, his call to action at the global level echoed the message we'd helped Tesco deliver in 2013: To drive real change, companies and

“It was a breakthrough moment, for the business and the industry.”

governments need to publish their food waste data.

This campaign embodies Brunswick's long-held belief that there's only one way out of a reputational hole—lead. This is about much more than mitigating risk or getting off the back foot—it's about making a genuine impact on a tough challenge. That requires more than tightening performance within your own business; it demands dealing with the systemic nature of the challenges. If you take on a societal issue with this sort of spirit, you transform a reputational risk into a leadership platform.

That was the essence of our campaign with Tesco, and it's what we still do now: help companies find new ways to apply their scale, resources and expertise to demonstrate they are creating financial value hand-in-hand with social value. ♦

when we can't produce enough food for the people on the planet but we're wasting one-third of what we produce.

People are also now waking up to the fact that greenhouse gasses coming from food waste and loss are 8 percent of the total. Just to put that in context, the climate impact of that is a great deal more than aviation.

So, whether you come at it economically, socially or ethically, I see lots and lots of reasons that tackling food waste matters.

Dave Lewis became CEO of the international retailer Tesco in 2014, a business that in 2019 generated an annual revenue greater than Coca-Cola and GlaxoSmith-Kline combined. Lewis, who stepped down as CEO in late 2020, helped orchestrate a strategy to tackle food loss and waste right across the business, an approach that engaged farmers, suppliers, employees, customers and communities.

It was this effort which led Lewis to be invited to chair Champions 12.3, the global coalition working to halve food loss and waste “from farm to fork” globally by 2030. The pandemic has thrown the systemic nature of food waste into sharp focus: images of rotting food in supply chains alongside reports of families facing food shortages and hunger.

Brunswick's Lucy Parker, who worked with Tesco at the outset on their food waste strategy, spoke with Lewis ahead of the Champions 12.3 Summit 2020, where he advocated for food waste reduction to be seen as part of the global response to the twin crises of climate change and COVID-19.

How do you define the food waste challenge?

Let's establish some of the facts to start with. An astonishing one-third of all food that's grown globally gets wasted. According to the World Resource Institute, that's 1.3 billion tons of food each year. But the issue is bigger than the food wasted; it's about inequality, with paucity in one place and excess in another: One in nine people go to bed hungry while that food is wasted, and there are also 2 billion people with excess calories in their diet.

Look at it economically: \$940 billion of value is destroyed. That's not a very smart thing to have happen. And it's going to get more challenging

Leading the fight against

How have you driven performance inside Tesco?

Consider that Tesco sells about 10 million tons of food a year and we have thousands of fresh and perishable food items. Getting supply to match demand every day for every product in every store is nigh on impossible. So, you're always going to either have a shortage or surplus of something, as a function of the business. Our waste in store is 0.42 percent and, compared to international performance, we're absolutely the best. But that's still a huge amount of food: 41,000 tons of food wasted annually, right?

How did you go about tackling it?

We started by mapping the food chain end-to-end, post-harvest to consumption. Then getting to that best-in-class food waste performance in the business is all about the supply chain: demand planning, distribution, storage.

We now have our own weather forecasting

Global Food Waste

capability, for example, in 26 different regions in the UK and use that to manage demand so we don't push produce where it's not relevant. When the sun will shine in Cornwall and not in Scotland, we have the ability to increase the amount of berries going into Cornwall. In the past, we would have just distributed to all stores equally. Now, with our main suppliers, we decide on a daily basis which field to harvest. We can be much more specific and reduce the waste. There's a lot now that happens like that and many examples I could give you.

That work represents significant operational change. Why would you do this?

Honestly, I think the answer to your question is why wouldn't you, right? In my induction at Tesco, I worked in stores to understand the business and I got to see that, after trying to manage products that are about to hit their use-by date, at the end of the



While CEO of Tesco, DAVE LEWIS raised the bar on waste at one of the world's largest food retailers. Now Chair of the Champions 12.3 coalition on the UN's Sustainable Development Goal 12, he's galvanizing the world to act.

By Brunswick's LUCY PARKER.

day you get to a point where they're not going to be sold. Legally, you're not allowed to sell them. They go in the tip at the back of the store and they're wasted. Before I came into retail, I'd worked and lived half my life in places where food is scarce. If you've got that as a background, watching that waste happen just feels completely wrong. So, I think the question is why as a retailer would you allow that to happen?

Commercially and economically, you'd want to minimize that waste. Then when you accept that in your business model you're always going to have this issue of managing surplus or shortage, you start to think from a broader social value point of view, what can you do about that?

Where is the waste in the system?

Very little of it is in retail. The majority is either before it gets to the store or once it leaves the store. But the nature of food loss and waste varies around the world. In economically developing countries, you see more food loss “closer to the farm,” during production, handling and storage. Yet in economically developed countries, you see more food waste “closer to the plate,” at the consumption

stage—that’s where 58 percent of the waste happens in North America, for example, and 42 percent happens in Europe. That’s in people’s homes. So that’s about addressing consumer behavior, right?

Changing consumer behavior is notoriously hard. Do you believe your consumers care about food waste?

Whenever you talk to consumers, nobody’s happy about the fact that they waste food. But in the way that people actually live their life, it’s not uppermost in their mind for most people, no.

But if you think about your question, it presupposes that consumers completely understand everything about it. And they don’t. These are not things consumers should know or would want to know. We don’t need them to know everything about food waste. But if we were able to talk to them about it, what would they want us to do? We think that if consumers knew what we know about it, they would want us to do what we’re doing. It’s too easy to say consumers don’t care. Actually, I think consumers look more and more to businesses and brands like ours to be responsible on their behalf.

But is there anything you can do to influence consumer behavior meaningfully?

The critical thing is, what actions can we take to help them change their behavior to avoid waste? There

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are practical things: We can change the promotional plan, change the packaging and drive education.

We used to have a program to drive volume in fresh produce, for example, where consumers could buy two lettuces, say, and save 25 percent, or “Buy one, get one free.” That means consumers take two home when they really only ever needed one and they find themselves throwing the other out. Our promotional program was driving food waste. So, we changed that promotional program and moved towards a policy of everyday low price.

Do employees care about food waste?

Absolutely, they do. Of course, when you start on something like this, you’re changing routines so, for people in the business, it starts as more work. Then you get it into the routine; everyone learns to manage it. So, our rates of food waste operationally have become really very low.

Beyond that, what’s most powerful for colleagues in-store is seeing that food that would be wasted is being donated to projects in their own communities. We have a partnership with FareShare to distribute to 7,000 local community projects at the end of each day. You often hear of colleagues dropping it off the on their way home. As a result, colleagues drive this initiative. There’s definitely a cost to delivering it but, if I were to try and take this out of the business today, there’d be a mutiny. It’s taken on a life of its own.



“You have to understand where food is wasted before you can tackle it. You have to know where to find the hotspots from farm to fork. And you have to share what you know. We’re clear that individual companies publicly measuring and reporting on food waste and loss is critical.”

It makes it easier to identify where we need to work together to take action. And it helps to demonstrate that businesses can be trusted to do the right thing. And crucially, it’s the only way we’ll know whether the world is on course to reaching Sustainable Development Goal 12.3.”

David Lewis, in 2018

Tackling FOOD WASTE Across the Value Chain

Almost 98 percent of food waste in the UK (figures below) happens outside of retail operations—either before products reach stores or after they leave the shelves. That’s why farmers, suppliers, employees, and customers are part of Tesco’s strategy.



SUPPLY CHAIN

Manufacturing: 1.5 Metric tons of waste
Agriculture: 1.6 Mt of waste (indicative)

- Insight
- Specifications
- Forecasting & ordering
- Processing
- Redistribution

IN THE BUSINESS

0.28 Mt of waste

- Retail operations
- Hot spots
- Redistribution

HOUSEHOLD

6.6 Mt of waste

- Date coding
- Shelf life
- Promotions
- Packaging
- Marketing
- Education

Source: UK WASTE FIGURES PROVIDED BY WRAP

So it works at different levels. Colleagues in-store get really involved with the food donation part. Meanwhile, we work across the whole value chain in partnerships with suppliers. These are all parts of a systematic approach.

Outside your role as CEO of Tesco, you’re Chair of the global network of Champions 12.3 for the UN’s Sustainable Development Goal on food waste. How does that work?

Because of our experience in Tesco, I was approached a few years ago to chair Champions 12.3. We set up a coalition of about 30 leaders from business and government. The idea was to represent the entire food chain, getting expertise right from primary agriculture all the way through to food science and consumption behavior. I think the reason it’s worked well so far is that we’re aligned around the methodology: Target, Measure, Act.

The first point, target, is clear: Every country and company involved in the food supply chain should get behind and adopt SDG 12.3—to halve food waste globally—as their own. Then governments

“We urgently need more companies and more governments to set targets and measure and to take bold action—that will enable us to move much faster at scale.”

and companies should quantify these efforts, track them, and report them publicly. Informed by those insights, they should take action.

From that Target, Measure, Act model, what kind of action are you seeing?

Every year at our Summit in September, we showcase the actions that have taken place from any of the players in any part of the food chain to share best practice. At the last Summit, we announced 10x20x30. That’s the 10 leading retailers around the world committing to work in this way with their 20 largest suppliers in order to deliver the 2030 goal.

Because everyone’s measuring in the same way, you get a huge amount of cross-learning. And sharing the real challenges they’re facing as well, and we’re working with the World Resources Institute on what can be done to move forward on those.

Champions 12.3 focuses action on “hotspots.” Can you give me an example?

Rice is a good example. More than half of the world’s population consumes it several times a

PHOTOGRAPH: JACK TAYLOR/GETTY IMAGES

CHAMPIONS 12.3 is chaired by Dave Lewis.

It's a coalition of more than 30 private and public sector leaders focused on system-wide change to accelerate progress toward the United Nation's **SDG Target 12.3**: "to halve per capita food waste at the retail and consumer levels and reduce food losses along the production and supply chains, including post-harvest losses."

THE GLOBAL PROBLEM

1/3 OF ALL FOOD GROWN GLOBALLY IS WASTED, CONTRIBUTING TO TWO OF THE WORLD'S GREATEST CHALLENGES:

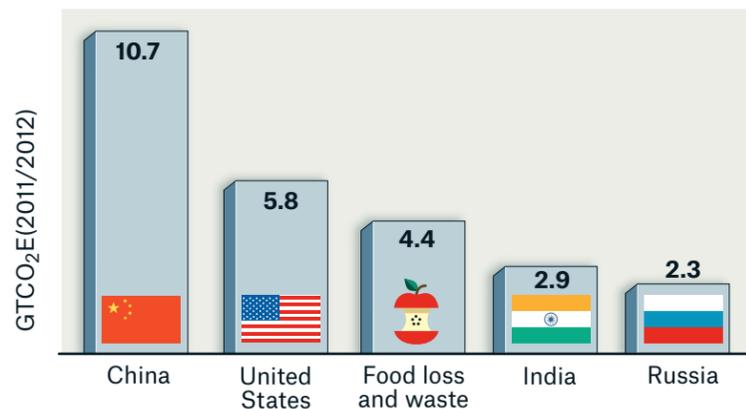
1. INEQUALITY

1 in 9 people, more than 1 billion worldwide, are **undernourished**

2 BILLION are overweight or obese

2. CLIMATE CHANGE

If food waste were a country, it would be the third-largest GHG emitter in the world, behind China and the United States.



Source: CHAMPIONS 12.3

Food waste accounts for **8%** of global GHG emissions

CHAMPIONS 12.3 STRATEGY CALLS ON ALL BUSINESSES AND COUNTRIES TO:



GRAPHIC SOURCE: CHAMPIONS 12.3

BUSINESS CASE

For each **\$1** invested... **\$14** of financial benefit realized

Source: CHAMPIONS 12.3, "THE BUSINESS CASE FOR REDUCING FOOD LOSS & WASTE"

ANALYSIS OF 700+ COMPANIES and 1,700 SITES in 17 COUNTRIES FOUND:

- **99 PERCENT** OF SITES EARNED A POSITIVE RETURN ON INVESTMENT
- **14:1** MEDIAN BENEFIT-COST RATIO
 - Sites with the highest returns tended to be restaurants, hotels, and food service companies
 - Food retailers mostly had ratios between 5:1 and 10:1

BUSINESS ACTION

OF THE WORLD'S 50 LARGEST FOOD COMPANIES:

- More than 2/3 have set targets in line with SDG 12.3
- More than 40% are measuring their food loss and waste
- 1/3 are reducing waste at scale in their operations

TARGET	MEASURE	ACT
<p>In 2018, TESCO announced that 10 of the world's largest food brands had set targets to halve their food waste by 2030.</p> <ul style="list-style-type: none"> • GENERAL MILLS • WHITWORTHS • UNILEVER • COCA COLA • LRSUNTORY • PRINCES • MARS • NESTLÉ • PEPSICO • KP SNACKS 	<p>In 2019, those 10 brands published their food waste data in line with Champions 12.3's best practices, as did KELLOGG'S.</p> <p>OLAM, one of the world's largest agri-businesses, partnered with an academic institution to measure how much rice is lost in its rice farms and supply chains in Nigeria—and published those findings.</p>	<p>THE 10x20x30 INITIATIVE was launched in 2019, with the world's 10 largest food retailers and providers each pledging to enlist 20 priority suppliers in working to halve food loss and waste by 2030.</p> <ul style="list-style-type: none"> • AHOLD DELHAIZE • CARREFOUR • IKEA FOOD • KROGER • METRO AG • PICK N PAY • SAVOLA GROUP • SODEXO • TESCO • WALMART

PUBLIC-SECTOR RESPONSE Governments representing ...

50 PERCENT of the world's population have set a national **TARGET** in line with SDG 12.3

12 PERCENT of the world's population are **MEASURING** food loss and waste

15 PERCENT of the world's population are **ACTING** at scale

GRAPHICS: PETER HOEY

day. The livelihoods of 144 million small farmers depend on it—and it generates 16 percent of the GHGs originating from agriculture. But post-harvest losses are high. So, in 2019 the Sustainable Rice Platform, which is made up of the largest rice producers in the world, committed to the Champions 12.3 strategy, and also to halve post-harvest rice loss and waste by 2030. Achieving that could make a real difference to food security, farmers' incomes—and climate change.

Globally, is there enough action to meet the food waste goal?

No, not yet. While much of the good practice that's

needed to achieve this exists out there, the commitment to action isn't. We urgently need more companies and more governments to set targets and measure and to take bold action—that will enable us to move much faster at scale.

You've made publishing data on food waste your call to action for Champions 12.3. Why is that your rallying cry?

For a systems approach, you have to have an element of transparency and consistency. The whole idea about publishing data is that you have the basis to share best practice.

People don't like to publish because it attracts scrutiny. It's painful initially, but we must. At Tesco, we were the first in the industry to publish our food waste data some years ago. Now all the grocers in the UK have signed up in principle. Publishing is still voluntary, but it's so important that we want government to make it mandatory.

Isn't it counter-intuitive for you as a business leader to be calling for regulation?

We need it or we can't get at the problem. I'd like every company and every government to publish their data on food waste—and publish on the same metrics. Regulation can make that happen.

Do your investors see this differently, with the rise of ESG?

We did a full capital markets day last year [2019] focused on ESG. We had a massive turnout. And people began to understand the business differently. We've all spent years measuring the reduction of negative impact. I'm not at all against that. But it only gets you to a certain place. So we're trying to move on from only measuring impact to thinking about it through a measure of dependence. When I think about the dependence of the business on soy, for example, I have to get intimately involved in how to maintain long-term value and create resilience. Then you start coming to different answers.

Originally, businesses were created as an economic vehicle to manage risk. It's in the language: limited liability. Now part of that risk is managing a broader set of stakeholders and issues. If I don't get involved and I keep my head down, that's not managing risk, that's avoiding it.

The way that I position it to the City is your investment in Tesco is dependent—key word: dependent—on a responsible sourcing strategy. If I don't source responsibly, I destroy that supply chain and weaken your investment in the long term. ♦

TESCO • FareShare • FoodCloud

Taking local community partnerships to scale



In 2016, Tesco set the goal that no food still safe to eat should be wasted. That became the basis of its Community Food Connection program.

The program's story began with two social entrepreneurs in Dublin, who had developed an app called FoodCloud, which helped local stores and restaurants donate food to charities and community programs.

Tesco got behind it and decided to invest in it to scale it across its UK operations.

The company brought another non-profit partner, FareShare, into the program. FareShare matches Tesco stores with local charities and community groups, while FoodCloud provides the technology that links the company with those groups and charities.

Every day, Tesco employees use FoodCloud to alert local community organizations what food is going to be available for them to collect.

There are 7,000 projects running and it's live in every Tesco store across the UK. In 2019, Tesco reported that 85 percent of food that would otherwise have been wasted was redistributed into local communities.

Because it relies on open-source technology and is available to all food retailers—some of whom have already adopted the platform—the program is now expanding beyond Tesco.