

Sainsbury's Sustainability Update 2020/21



J Sainsbury plc

Welcome

Offering delicious, great quality food at competitive prices has been at the heart of what we do since John James and Mary Ann Sainsbury opened our first store in 1869. Today, inspiring and delighting our customers with tasty food remains our priority.

Our purpose is that driven by our passion for food, together we serve and help every customer.

Over 189,000 colleagues are integral to our success, now and in the future. Our colleagues who work hard every day to make our customers' lives easier and provide them with great products, quality and service.

Our customers care about wide-ranging, complex issues that impact them and our wider world. They trust us to be a responsible business, whether that's by supporting the communities we serve and source from, managing

our environmental impacts or contributing to a healthier, more inclusive society.

This is an update on progress against our Corporate Responsibility and Sustainability agenda in 2020/21.



Find out more at www.about.sainsburys.co.uk.

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Committed to Net Zero by 2040

189,000
colleagues

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60+
countries we source our own-brand products from

£35m
raised for good causes this year

14%
reduction in absolute greenhouse gas emissions within our own operations (against our 2018/19 baseline)



Committed to Net Zero by 2040

In his first year as Chief Executive Officer and a year on from launching our ambitious Net Zero by 2040 commitment, Simon Roberts reflects on our progress and how we're embedding sustainability across the business.



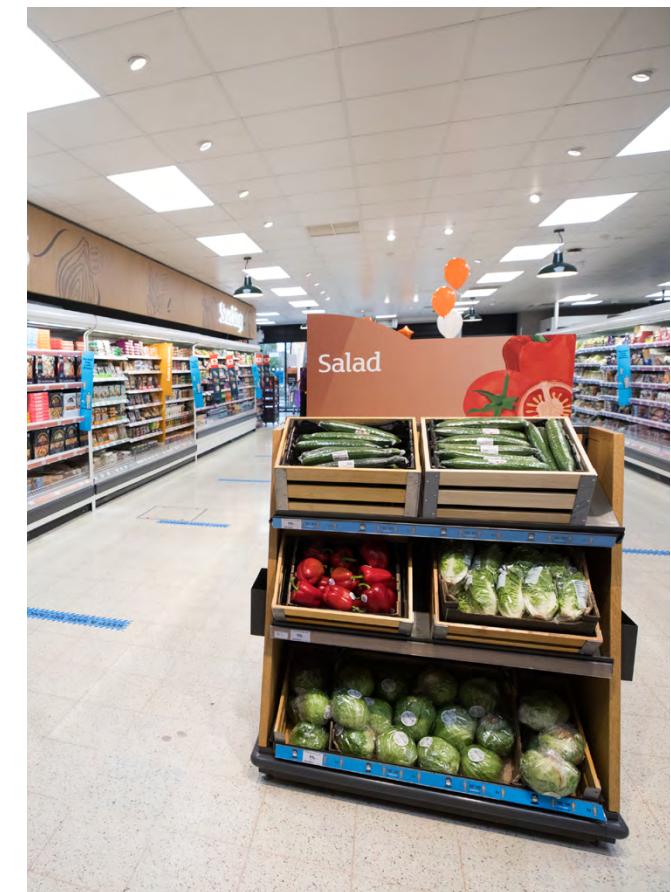
The past year has seen unprecedented change within the business and I'm proud of how we have adapted at pace in order to support our customers, colleagues and communities during the COVID-19 pandemic. Throughout the year we have had three key priorities: keeping our

customers and colleagues safe, helping to feed the nation and supporting our communities and those most vulnerable in society. I am delighted that we raised £35 million for good causes this year, which includes donations made to our partners Comic Relief and FareShare to support those severely affected by the pandemic. We also created an additional £1 million local community fund for stores in January and created a digital version of our instore Food Donation Programme.

Despite the level of change across the business this year, our sustainability commitments remain as important as ever. Last year we announced our commitment to invest £1 billion over 20 years to become Net Zero across our own operations by no later than 2040. In November we set out a plan to transform our business over the next three years, Net Zero by 2040 is a key priority for us and a central part of our plan to put food back at the heart of Sainsbury's.

We have also taken our Net Zero by 2040 plan further with the addition of an ambitious target across the value chain which requires the reduction of absolute greenhouse gas emissions by 30 per cent by 2030. Remuneration targets were also approved for the Board against priority pillars, further embedding our sustainability commitments into the business.

As part of our Net Zero by 2040 plan, we have set ourselves ambitious long-term goals that require fundamental change and we are making good early progress to reduce carbon emissions, food waste, plastic packaging and water usage and increase recycling, biodiversity and healthy and sustainable diets. Positive examples include where we've decreased our food waste by 16 per cent and reduced our absolute greenhouse gas emissions within our operations by three per cent, a 14 per cent reduction from our 2018/19 baseline, keeping us on course for our headline target.





However in areas like plastic, increased volume as a result of the pandemic impacted the amount of plastic we put into the market, despite continuing to drive our plastic reduction initiatives. From our varied results this year, we recognise the need to go further and faster working closely with our suppliers, but are confident that the activities and initiatives that have been implemented over the year across the business will support us in achieving our future goals.

We continue to make progress on being a truly inclusive retailer where people love to work and shop. This year we set new corporate objectives for diverse representation in leadership positions for the top 230 leaders and the next top 1200 leaders (beneath the top 230 leaders), with 2024 targets for female, ethnically diverse and Black representation. I'm pleased that 1,400 of our top leaders, including the Board, completed race fluency upskilling sessions this year, and we've continued to work on representation and transparency across the business, incorporating our ethnicity pay gap into our Gender Pay Report for the first time this year.

Our colleagues and customers care about wide-ranging, complex issues and we know that climate change is at the top of their minds. We recognise the enormity of the

issue and know the solution is through collaboration, therefore as we look to the year ahead, I'm really pleased we were chosen to be a Principal Partner of the UN Climate Change Conference, COP26, taking place in Glasgow in November 2021. An exciting moment for the UK where world leaders, climate experts and businesses will convene to collaborate on the challenges ahead. We will also be hosting our inaugural Environmental, Social and Corporate Governance (ESG) day for investors in June.

We have an exciting year ahead and we understand the scale of our business means we can make an important contribution to both society and the planet. We want to help everyone eat better and remain committed to accelerating progress across our ESG agenda so that we can drive lasting, positive change.



Simon Roberts
Chief Executive Officer



Net Zero by 2040

We have committed to investing £1 billion over twenty years towards becoming a Net Zero business across our own operations by 2040, aligned to the highest ambitions of the Paris Climate Change Agreement. We are implementing a programme of change, focusing on reducing carbon emissions, food waste, plastic packaging and water usage and increasing recycling, biodiversity and healthy and sustainable eating.

To support our commitment and to drive long-lasting and meaningful change, we will be supporting the UN Climate Change Conference, COP26, as Principal Supermarket Sponsor in the upcoming year and signed up to the UN's Race to Zero campaign, designed to accelerate the adoption of net zero targets ahead of COP26. We have also set remuneration targets for the Board against our key Net Zero by 2040 pillars to help drive business performance. More information on remuneration targets can be found in our Annual Report and Financial Statements 2021.

Sainsbury's



RACE TO ZERO



Carbon



Climate change and resource scarcity are complex, global challenges, which affect every part of our business. To grow our business sustainably, we are cutting carbon and maximising energy efficiency.



Net Zero by 2040

Last year we announced our commitment to invest £1 billion over 20 years to become Net Zero across our own operations by no later than 2040. This target includes Scopes 1 and 2, covering our direct and indirect emissions within our operations.

14%

reduction in absolute greenhouse gas emissions within our own operations (against our 2018/19 baseline)

Setting science based targets

This year we have taken our ambitious Net Zero by 2040 plan further with the addition of a Scope 3 target, which covers indirect emissions that

occur throughout our value chain. We want to reduce the environmental impact of our business and work with farmers, growers and suppliers throughout our supply chain to help them reduce theirs.

The Science Based Targets initiative (SBTi) has approved our Science Based Targets for Scopes 1, 2 and 3. For Scopes 1 and 2, these include the reduction of greenhouse gas (GHG) emissions from Sainsbury's own operations to Net Zero by 2040 in a bid to limit global warming to 1.5°C.

We worked with the Carbon Trust to define an ambitious Scope 3 target which requires the reduction of absolute GHG emissions by 30 per cent by 2030, to align to a well below 2°C scenario. The baseline is 26,663,081 tCO₂e (2018/19). The target includes reducing emissions from purchased goods, upstream transport and distribution, services sold and our customers' use and consumption of the products we sell. We have also

committed to working closely with our vast global supplier base to help them develop and then meet their own targets.

“

“We congratulate Sainsbury's for setting science-based targets consistent with limiting warming to 1.5°C, the most ambitious goal of the Paris Agreement. By aligning its goals with a 1.5°C future, and asking its partners to do the same, Sainsbury's is ensuring it builds resilience firmly into its business model and will be positioned to thrive as the global economy transitions to a zero emissions future.”

Alberto Carrillo Pineda
Director, Science Based Targets at CDP (one of the Science Based Targets initiative partners)





79%

of supermarkets fully upgraded with LED lighting (on track to install 100% by the end of 2021)

Cutting carbon emissions

The impact of the pandemic on our emissions has been substantial. We have seen a reduction of energy usage due to the closure of certain areas of stores such as cafes and counters and all of our office space. We have seen more fuel usage due to the rise of online shopping and an increase in the number of products going through our supply chain. Overall, we have reduced our absolute GHG emissions within our operations to 818,161 tCO₂e, a reduction of three per cent year-on-year and 14 per cent from our 2018/19 baseline, keeping us on course for our headline target. We continue to roll out our LED lighting programme, with 79 per cent of supermarkets already fully upgraded and we remain on track to install 100 per cent in our supermarkets by the end of 2021.

Following a successful trial, we are looking forward to rolling out five electric fridge trailers this year. These are the first

five to be used by in the UK and run on 100 per cent electric power, with battery charging at depot and an axle generating electricity to top up the battery when on the road.

Disclosure and transparency

We are proud to be recognised by CDP, an environmental impact disclosure system, for our environmental transparency. We were awarded an A rating for our climate change disclosure for the seventh consecutive year, the only UK retailer to have achieved this. We were also recognised by CDP as a Supplier Engagement Leader for our work engaging with our suppliers to tackle climate change.

A rating

for our CDP climate change disclosure, the only UK food retailer to achieve an A rating for seven consecutive years





Water

Water is the most precious natural resource on the planet. But, as populations increase, there's less of it to go around. We're doing our bit to tackle water scarcity by improving the efficiency of our water use across our operations, and are working with experts to implement water-saving initiatives. Through robust water stewardship, we are addressing and managing all areas of water vulnerability in our business as we aim for water neutrality by 2040.



Minimising water usage

This year we have seen a reduction in water usage of eight per cent year-on-year, to 2,776,288m³. This equates to a 14 per cent reduction from our 2018/19 baseline, keeping us on track to meet our commitment to minimise water use as we aim for water neutrality by 2040.



14%
reduction in water usage within our own operations (against our 2018/19 baseline)

Rainwater harvesting

We continue to rollout rainwater harvesting systems across our estate in order to recycle water. We currently have 120 rainwater harvesting (RWH) systems across our estate, and this year we installed our first micro RWH system in Balderton.

120
rainwater harvesting systems across our estate

Self-supply transition

We are reviewing every aspect of water across the business, measuring and lowering the amount of water used across our estate by as much as possible. We made the decision to transition to self-

supply so that we would have greater control over our water management, including meter readings, accuracy of data and future water reduction activities. Self-supply is where a customer buys water supply and wastewater services from the water company and provides their own retail services. In March 2021, we began the transition of our English estate to 100 per cent self supply.

A rating

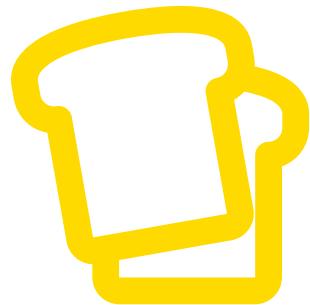
for our CDP water disclosure, for the second consecutive year



Disclosure and transparency

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Food waste

Around a third of all food produced for human consumption is lost or wasted, therefore we're working to reduce or put as much of our waste as possible to good use. This includes working with farmers and growers to reduce food waste in our supply chain, sending surplus food from our stores to good use including to our charity food donation partners and recovering energy from our waste.



Reducing food waste

We have committed to reducing food waste by 50 per cent across the whole value chain by 2030. This year we reduced the food waste we send to anaerobic digestion in our own operations by over 5,000 tonnes, a reduction of 16 per cent year-on-year, which puts us ahead of our target trajectory. This has been driven by reductions in our overall operational waste figure, owing to propositional changes in our food service departments, as well as growth in the volume redistributed to humans and sent to animal feed as a result of the pandemic and process improvement. We are working on further process improvements to support us on delivering our commitment.

Redistribution of surplus food

The total amount of food waste generated this year was 36,338

tonnes, of which 27 per cent was surplus food redistributed for human consumption and for animal feed. We continue to divert surplus bread to animal feed, and this year we have built on this work and are trialling diverting unsold fruit, vegetables and salads



to animal feed. We are also looking into initiatives to divert more surplus food for human consumption. For more information on our surplus food donations, see page 24.

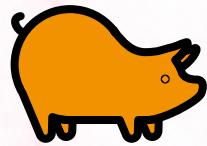
Collaborating for greater impact

We continue to support the delivery of Courtauld 2025/Champions 12.3 and the UK Food Waste Reduction Roadmap. We wrote to our suppliers to encourage their participation in this initiative, and we are pleased to have seen an increase in participation this year. We have also continued to work on our pilot whole-chain waste reduction projects in collaboration with WRAP and our suppliers. The first project reviewed the value chain of our own label frozen chips identifying key actions for improvement and waste reduction. We will finalise and implement findings from this project in the year ahead.

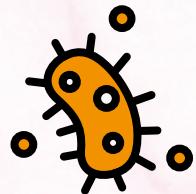




1,861 tonnes
of surplus food was redistributed
to local communities
(a 19% improvement from last year)

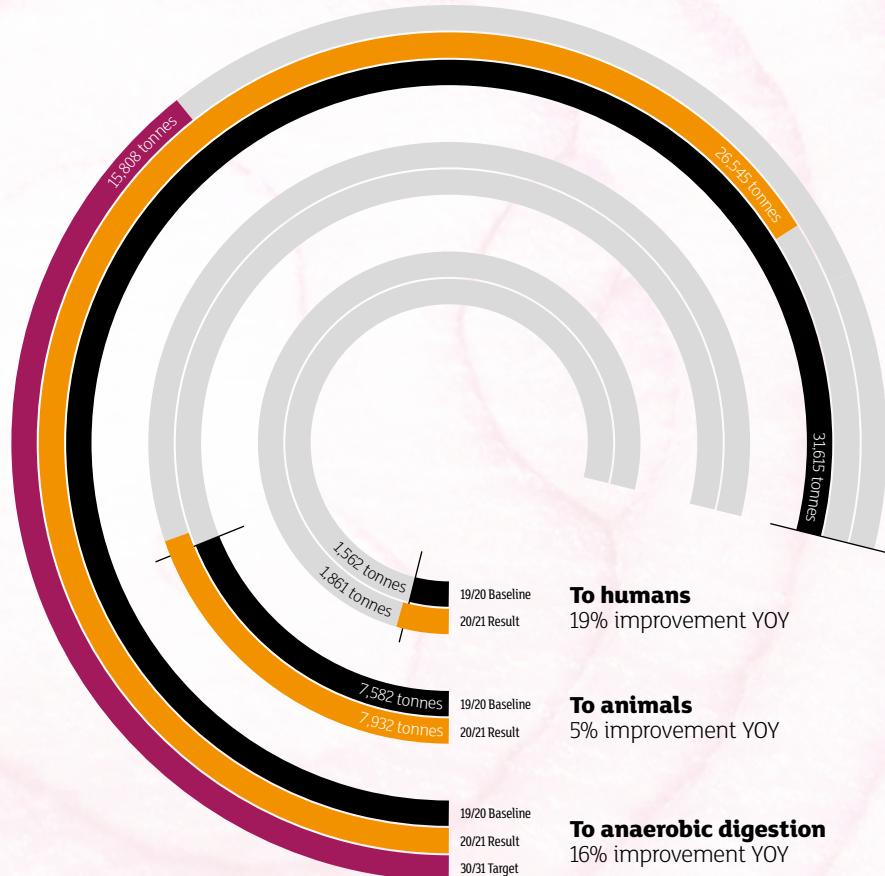


7,932 tonnes
of surplus bread was used for
animal feed
(a 5% improvement on last year)
This year we are also trialling using
surplus produce for animal feed.



26,545 tonnes
of food waste used for anaerobic
digestion
This equates to 0.58% of our total weight
of sales (a 22% improvement from last
year)

Food Waste





Plastics and recycling

Packaging helps us deliver fresh, undamaged produce, but we know that it can have a negative impact on our planet, therefore reducing plastic across all our stores and supply chain is one of our absolute priorities. This is why we were the UK's first major retailer to make a significant commitment to reduce plastic, pledging to cut plastic packaging by 50 per cent by 2025.

Reducing plastic packaging

COVID-19 has had a significant impact on our usage this year due to an increase in sales volume which has led to an increase in plastic packaging used overall. Therefore progress made in plastic weight reductions this year have been outweighed by the challenges of the pandemic. Year-on-year the tonnage has increased by 3,496 tonnes to 117,959 tonnes, which puts us behind our target trajectory. Overall there has been a 1.7 per cent reduction in our food plastic packaging from our 2018 baseline.

Although volume has increased this year, we continue to drive our plastic reduction initiatives which will support us with our longer term target. We recognise we have a lot more to do on plastic packaging reduction and along with new initiatives and a focus on collaboration, we look forward to making greater progress in the upcoming year.

70%
reduction in steak packaging

Collaborating for success

We continue to collaborate on research to develop new packaging and recycling technologies. As members of WRAP's UK Plastic Pact, we are collaborating to eliminate unnecessary single-use packaging by 2025 and working towards all plastic packaging being 100 per cent reusable, recyclable or compostable by 2023, as well as containing at least 30 per cent recycled content by 2022.



Our approach - remove, reduce, replace, recycle and reuse

Remove

Since pledging to halve our use of plastic packaging by 2025, we have removed thousands of tonnes of plastic across the business, including eliminating 290 million loose produce plastic bags, rigid plastic trays from tomatoes, courgettes, kiwis & baby corn (216 tonnes), plastic overlids removed from cream pots (114 tonnes) and zip removal on frozen fruit bags (28 tonnes). In the year ahead we will also be removing 18.5 million plastic straws from our own brand lunchbox carton range.

Reduce

We continue to redesign and lightweight packaging where possible in order to reduce the volume of plastic used. This year we delivered an 86 per cent reduction in pancake mix packaging and 70 per cent reduction in steak packaging (in the So Organic and Taste the Difference ranges).

We are working with Prevented Ocean Plastic to turn plastic collected from the coast into packaging for our strawberry

86%
reduction in pancake mix packaging



and fresh fish range, removing 297 tonnes of plastic from entering the ocean each year, and supporting customers to make more sustainable choices. In the upcoming year, 34 per cent of fresh fish and 80 per cent of strawberry punnets will be sold using packaging made from plastic recycled from coastal areas.

“

I'd like to thank Sainsbury's for identifying and embracing this real and positive action to reduce Ocean Plastic Pollution, support coastal collection communities and to help educate consumers that plastic is a valuable resource that can be recycled & not to be littered into environment.”

Patrick Gautier
UK Division Director for Sharpak

Replace

This year we trialled a new plant-based alternative for our own-brand teabags, using Polylactic acid (PLA) made from the sugars in cornstarch, cassava or sugar cane. This will be fully rolled out this year which will see 815 million individual teabags a year moved from using oil-based plastic to plant-based plastic. We will also be removing the outer plastic wrapping from 11 products, which will result in a reduction of 16.2 tonnes of plastic per year.



Recycle

Through our facilities we help our customers reduce their waste and put it to positive use, helping customers recycle unwanted clothing, metal cans, glass, plastic, paper and other materials at our managed recycling facilities in 273 Sainsbury's stores nationwide.

273

number of Sainsbury's recycling sites

This year we launched a 63-store trial for an in-store recycling system for flexible plastics. The innovative recycling system allows customers to recycle Polypropylene (PP) film found in several household products, with further roll out taking place in the year ahead. We also provide front of store collection points for customers to bring back polyethylene (PE) film and carrier bags to supermarkets across the UK which are recycled back into carrier bags.

100% of our hangers used for our Tu clothing are made from recycled materials. Last year we recycled eight million hangers, and in the year ahead we are looking at implementing processes to further increase the amount of hangers that we recycle.

We are also continuing our work on piloting Deposit Return Schemes with our reverse vending machines. Customers can recycle plastic, metal cans and glass drink containers in exchange for a 5p per item coupon towards their shopping. We are working collaboratively with industry organisations and are a founding member of Circularity Scotland, the new not for profit 'System Administrator' of the Deposit Return Scheme in Scotland.

Reuse and refill

We are providing more sustainable choices for customers, including the option to purchase a reusable drawstring bag when buying loose fruit and vegetables, each made from one recycled bottle. This follows us removing all plastic produce bags from our bakery and produce aisles in 2019, the first retailer to do so. We are also looking into refillable packaging options and in the past year we trialled an Ecover refill station, with dedicated refill points for dish washing and laundry detergent.





Healthy sustainable diets

We are serious about our responsibility to help our customers eat healthily, whatever their budget. As the UK's second largest food retailer, we also know we have a role to play in helping to navigate customer choices and supplier behaviour towards more sustainable choices, helping to preserve our limited natural resources. A key priority for our business is to develop and deliver healthy and sustainable diets for all, therefore we aim to provide customers with the information, incentives and rewards to encourage healthier and more sustainable food choices.



Increasing healthy sales

We know that food that is better for us is also better for the planet. This is why we have committed to develop and deliver healthy, sustainable diets for all. This year we announced a mass colleague and customer campaign, helping everyone eat better, to raise awareness and drive behaviour change. We want to help make healthy eating choices more affordable, easy and tasty, to support having a positive impact on the health of our customers and the health of the planet.



55.3%
'healthy' sales relative to total sales

In November 2020, we reported on the volume of 'healthy' sales relative to total sales. Moving forward, we believe reporting the tonnage of healthy and better for you sales relative to total sales is a more credible way to reflect the

weight of plate from healthy choices, similar to the approach of the Eatwell Guide, and therefore this is how we will be defining a future target. Our current position is 55.3 per cent healthy sales tonnage, remaining the same year-on-year. We undertook an extensive piece of work to review the nutrition criteria used to define healthy and better for you sales. This approach will help us identify better choices within categories for both branded and own-label products, along a spectrum from less healthy to most healthy.

Making everyday products healthier

We have an ongoing programme of reformulation, reducing sugar, salt and calories from our own brand products, in order to improve the nutrient profile of our products without compromising on quality or taste for our customers.

We have been reducing sugar for a number of years and continue to make strong progress within key categories. We have achieved over a 20 per cent sugar tonnage reduction since 2015, from categories contributing most to children's sugar intake. Whilst 93 per cent of our own brand products meet the Public Health England maximum calorie per portion target.

We have a long history of providing clear nutritional information, and were the first UK supermarket to introduce front of pack traffic light labelling in 2005, going beyond government requirements. We ensure that our products are accurately and simply labelled, providing nutritional claims on our products to help customers understand the nutritional benefits of the product,

including fibre and protein levels. We restrict nutrition and health claims on any own-brand product with a red traffic light label (except where naturally occurring), and we continue to reformulate to reduce the number of red traffic lights across our ranges.

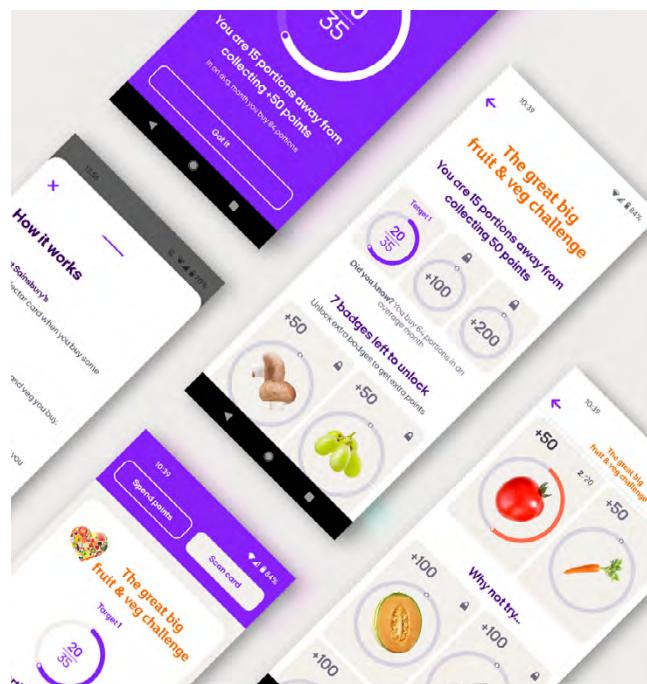
Our prepared foods range has a wide choice of fruit and vegetable portions, helping our customers increase their consumption easily and in different ways. Our Love Your Veg range emphasises the benefits of increasing vegetables in our customers' diets.



Innovating for healthier choices

We continue to innovate in our product ranges to provide customers with new healthier choices. Our Plant Pioneers own-brand offer provides innovative and delicious options to customers following flexitarian or plant based diets. In September 2020, we increased our in store space allocated to fresh plant-based ranges by 40 per cent and continue to increase the availability of these products.

We also have products to help customers get enough of the



key vitamins in their diet, including our Super Mushrooms fortified with B12 and Vitamin D and our Scottish salmon with additional Omega-3. The UK government advise two servings of fish a week, one of which should be oily. 2020 marks the twelfth anniversary of the launch of our responsibly sourced Scottish farmed salmon reared exclusively on RSPCA Assured farms on the West Coast and Islands of Scotland. The salmon is fed a diet specifically formulated to ensure our fresh salmon is high in healthy long chain omega 3's. For more on our approach to sustainable fish, see page 16.

We know it is particularly important that we do our bit to encourage our youngest customers on their journey to developing healthy eating habits. That is why we are particularly proud that our Little One's range was awarded the 2020 Peas Please prize for Innovation in recognition of our vegetable first-taste products and for our Little One's tray meals which contain at least two of your five a day.

Helping customers to make healthier choices

We understand many of our customers want to make healthier choices and we have been utilising 'test and learns' to help nudge customer behaviour by incentivising customers with value pricing or additional Nectar points.

In 2020 we launched the first ever Great Big Fruit & Veg Challenge to encourage and reward our customers for buying more fruit and

450,000
customers took part in the inaugural Great Big Fruit & Veg Challenge on the Nectar app

vegetables, with over 450,000 customers signing up to take the challenge via the Nectar app. Analysis conducted with the Leeds Institute for Data Analytics suggested that Nectar card holders who took part in the challenge took home an extra 3.6 portions of fruit and vegetables per week during the challenge. We also ran initiatives such as our discounted 60 pence range where we aim to make fruit and vegetables more affordable and encourage customers to increase their intake.

Supporting healthy balanced diets during the pandemic

During 2020, the importance of achieving a healthy balanced diet to avoid excess weight gain took centre stage, with Government announcing that those who are obese are significantly more likely to suffer worse outcomes of COVID-19 than those with a healthy body weight.

This year to support our customers and community in accessing vital food to support a healthy diet, we became a part of the Child Poverty Task Force. In February we also topped up Healthy Start vouchers, provided by the Government to low-income pregnant women and families with children under the age of

four. The vouchers consisted of a £2 fruit and vegetable coupon, more than any other retailer, to help families in need have access to nutritious produce through the half-term and summer holidays.

Collaborating for our customers

We are committed to promoting healthier lifestyles to our customers and continue to strive to ensure that all promotions, adverts, incentives and product placements, both in-store and online, are offered responsibly.

We also work with many research and campaigning organisations. Our partnership with Livestock Environment and People (LEAP) supports environmental research projects with the University of Oxford. As part of one project, we were the first UK supermarket to trial selling meat-alternative products in meat aisles.

We continue to invest in research to make healthy and sustainable choices easier for customers and have partnered with the Institute of Grocery Distribution and Consumer Goods Forum on their Healthy and Sustainable Diets research projects.

Disclosure and transparency

We are pleased to be the highest scoring retailer within the Access to Nutrition Initiative (ATNI), a review of the ten largest UK food retailers' disclosures on nutrition, diets and health. We also report on the proportion of our total food sales that come from vegetables, which currently stands at 12 per cent, as part of our Peas Please Pledge.

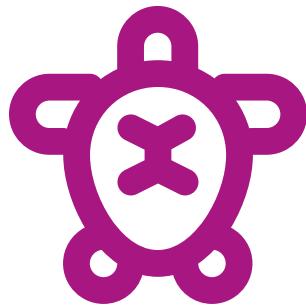
1st

ranking in the Access to Nutrition Initiative



Winner
of the 2020 Peas Please prize for Innovation





Biodiversity

We work closely with farmers, growers and suppliers – in the UK and internationally – so we can reassure customers about where and how our products are sourced. Sourcing our products sustainably helps us to improve people's livelihoods, improve the quality of our products and contribute to tackling climate change.



Protecting forests

With many of the world's tropical forests at risk, we have a long history of collaborating with others to progress greater sustainable sourcing of palm oil, cocoa, soy and timber globally, and we are committed to sourcing 100% of our key materials to an independent sustainability standard.

99.3%
palm oil sourced
to an independent
sustainability standard

We use palm oil in a variety of our own brand products and are proud that 99.3 per cent of our palm oil is sustainably sourced to an independent standard, certified by the Roundtable on Sustainable Palm Oil (RSPO). The RSPO sets the environmental and social standards for sourcing

sustainable palm oil and includes palm oil producers, palm oil processors and traders, environmental NGO's, consumer goods manufacturers, social NGO's, banks and retailers. We are continuing to seek new ways to ensure more of our palm oil is certified sustainable each year and are working with other retailers and manufacturers in order to send a clear market signal to bring sector-wide change. We are founding members of the Palm Oil Transparency Coalition and the Consumer Goods Forum Forest Positive Coalition of Action. For more information on our approach to sourcing



sustainable palm oil, please visit www.about.sainsburys.co.uk.

Our longstanding partnership with The Woodland Trust enables us to continue to support the protection of woodland and biodiversity in the UK. This year we planted 325,000 native trees. Since 2004 we have planted over 4.2 million native trees, which have the potential to mitigate over 1 million tonnes CO₂. During this time we have raised £10.8 million for the trust and moving forward we aim to plant a further 1.5 million native trees by 2025.

325,000
number of native trees
planted in partnership
with The Woodland
Trust this past year,
taking our total to 4.2
million since 2004.





Responsible fishing

We continue to lead the way in sourcing fish responsibly from both wild capture fisheries and farms and are committed to 100 per cent of our seafood sales being independently certificated as sustainable.

100 per cent of our farmed fish sources are independently certified to a recognised best aquaculture practice standard. We are currently in the process of transitioning to the Aquaculture Stewardship Council (ASC) standard for our farmed fish, the world's leading labelling programme for responsible aquaculture.

76 per cent of our wild caught fish and seafood are certified to the Marine Stewardship Council (MSC) standard. Where fisheries are not yet certified, we are engaged with our suppliers in order to achieve certification in the shortest possible timescale through structured fishery improvement programmes.

We continue to support Project UK, which is working

Winner

MSC UK Supermarket of the Year 2020, won for the sixth time

MSC UK
SUPERMARKET
OF THE YEAR
2020



towards meeting the MSC standard for a number of species, including scallops, monkfish and langoustines, to deliver a sustainable future for these UK fisheries, as well as a number of international fisheries improvement projects. We also support a number of organisations driving responsible practice through pre-competitive collaboration and innovation such as the Global Dialogue on Seafood Traceability, Fisheries Innovation Scotland, Global Tuna Alliance and the Global Ghost Gear Initiative.

We're proud to have won MSC UK Supermarket of the Year in 2020, for the sixth time. The MSC UK annual awards celebrate the outstanding achievements in sustainable seafood across the entire UK seafood supply chain. With a consistently high range of



sustainable seafood, and the largest number of MSC labelled fish and seafood products of any UK retailer, our sixth win in this category demonstrates our continued commitment to offering sustainable seafood to our customers, and at the same time protecting the oceans.

Sustainable general merchandise and clothing

As one of the largest general merchandise and clothing retailers in the UK, we can make a real difference. We have focused on driving transparency, including through updating our Tu website with key sustainability facts about our business and plans for the future.

89%
of our cotton is sourced more sustainably through the Better Cotton Initiative (up from 79% in 2019/20)

We also continue to increase our sourcing of sustainable cotton, and currently 89 per cent of the cotton for our clothing and general merchandise is sourced more sustainably through the Better Cotton Initiative (BCI), up from 76 per cent in 2019/20. Sourcing of Better Cotton has provided an estimated water saving of 6.28 billion litres of water and an additional profit of an estimated €2.8 million benefitting BCI farmers in 2020.

Sainsbury's

Bee Hotel

Pollinators at work
please don't touch



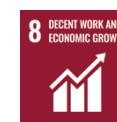
Collaborating on global goals

With a growing population and our planet's resources being pushed to their limits, we are focusing our efforts where we can make the greatest difference. We believe that industry collaboration is the only way to address domestic and global issues at the speed and scale required. We have a strong track record of partnering to help address global challenges and drive change in our value chains and are currently involved in many industry collaborations, including the Consumer Goods Forum, Better Cotton Initiative and the Roundtable on Responsible Soy Association.



Sustainable Sourcing

We source products from over 60 countries and have a vital role to play in supporting our farmers, growers and suppliers across the world. We work collaboratively to tackle climate change, reduce our environmental impact and improve the livelihoods of farmers, growers and suppliers. Whether it's our people, animals or the environment, we aim to have equivalent standards wherever we source from in the world.



Working closely with our farmers and growers

We've built strong relationships through our UK Farmer and Grower Development Groups and are working with these suppliers to develop a more resilient and sustainable British agricultural industry. We continue to work closely with our Dairy Development Group, paying our dairy farmers a fair price through our cost of production model. This provides a ringfenced supply which has continued to see benefits such as higher health and welfare outcomes, and improved efficiency and business sustainability. We have also been sourcing beef through the North Highland



Initiative for over 15 years, supporting rural communities and over 100 beef producers in the far north of Scotland.

We have been working collaboratively with our growers through our Crop Action Groups (CAGs) since 2006, sharing best practice and supporting Integrated Pest Management (IPM). We're proud to say that the number, size and reach of these groups has grown considerably over this time. We run CAGs over varied crop areas, covering the UK as well as other countries and regions, including Spain and South Africa.

Improving animal health and welfare

Protecting animal welfare is a top priority for both us and our customers and we also know that it increases farm productivity. We continue to be the largest retailer of RSPCA Assured products and this year won MSC Supermarket of the Year for the sixth time.

We have sold 100 per cent cage free eggs since 2009 and this year have moved to 100 per cent free range eggs sourced from UK farms across our full range. Free range birds enjoy unlimited access to the outside during the daytime and are free to exhibit their natural

behaviours. We also continue to provide our Egg Tracker on our corporate website, whereby customers can use the code printed on each eggshell to find out where the egg came from.

We remain committed to working with our Development Group farmers to share best practice on animal health and welfare across our supply chain. We have a data-led outcomes approach and work closely with our farmers and suppliers to collect data across livestock areas. We utilise data dashboards to give us the best insights and engage our suppliers to drive improvements. We are confident in our approach of measuring and managing to continuously improve the health and welfare of our animals.

For more information on our approach to animal health and welfare, see our Animal Health & Welfare Report and Antibiotics Resistance Report at www.about.sainsburys.co.uk.

Supporting British farming

As a UK retailer, we're proud to support British producers. As well as boosting the national economy we're reducing food transport miles.

We continue to hold our annual Farming Conference as it provides a great moment to engage and converse with our

suppliers on the year ahead. This year the conference was held virtually for the first time and attendees were given a business update from our CEO, Simon Roberts, as well updates on our Fresh Food strategy and our sustainability agenda.

We have a well established partnership with Linking Environment and Farming (LEAF), and this year we returned as a principal sponsor for their Open Farm Sunday event, for the fifth year. Due to the pandemic the event was adapted this year to the first LEAF Online Farm Sunday, providing virtual farm tours.

We also continue to support LEAF's Farmer Time initiative of which we are a founding supporter. Farmer Time aims to inspire, engage and educate young people about the journey from farm to fork, alongside the everchanging diverse agricultural industry using the power of digital communication. To date, Farmer Time has paired 524 schools with farms, which amounts to over 15,000 children chatting virtually to farmers from their classrooms.

100%
eggs sourced from free range farms in the UK



Trading for a fairer future

We have a long history of supporting smallholder farmers and workers in our supply chain. In 2009 we began supporting the smallholder tea farmers of the Sukambizi Association Trust in Malawi through the development of a nursery growing heat resistant tea seedlings. In 2017 we launched the Sainsbury's Fairly Traded Programme with the ambition to expand our support to all our East African tea supply chains. We've directly benefitted 26,900 people through the funding of projects supporting the environmental, social and economic resilience of farming communities across Malawi, Rwanda and Kenya. We will continue to evolve our approach as we work to address vulnerabilities in our supply chains. For more information see our Sainsbury's Fairly Traded page at www.about.sainsburys.co.uk.

Disclosure and transparency

Our customers care about where and how our products are sourced, therefore transparency within our supply chains is important. We're pleased to have been ranked Tier 2 again this year in the Business Benchmark on Farm Animal Welfare (BBFAW), a global measure

of company performance on farm animal welfare. We also scored 47 per cent on the Fashion Transparency Index, a disclosure on policies, practices and supply chains. This was a huge jump from 28 per cent the previous year which demonstrates our investment to improve transparency of our policies and commitments.

47%
scored on the Fashion Transparency Index



Tier 2
ranking on the Business Benchmark on Farm Animal Welfare

BBFAW
Business Benchmark
on Farm Animal Welfare





Our People

Our colleagues make a big difference to our customers, serving them well day in and day out, and we know that having engaged colleagues is critical to the long-term success of our business. We are committed to being an inclusive employer where everybody is treated fairly and with respect, and where colleagues love to work and are encouraged to develop their skills and fulfil their potential. We continue to play an active role in our communities, and we have high ethical standards that we and our suppliers adhere to.



Our colleagues



A place where colleagues love to work

86%

of colleagues agree with the statement 'I feel I am able to be myself at work'

Colleagues are at the heart of everything we do. We need them to understand our purpose and valued behaviours and we are working on a significant culture change project to achieve that. We want our colleagues to feel connected and engaged and we measure this through our annual colleague engagement survey. This year we increased our sustainable engagement score by six per cent to 81 per cent, with 86 per cent of colleagues agreeing with the statement 'I feel I am able to be myself at work', up from

85 per cent last year. We also introduced a check-in survey to ensure we're engaging with colleagues regularly on how they're feeling and get their input on business activities.

Impact of COVID-19

COVID-19 has had a major impact on colleagues across the business both professionally and personally. Colleagues adapted positively and at pace to support our response to help feed the nation. We have listened and responded to our colleagues and customers throughout the pandemic and our colleagues have helped to inform many of the changes we have made throughout. We continue to invest in our colleagues, identifying and nurturing talent, providing training and development opportunities and ensuring they are rewarded fairly. More information on fair pay, including the thank-you payments made to recognise

the hard work and commitment of our frontline colleagues during the pandemic, can be found in our Annual Report and Financial Statements 2021.

Health and Safety

The health and safety of our colleagues and customers is a key part of our strategy. We have seen a long-term decline in both colleague and customer reportable injuries over the past five years; our colleague reportable injury rate has declined by over 25 per cent, whilst our customer reportable injury rate has declined by over 20 per cent. An independent safety team supports our retail and logistics operations. They provide a combination of coaching, expertise and challenge to our line managers using our innovative risk mapping tool, utilising data from a wide range of sources to identify the key areas requiring support in any of our stores across the business.

This helps us to ensure that we have the right level of compliance in place around key areas such as training, fire safety and adherence to procedures, as well as reviewing culture in individual stores through the lens of colleagues, regional management, and safety teams.

We have strong governance in place which ensures colleagues can feedback on issues, regular engagement with our unions and Board oversight. This includes our Great Place to Work groups, divisional level safety steering groups, our Group Safety Committee which reports into the Operating Board, as well as quarterly updates to the plc Board. We have strong and well-established Primary Authority relationships in place that cover all our risk areas across health and safety, food safety, fire



safety and petroleum safety. These relationships are built on a foundation of trust and we openly share information with our Primary Authority partners, including policies, procedures and accident and incident data, to ensure we respond effectively at pace to any issues or incidents that occur.



Celebrating and empowering diverse colleagues

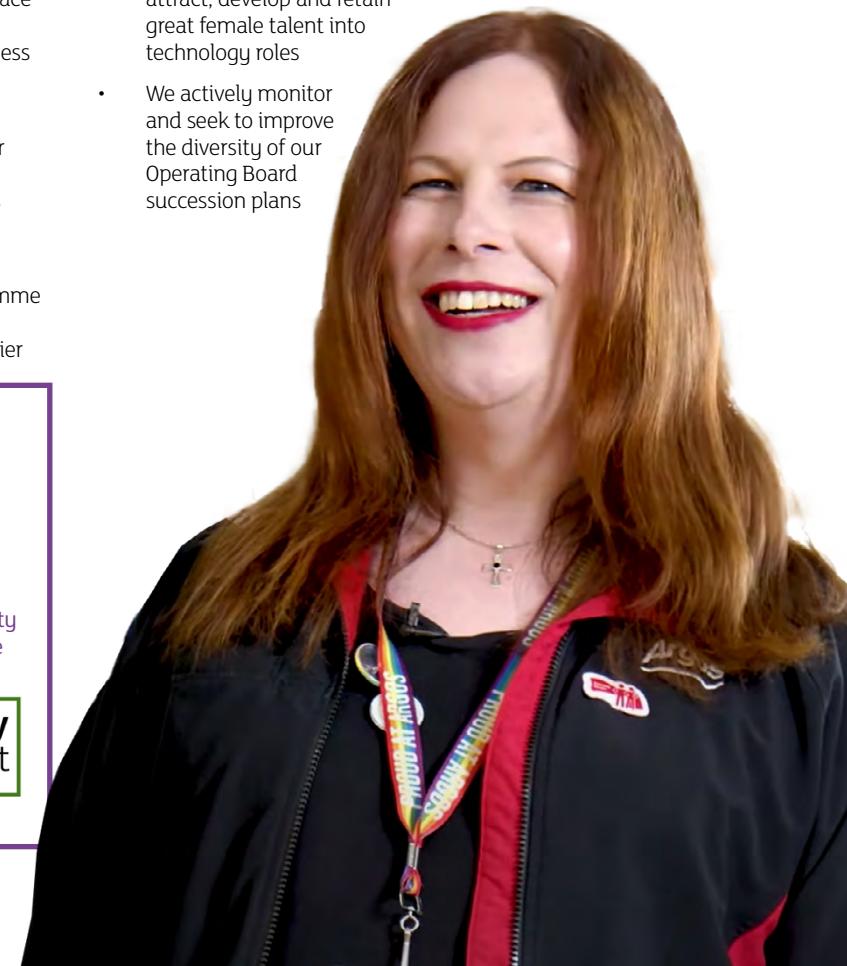
We are active in our drive for inclusivity and the progression of our diverse talent, for example:

- Mandatory e-learning 'Inclusion starts with I' was launched this year and has been completed by over 171,000 colleagues
- We were ranked 71st in the Stonewall Workplace Equality Index, the highest scoring business in the retail sector
- Our development programme for senior women with high potential is now in its second year
- We expanded our development programme for ethnically diverse colleagues in the earlier stages of our pipeline this year, with over 250 participants joining the programme
- Each Operating Board member sponsors a high potential, ethnically diverse colleague and many also have a 'reverse mentor' from the I AM ME ethnically diverse network
- Mandatory inclusive recruitment processes are well-embedded. In store support centre roles we have maintained



Disability Confident Leader

highest tier of accreditation in the government's Disability Confident Programme



the number of offers to ethnically diverse candidates at 21 per cent this year. An increase from 14 per cent over the past three years

- We amplified cultural and religious events with customers, including Pride, Diwali and Black History Month, and are working hard to improve the proposition, range and experience for all our customers

171,000
colleagues completed the mandatory e-learning 'Inclusion starts with I' which was launched this year

- We have a zero-tolerance policy on racist or offensive commentary, both externally and internally

We continue to work on representation and transparency across the business and we incorporated our ethnicity pay gap into our Gender Pay Gap Report for the first time this year. We have reduced our gender pay gap by 0.8 per cent to 9.7 per cent

this year, while our median gender pay gap has increased slightly to 5.0 per cent. Our mean ethnicity pay gap is 0.4 per cent. We set ourselves an aspirational target of reaching 10 per cent ethnically diverse representation in senior positions (top 230 leaders) by the end of 2020/21; this currently stands at 8.07 per cent, remaining the same year-on-year. The proportion of women in senior management roles currently stands at 37.67 per cent, against our aspirational target of 40 per cent by 2020/21, an increase of 2.5 per cent year-on-year. Across the entire business, female representation is 52.9 per cent.

To ensure sustained improvement, we continue to look at focused initiatives, culture and accountability through aspirational targets. We have set new, stretching targets to take us to 2024 which covers more of our talent pipeline and covers Black representation specifically (see table).

Importantly, these targets will form part of our long-term incentives for management. For more information on our Gender and Ethnicity Pay Report, visit www.about.sainsburys.co.uk.

Being an inclusive organisation with diverse representation at all levels of our business is important to us. We acknowledge we still have a way to go, and we are committed to driving positive,

sustainable change to improve the lived experience and opportunities for under-represented groups, be they colleagues or customers.

Recognising our great colleagues

We are also proud that some of our colleagues have been recognised externally this year. OUTstanding, a professional network and membership organisation, recognised our CFO, Kevin O'Byrne, and CTO, John Elliott, in their LGBT+ Role Model 2020 list for their work with the Proud@Sainsbury's LGBT+ Network. Sarah Nelson, who leads our I AM ME ethnically diverse network, was shortlisted for the Ethnic Minority Executives List, whilst our CEO, Simon Roberts, was named as one of the 2020 HEROes Advocates for his commitment to encouraging women in business and creating a more diverse environment at Sainsbury's.

Engaging with our colleagues

We have a number of colleague engagement activities in place to ensure our colleagues remain connected and engaged. Our Great Place to Work National Group, our Workforce Advisory Panel, is made up of colleagues from across the business elected by their peers to represent their views, and is

attended by Non-Executive Directors. We have continual feedback on our internal social media channel which includes live question and answer events with the CEO and Operating Board members.

We also continue to invite our colleagues to complete our annual colleague engagement survey to give honest and confidential feedback on the business, and this year launched an additional

'temperature check' survey which runs several times a year. For more information on how we engage with our colleagues, see our Annual Report and Financial Statements 2021.



2021 Target – senior leadership positions (top 230 leaders)

Female
40%
(currently 37.67%)

2024 Target - senior leadership positions (top 230 leaders)

50%
43%

2024 Target - senior management positions (the top 1200 leaders beneath the top 230 senior leadership positions)

Ethnically diverse	10% (currently 8.07%)	12%	12%
Black (new target set for 2024)	n/a (currently 1.35%)	3%	3%



Our communities

Sainsbury's is a place-based business and our long-term business success relies on resilient, thriving communities. We have presence in thousands of communities across the country through our supermarkets, convenience stores, store support centres and depots, as well as sourcing from over 60 countries across the globe. Whether it's the communities we serve or the communities we source from, we aim to have a positive impact on these communities, with the help of our partners and colleagues, in order to make a positive difference.



Making a positive difference in our communities

We play an active role in the communities we serve and this year a key priority for us has been to support our communities and the most

vulnerable in society during the pandemic. This year we raised a total of £35 million for good causes, which includes corporate donations, customer and colleague fundraising, merchandising and carrier bag profit. Alongside our community investment, we make positive economic

contributions through our responsible approach to tax. We contributed £2.2 billion in taxes borne and collected this year, this includes the business rates relief Sainsbury's chose to forgo.

£35m
raised for good causes
this year

Digitalising our approach to fundraising

This year as volunteers were unable to fundraise in stores due to the impact of the pandemic, we adapted our campaigns and programmes to take a more digital approach to fundraising in order to protect the income of existing charity partners.

We continue to support The Royal British Legion's Poppy Appeal and have raised an estimated £40 million to date. This year customers were able to donate via a range of methods including the rounding up of bills on manned tills, fixed donations on self check-outs, donating points via Nectar and fixed donations via Groceries Online. Overall store donations were down year-on-year but we saw a huge upsurge in online donations. We also introduced three new methods of donation; donation barcodes to be used with a SmartShop device, contactless donation points trialled in twelve stores and charity QR codes in store.

Our Food Donation Programme

We have a long history of working with food banks and community donation schemes to support our





local communities. We are a founding member of FareShare which began in 1994 and continue to work with them to redistribute surplus food.

To support the huge amount of pressure on foodbanks, charities and community groups at the start of the pandemic, we made a £3 million commitment to FareShare. To ensure a coordinated approach, we worked as an industry through our partners, FareShare and the Institute of Grocery Distribution, to help charities and community groups access much needed food. The grant was used to support the end-to-end logistics, moving food donated from various organisations to frontline

charities who have been supporting the most vulnerable during the pandemic. During this time, Sainsbury's funded and supported distribution of over 24 million meals, via 3,945 unique charities.

We also trialled a digital Food Donation Programme this year, whereby customers were able to add a range of fixed

amounts to their shops, with 100 per cent of donations going to FareShare. The trial raised over £124,000 which resulted in the distribution of over 297,000 meals. Due to its success, we have made this an ongoing feature on Groceries Online.

meals to communities over Christmas.

Supporting our communities during the pandemic

Supporting foodbanks, charities and community groups was a key focus for us during the pandemic. We also supported Comic Relief and Children in Need by matching our customers' donations £ for £ in the The Big Night In Appeal, with the total donation exceeding £4 million, split between the two charities, to support those severely affected by the pandemic. 479,000 brand new items of Tu clothing were donated towards local communities and charities via Comic Relief and our existing charity network. We also supported Mail Force's Computers for Kids campaign, by donating 2,000 laptops to help pupils during lockdown.

To support those shopping on behalf of others at the beginning of the pandemic, we provided Volunteer Shopping Cards in the form of e-gift cards to make it easier for customers to support those who were unable to shop for themselves. We also supported vendors who were unable to sell The Big Issue on the streets, the first time the magazine was available to buy in retail outlets, in order to maximise sales.



£3 million
commitment to FareShare, which equated to 24 million meals distributed

Help Brighten a Million Christmases

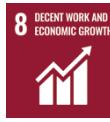
This year for our Help Brighten a Million Christmases campaign, our focus was on food donations to support those most impacted by the pandemic. Stores worked with over 800 front of store Food Donation partners to redistribute food to foodbanks, charities and community groups. We also worked with FareShare and Comic Relief across some of our digital channels and in Argos. We offered digital fundraising channels in store for customers to donate products (digital donation was money only) or a financial contribution.

We created a £5 million community pot where we matched every donation up to £4 million as well as a £1 million community fund for stores and support teams to contribute to local charities and good causes. In total the programme raised £5.9 million, of which we donated £1.8 million to FareShare which supported the distribution of over 10 million



Our suppliers

Our customers want to be confident that the people who make or grow our products are not being exploited or exposed to unsafe working conditions. We are committed to establishing long-term, open and fair relationships with our suppliers, ensuring they have the skills and capacity to manage their workers responsibly.



Championing human rights

We want to treat people fairly throughout our business and supply chains and we remain committed to respect human rights. We identify vulnerable workers and do not tolerate any form of slavery or servitude in our own operations.

We launched our Modern Slavery Risk Tool in 2017; this gives us unique insights into slavery risks across a complex global supply chain and we continue to embed the tool into

the business by using its results for internal risk assessments. We provided training for 170 suppliers this year on how to prevent modern slavery in our supply chains. We also supported the government's response to the issues of forced labour in Xinjiang, China, by working collaboratively with the industry and our suppliers on policies, training and mappings risks. For more information on our Human Rights Policy and our Modern Slavery Statement, visit www.about.sainsburys.co.uk.



Supporting our suppliers

The pandemic provided a unprecedented challenge over the past year and a key priority for us was ensuring the safety of workers in our own operations and within our supply chains. We worked with other Food Network for Ethical Trade (FNET) members to sponsor the development of a series of webinars to support suppliers managing the impact of COVID-19 in the workplace. The supplier webinar series reached 3,993 participants in 55 countries.

3,993

participants reached with our webinar series to support suppliers managing the impact of COVID-19 in the workplace





Collaborating for greater impact

We are active members of The Consumer Goods Forum (CGF) Sustainable Supply Chain Initiative (SSCI), a global benchmarking initiative for third-party audit and certification programmes. We contribute to the Social and Management Criteria Technical Working Group and the Steering Committee. Through our policies and practices, we also support the CGF's Human Rights Coalition; Working to End Forced Labour and Forced Labour Priority Industry Principles, tackling three of the most problematic employment practices, listed below, with the ambition to eliminate forced labour.

1. Every worker should have freedom of movement
2. No worker should pay for a job
3. No worker should be indebted or coerced to work

Disclosure and transparency

We have taken part in the Workforce Disclosure Initiative (WDI) survey since its inception in 2017. The WDI brings investors together to request comparable data from companies via an annual survey. The

disclosure's ultimate goal is to improve the quality of jobs in multinational companies' operations and supply chains. This year we scored 89 per cent for our disclosure, an increase of over 30 per cent year on year, and well above the average of 66 per cent for our sector and country.

WDI also held the inaugural WDI awards this year where we gained a special mention for our COVID-19 response and won the award for our supply chain disclosure.

“

“We're very happy to congratulate Sainsbury's for being one of the three companies to win the Supply Chain Data Award in the 2020 WDI Workforce Transparency Awards. Supply chains are of course hugely complicated and changing all the time so qualifying for the Award by providing so much data in Sections 11-13 of the WDI 2020 survey should be applauded and celebrated. We hope that more companies will follow Sainsbury's lead in the future.”

Rosie Mackenzie
Senior Company Engagement Manager, WDI

We also scored 44 per cent in Oxfam's annual Behind the Barcodes scorecard on human rights, ranking us in second place (we were also ranked first for our support to small scales producers). The scorecard examines supermarket's

2nd

ranking in Oxfam's Behind the Barcodes scorecard (1st for our support to small scale producers)



policies and practices and looks for behaviours that protect workers, farmers and women.

Winner

of the 2020 Workforce Disclosure Initiative's Supply Chain Data award. Overall we scored 89% on our WDI disclosure (well above the sector and country average of 66%).



Governance

Corporate Responsibility and Sustainability Committee Report



Dear Shareholder,

As a responsible retailer, we want to help everyone eat better, offering our products in a way that helps customers reduce their impact on the environment one plate at a time.

The Committee oversees the governance of being a sustainable business. The third year of my tenure as Chair of the Committee has seen some significant developments across the business, including the expansion of our Net Zero by 2040 plan to include Scope 3, which we announced in February 2021. The inclusion of the Net Zero by 2040 targets for senior management remuneration targets for 2021/22 has been a step forward and I'm really pleased that the Net Zero by 2040 plan is a central part of our plan to put food back at the heart of Sainsbury's. This past year has also been unprecedented in terms of the business change required to adapt to the impact of the pandemic, and I am proud of the pace at which we've adapted to best support our customers, colleagues, and the communities we serve.

In January 2020 we announced our Net Zero by 2040 plan and committed to report on progress biannually, with our first results published in

November 2020. As the business adapted to feeding the nation, the impact of the pandemic played a considerable role in our progress this year. We've seen changes in energy usage due to the closure of store operations and the increase of deliveries into homes and store, whilst changes in our food service provision and food surplus redistribution have impacted our food waste. Even in a year of great change, we continue to drive forward initiatives to reach our Net Zero by 2040 commitments. You can read more about how we have performed on page 34.

As well as our Net Zero by 2040 target for Scope 1 and 2 emissions, in line with the Paris Agreement to limit global warming to within 1.5°C, this year the Committee approved our Scope 3 target. The target is to reduce greenhouse gas emissions (GHG) by 30 per cent by 2030, to align to a well below 2°C scenario. We were pleased the Science Based Targets initiative (SBTi) approved our Science Based Targets for

**Let's eat the world better,
one plate at a time.**



Sainsbury's Helping everyone eat better

Image shows single page print, recyclable card, which can be found at www.sainsburys.co.uk/corporate/sustainability. To learn more, visit www.sainsburys.co.uk/helping-everyone-eat-better

Scopes 1, 2 and 3. This year the Committee worked with the Remuneration Committee to approve remuneration targets linked to plastic reduction and GHG emissions across Scopes 1, 2 and 3, further embedding these objectives into the business.

We became signatories of the Task Force on Climate-related Financial Disclosures (TCFD) in January 2020, and this year we have taken this further by reporting our roadmap for TCFD disclosure. We are also disclosing against the Sustainability Accounting Standards Board (SASB) framework for the first time this year. For a summary of this, visit www.about.sainsburys.co.uk.

COVID-19 has had a significant impact on the business over the past year, and the Committee has kept abreast of our key priorities to keep our customers and colleagues safe, help feed the nation and support our communities and the most vulnerable in society. The amount of change has been substantial for colleagues this year and therefore ongoing engagement and clear communication have been essential. We're pleased that colleagues have remained engaged, with our colleague engagement score increasing by 6 per cent to 81 per cent. The Committee was also highly supportive of the initiatives put in place to reduce the pressure

on foodbanks and help those in our communities most severely impacted by the pandemic.

As a Committee, we continue to focus on stakeholder engagement including our customers, colleagues, suppliers, and the community, and have listened to and engaged with our stakeholders.

There have been a number of changes to the Committee this year. Martin Scicluna and Simon Roberts joined the Committee on 1 June 2020. We also welcomed Keith Weed to the Committee on 1 July 2020 following Jean Tomlin's departure. Keith has significant sustainability experience having championed new ways of integrating sustainability into business and building brands with purpose in previous roles. He has been a great addition to the Committee. I would like to thank all members for their contribution this year.

We are looking forward to holding an investor day in June 2021 focusing on Environmental, Social and Corporate Governance (ESG) where we intend to share what we're doing to help the planet and society and ensure we have a sustainable future. The recordings from the day will be available online for all shareholders to view. We are also really pleased we were chosen to be a Principal Partner of the UN Climate Change Conference, COP26, taking place

in Glasgow in November 2021. Climate change is a key global challenge which remains at the top of our agenda; we recognise the scale of the issue and know the solution is through collaboration.

Jo Harlow

Chair, Corporate Responsibility and Sustainability Committee



Principal role and responsibilities

The Committee's principal role is to review the sustainability strategy, ensuring it is aligned with the Company's purpose, strategy, culture, vision and values. The Committee also plays a part in monitoring the business's engagement with stakeholders including customers, suppliers, the community, colleagues, shareholders and government on sustainability and corporate responsibility matters.

Attendance at scheduled Committee meetings

Jo Harlow 3(3)

Mike Coupe¹ 1(1)

Simon Roberts² 3(3)

Martin Scicluna³ 3(3)

Jean Tomlin⁴ 0(1)

Keith Weed⁵ 2(2)

The maximum number of meetings held during the year that each Director could attend is shown in brackets.

¹ Mike Coupe stepped down from the Board on 2 July 2020

² Simon Roberts joined the Committee on 1 June 2020

³ Martin Scicluna joined the Committee on 1 June 2020

⁴ Jean Tomlin sent her apologies for the April meeting, she was assisting the government with COVID-19 related business. Jean stepped down from the Board on 2 July 2020.

⁵ Keith Weed joined the Committee on 1 July 2020



Principal activities in the year

The Committee met three times during the year for scheduled meetings and one additional meeting was arranged to discuss remuneration targets. The meetings focused on our Net Zero by 2040 plan and stakeholder engagement – customers, colleagues, the community, suppliers and shareholders. Updates and progress against our Net Zero by 2040 plan was a key focus of the Committee this year and the Committee played a fundamental role in approving the Scope 3 GHG emissions targets.

The Committee was updated on our customer and community response to the pandemic. This included our evolved fundraising approach with the development of new digital fundraising channels and initiatives to support the income of existing partners.

Culture and colleague engagement were an important part of the Committee's agenda. The Committee was updated throughout the year on the impact of the pandemic on colleagues and the ongoing steps being taken to keep our colleagues and customers safe. Members were provided with the results of the colleague engagement surveys and discussed the initiatives put in place to address colleague

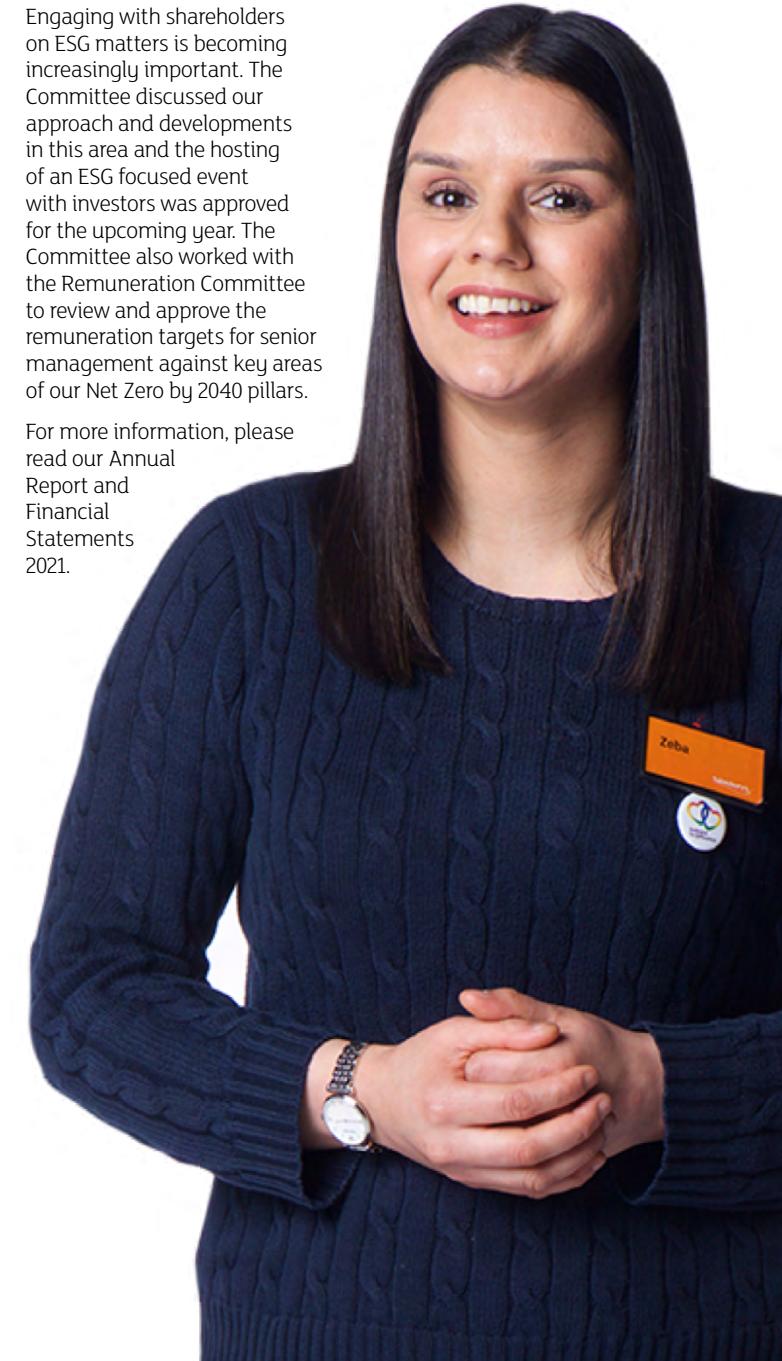
feedback.

The Committee was pleased with the progress made on supplier engagement and the steps taken during the year that led to an increase in our benchmark position in both the Advantage Suppliers Survey and Groceries Code Adjudicator report. The Committee also received feedback from the Chair of the Sainsbury's Foundation Advisory Board on the Sainsbury's Fairly Traded Programme, how the Foundation has functioned and opportunities for the future.

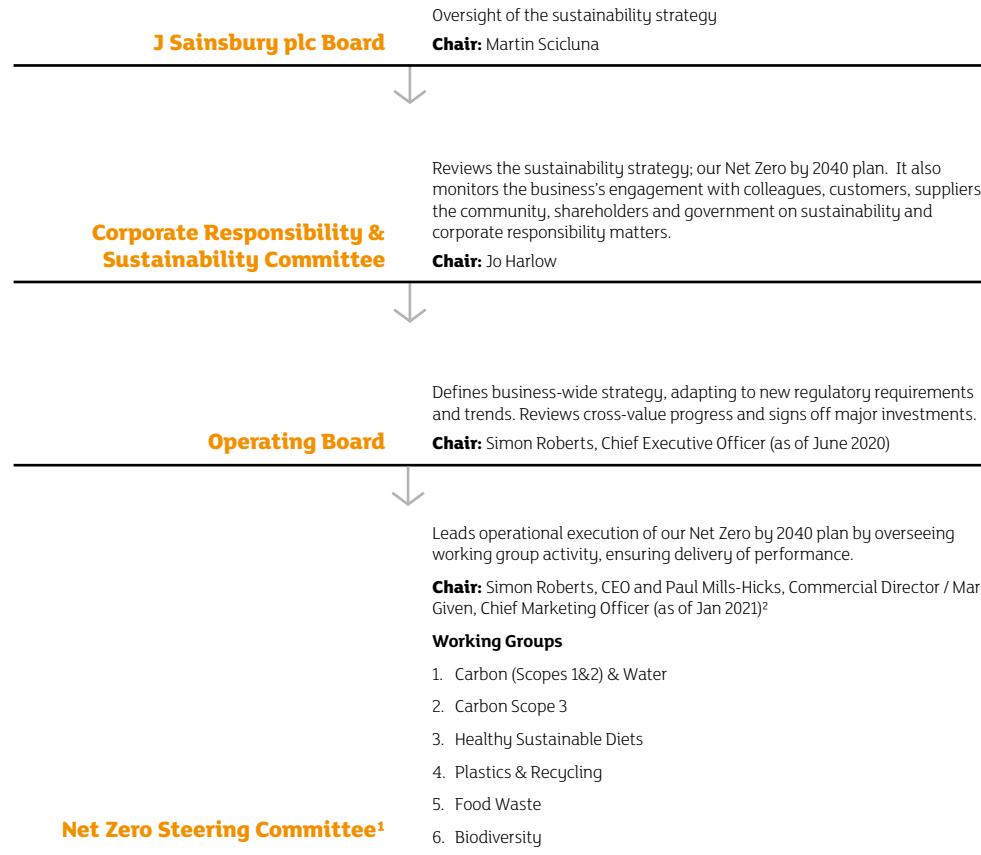
Committee members were also keen to understand the actions being taken to respond to regulatory developments such as supply chain legislation, including a Defra consultation on deforestation and on EU Human Rights Due Diligence, and the cost and impact of these on the business. The Committee was also updated on the impact of extended producer responsibility, and increased campaigner action and public awareness of illegality in supply chains. Modern slavery and human trafficking are abhorrent practices that still exist in many parts of the world, including the UK. The Committee reviewed the steps being taken to prevent modern slavery and human trafficking in our business operations and supply chain and recommended that the Board approve our Modern Slavery Statement.

Engaging with shareholders on ESG matters is becoming increasingly important. The Committee discussed our approach and developments in this area and the hosting of an ESG focused event with investors was approved for the upcoming year. The Committee also worked with the Remuneration Committee to review and approve the remuneration targets for senior management against key areas of our Net Zero by 2040 pillars.

For more information, please read our Annual Report and Financial Statements 2021.



Governance



¹ The Net Zero Steerco was established in February 2020 to support delivery of our Net Zero by 2040 plan. This forum initially existed alongside our Value Management Groups which governed our 2020 Sustainability Plan. These forums were phased out over the past year on completion of this plan, and our social agenda has been governed via Director forums and the Operating Board. To ensure effective governance across our ESG agenda, we have refreshed our CR&S governance structure which we intend to implement in the upcoming year.

² Mark Given became Chair from January 2021, replacing Co-Chairs Simon Roberts and Paul Mills-Hicks



Reporting frameworks



Sustainability Accounting Standards Board

The Sustainability Accounting Standards Board (SASB) is an independent nonprofit organisation that sets standards to guide the disclosure of financially material sustainability information by companies to their investors. SASB Standards identify the subset of environmental, social, and governance (ESG) issues most relevant to financial performance in each of 77 industries.

This year we are disclosing against SASB for the first time. You can find this at www.about.sainsburys.com.



Taskforce on Climate-related Financial Disclosures

The TCFD developed a framework to help public companies and other organizations more effectively disclose climate-related risks and opportunities through their existing reporting processes.

Sainsbury's became a signatory of TCFD in January 2020 as part of our Net Zero by 2040 launch. We committed to implementing the recommendations of TCFD and have been making progress towards embedding climate considerations into our reporting and decision making, as well as targets in place to measure progress and incentivise performance.

For our TCFD disclosure, please see our Annual Report and Financial Statements 2021.



UN Sustainable Development Goals

In 2015 the United Nations published the UN Sustainable Development Goals (SDGs); 17 ambitious goals which aim to end poverty, protect our planet and increase prosperity and peace for all.

We continue to fully support and contribute to these goals. Whether it's investment into our local communities, reducing emissions to tackle climate change, promoting sustainable agricultural practices in our supply chains or ensuring diversity and inclusion within our organisation. Our sustainability agenda is aligned to these goals so that we can help create a more sustainable future for all.

Throughout this report we indicate where our activities and partnerships contribute towards these global goals.



CDP

CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

Sainsbury's participate in the CDP surveys relating to climate change, water scarcity and forests annually. We have been awarded an A rating for our climate change disclosure for seven consecutive years, the only UK retailer to have done so. We have achieved an A rating for our water disclosure for two consecutive years, whilst our forests disclosures are rated B.

Our CDP disclosures can be found at www.about.sainsburys.com.



See Page 7 & 8



See Page 14



See Page 19



See Page 19



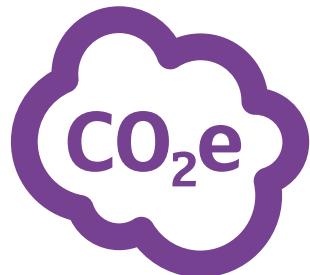
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Performance Scorecard

Our performance scorecard provides an overview of our key commitments, KPIs and performance across our Net Zero by 2040 pillars.



Carbon

Commitment

Reduce absolute greenhouse gas (GHG) emissions from our own operations to Net Zero by no later than 2040

Metric	Methodology	Baseline	Results	Target
		2018/19	2019/20	2040/41
Absolute GHG emissions within our own operations	Absolute, market based, scope 1 and 2 GHG emissions in the financial year for Sainsbury's Group supported by third party CBRE and disclosed in our Streamlined Energy and Carbon (SECR) report (please see our Annual Report and Financial Statements 2021 for this disclosure). This is verified by the Carbon Trust later in the year.	949,744 tCO ₂ e	843,741 tCO ₂ e	818,161 tCO ₂ e

Commentary

We started the 2020/21 financial year ahead of our target trajectory which supported us to achieve our target. Store closures as a result of COVID-19 also contributed to the carbon savings across the year as did our continued focus on LED light installation, with a total of 472 supermarkets with LED lights installed by the end of the 2020/21 financial year. The future programme continues to be well planned and focuses on efficiency improvements. The 2021/22 financial year will see the LED programme completed across the estate.



Water

Commitment

Minimise the use of water in our own operations, driving towards water neutral by 2040

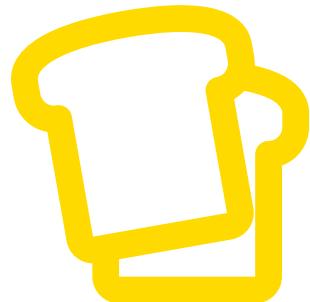
Metric	Methodology	Baseline	Results	Target
		2018/19	2019/20	2040/41
Absolute water usage within our own operations	Absolute water usage in the financial year for both Sainsbury's and Argos as reported by third party WaterScan.	3,224,000 m ³	3,029,859 m ³	2,776,288 m ³

Commentary

Improvements driven by operational response to COVID-19 (closure of property and propositions) and water saving taps completed for all sites (stores, support centres and depots). Operational efficiency and deploying new technologies will deliver future targets.



Healthy Diets



Food Waste

Commitment

Develop and deliver healthy and sustainable diets for all

Metric	Methodology	Baseline	Results	Target	
		2019/20	2019/20	2020/21	2040/41
% healthy products sold as a proportion of total sales tonnage	Total sales of healthy and better for you choice food as a percentage of total food sales tonnage in the financial year (exclusive of beers, wines and spirits). Healthy and healthier choice defined using a nutrition criteria tool.	55.6%	55.6%	55.3%	N/A

Commentary

Flat year-on-year with no significant movement within a category. Improvement in future years will be driven by a new target and category level plans.

Commitment

Reduce food waste by 50% by 2030

Metric	Methodology	Baseline	Results	Target	
		2019/20	2019/20	2020/21	2030/31
Food waste to anaerobic digestion tonnage	Total food waste tonnage sent to anaerobic digestion in the financial year calculated as total operational food surplus i.e. food that is not sold to customers, less any food surplus redistributed to both humans and animals.	31,615 tonnes	31,615 tonnes	26,545 tonnes	15,808 tonnes

Commentary

This year we reduced the food waste we send to anaerobic digestion in our own operations by over 5,000 tonnes, a reduction of 16 per cent year-on year, which puts us ahead of our target trajectory. This has been driven by reductions in our overall operational waste figure, owing to propositional changes in our food service departments, as well as growth in the volume redistributed to both humans and animals as a result of impacts from the pandemic and process improvement. See page 10 for breakdown of redistribution to humans and animals.

Our ability to meet our target is dependent upon increasing the amount we redistribute for human consumption and we are looking into third party tech solutions to enable this.



Plastic

Commitment

Reduce our use of plastic packaging by 50% by 2025 and then go further

Metric	Methodology	Baseline	Results	Target
		2018/19	2019/20	2025/26
Food: % reduction in plastic packaging vs baseline / tonnes of plastic packaging	Plastic tonnage for the calendar year calculated by multiplying the primary plastic packaging weight of each Sainsbury's food SKU by the sales volumes of that SKU. SKU data is collated and updated by third party, Valpak.	120,000 tonnes	4.6% (114,463 tonnes)	1.7% (117,959 tonnes) 60,000 tonnes

Commentary

In 2020, our efforts to reduce packaging were hampered by COVID-19 due to increased sales volumes and having to use plastic for some high volume lines, e.g. for eggs, as pulp packaging supply ran out across the industry. However if we strip out the impact of COVID-19 we are still behind our trajectory so significant progress is required in order for us to meet our long term target.



Recycling

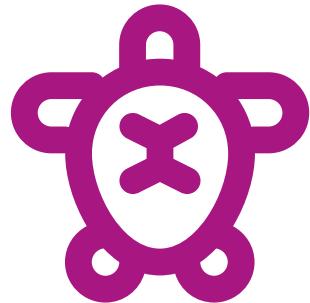
Commitment

Increase recycling and make it easier for our customers to recycle

Metric	Methodology	Baseline	Results	Target	
		2019/20	2019/20	2020/21	2040/41
Number of Sainsbury's managed recycling facilities in all available sites	Number of open Sainsbury's sites, excluding store support centres, with public recycling facilities as at the end of the financial year.	274	274	273	N/A

Commentary

Removal of one site last year due to property works.

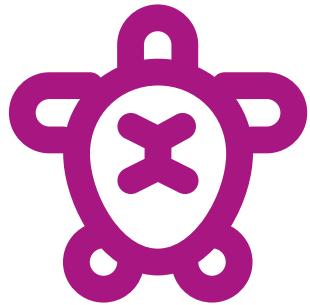


Biodiversity

Commitment

Ensure that the impact of our operations is net positive for biodiversity

Metric	Methodology	Baseline	Results		Target
		2019/20	2019/20	2020/21	N/A
% timber sourced to an independent sustainability standard	Total cubic metre volume of sustainably sourced timber products sold as a percentage of total cubic metre volume of all timber products sold in calendar year 2020, assessed by third party Track Record Global Ltd.	Sainsbury's: 90% Argos: 43% Habitat: 8%	Sainsbury's: 90% Argos: 43% Habitat: 8%	Sainsbury's: 92% Argos: 34% Habitat: 0% Group: 65%	Sainsbury's: 100% Argos: 100% Habitat: 100% Group: 100%
% palm sourced to an independent sustainability standard	Total volume of palm in our supply chain assessed to be sustainably sourced as a percentage of total volume of palm used in our supply chain for the calendar year 2020.	99.1%	99.1%	99.3%	100%
% soy sourced to an independent sustainability standard	Total volume of soy in our supply chain assessed to be sustainably sourced as a percentage of total volume of soy used in our supply chain for the calendar year 2020.	6%	6%	42%	100%
% cotton sourced to an independent sustainability standard	Total tonnage of cotton sustainably sourced by third party Better Cotton Initiative (BCI) as a percentage of total cotton tonnage sourced in the calendar year 2020.	76%	76%	89%	100%
% wild caught seafood sales which is independently certified as sustainable	Total sales volume of wild caught seafood which is independently certified as sustainable as a percentage of total sales volume of wild caught seafood for the financial year.	82.3%	82.3%	76.1%	100%
% farmed seafood sales which is independently certified as sustainable	Total sales volume of farmed seafood which is independently certified as sustainable as a percentage of total sales volume of farmed seafood for the financial year.	100%	100%	100%	100%
Number of Woodland trees planted	Total number of trees planted in the financial year through partnership with the Woodland Trust.	493,750 trees	493,750 trees	325,000 trees <i>(by 2025/26)</i>	1,500,000 trees



Biodiversity

Commentary

% timber sourced to an independent sustainability standard

Last year we reported on Sainsbury's only. This is the first year that we have reported on Argos and Habitat which will be a focus going forward.

% palm sourced to an independent sustainability standard

Our sustainable sourcing performance on palm oil remains strong and we continue to strive towards our 100 per cent target.

% soy sourced to an independent sustainability standard

This year saw a significant improvement in the share of soy feed sourced sustainably in our supply chains as we continue engaging with our suppliers.

% cotton sourced to an independent sustainability standard

Improvements this year are attributed to a greater sourcing of sustainable cotton within General Merchandise and Clothing.

% wild caught seafood sales which is independently certified as sustainable

The fall this year can be attributed to mackerel losing its Marine Stewardship Council (MSC) certification which creates challenges for meeting our long term target.

% farmed seafood sales which is independently certified as sustainable

Our farmed seafood remains 100 per cent sustainably certified and we expect to be the first retailer to transition to Aquaculture Stewardship Council (ASC) in the UK.

Number of Woodland Trust trees planted

Last year we focused on planting trees in strategic areas (schools and communities) as oppose to chasing the highest number.