

Sainsbury's Sustainability Update 2019/20



J Sainsbury plc

Welcome

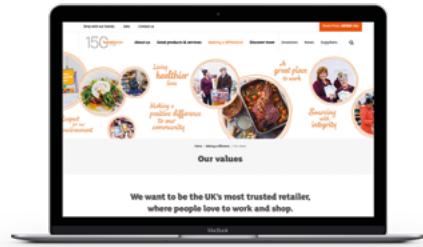
Helping customers live well for less has been at the heart of what we do for 150 years, since John James and Mary Ann Sainsbury opened the doors of our first shop in Drury Lane in 1869.

We employ 172,000 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.

Our values underpin everything we do as a business and help us strengthen relationships with all our stakeholders. They enable us to build trust, reduce operating costs, mitigate risks and attract and retain talent.

This is an update on progress against our Sustainability Plan, which is structured around our values.



Find out more at
[www.about.sainsburys.co.uk/
making-a-difference](http://www.about.sainsburys.co.uk/making-a-difference)

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Driving lasting, positive change

On conclusion of our 2020 Sustainability Plan and announcement of our bold new Net Zero by 2040 ambition, Chief Executive Officer Mike Coupe reflects on our values, which have been our guiding framework for sustainability over the past decade.

172,000

colleagues

87+

countries we source our own-brand products from

28 million+

customer transactions every week

I'm proud to say that our focus on giving customers high quality food at good value remains as true today as it was over 150 years ago when we opened our doors on Drury Lane. In that time, we've remained true to our values, allowing us to drive lasting, positive change in the communities we serve and source from. The scale of our business means we can make an important contribution to sustainable development in the UK and internationally.

This year we announced our bold new sustainability plan - to become Net Zero across our own operations by 2040 and we have committed to investing £1 billion over the next twenty years to achieve this. We will use the £1 billion investment to support seven commitments that focus on reducing carbon emissions, food waste, plastic packaging, water usage and increasing recycling, biodiversity and healthy & sustainable diets. We will report on our progress every six months using science-based targets, working with the Carbon Trust and the CDP.

Our values and sustainability activities protect our brands so that customers, suppliers and stakeholders continue to trust us. As I look back at my time with Sainsbury's, we have made tremendous progress in sustainability and you'll find many examples of our achievements and current activities across our five values, detailed in this report. Having respect for our environment is one of our core values and this year we cut our absolute carbon emissions by 42

per cent against our 2005 baseline, having achieved our 2020 reduction target a year ahead of schedule and announced an industry-leading target to halve our use of plastic packaging by 2025.

We continue to make progress on our ambition to be the most inclusive retailer where people love to work and shop. From setting corporate objectives to increase female and Black, Asian and Minority Ethnic colleagues in senior roles, to becoming signatories of the Social Mobility and Time to Change pledges, we continue to strive to be a great place to work. This year we also updated our Human Rights policy, we recognise our customers want to be confident that we source with integrity and that the people in our supply chains who make, grow or sell our products are treated fairly and their human rights respected.

This past year also saw the celebration of our milestone 150th Birthday. We wanted to mark the anniversary by making a positive difference in our communities, so we gave all our colleagues the opportunity to volunteer during work time for a local charity or community initiative. In total over 35,000 colleagues pledged to volunteer, with over 2,400 community projects carried out, 19 per cent of these being environmentally-based projects. To support our customers to live healthier lives, we have invested over £187 million into Active Kids to date and this year ran 70 Active Kids holiday clubs which had 23,000 children attending during the summer months. Along with our long-standing charity partnerships, this reflects how we sit at the heart of our communities and play a broader role in society overall.

As we look to the future, we know that climate change is at the top of our colleagues' and our customers' minds, therefore it's time to push ourselves further, with our new commitments, so that we can help everyone live well today and into the future.



A handwritten signature in black ink that reads "Mike Coupe".

Mike Coupe
Chief Executive Officer

Our 2020 Sustainability Plan

Delivering on our 2020 commitments

Our purpose is to help our customers live well for less, now and in the future and to help them get the most out of life, no matter how much money or time they have.

Our customers care about wide-ranging, complex issues that impact them and our wider world and they expect us to be a responsible, sustainable business, whether that's by supporting the communities we serve and source from, managing our environmental impact or contributing to a healthier and more inclusive society.

To this end, in January 2020 we announced our new commitment to invest £1 billion over 20 years to become Net Zero across our own operations by no later than 2040.

When we launched our 2020 Sustainability Plan in 2011, we set out five clear values and gave ourselves 20 deliberately stretching commitments which gave us a clear focus to formalise our activities.

Our five values were to help our customers, colleagues and suppliers to live healthier lives; make a positive difference to our communities; source with integrity; have respect for our environment; and create a great place to work for our colleagues. In 2015, approaching the halfway point of our 2020 timescale and following the launch of our 2014 business strategy, we took the opportunity to review our 2020 Sustainability Plan.

As a result, we updated our commitments, removing those which were no longer relevant and adding challenging new ones to have the most positive impact. This gave us a refreshed focus as we moved forward to 2020.

Our 2020 Sustainability Plan has been our guide for building a sustainable future, ensuring we focused our efforts to make the greatest difference and we are proud of what we have achieved over the past decade. We have learnt a lot in the process and taken lessons from where we have hit our targets and where we have not.

This helped to inform how we can make a greater impact moving forward and where we need to collaborate with industry and partners to contribute to tackling some of the big challenges such as climate change.

Highlights of our 2020 commitments



Living healthier lives

Offering customers nutritious and healthy food and encouraging active lifestyles

We committed that our customers could always choose nutritious and healthy food when they shop with us and that we would encourage kids to live a healthy, balanced lifestyle.

22%

red traffic light labels on our own-brand products (2020 target: 21 per cent)

£187 million

total investment in our Active Kids scheme (2020 target: £200 million)

We are continuing to reduce the percentage of red traffic labels on own-brand products and reformulate to reduce salt, sugar, fat and saturated fat in order to help our customers eat and live well.

We are also supporting customers with food allergies and intolerances by creating personalised allergen profiles online via food search platform FoodMaestro.

We continue to invest in our Active Kids scheme and launched summer holiday clubs to offer activities to kids of all abilities during the long summer break.



Making a positive difference to our community

Generating positive impact in the communities we serve and source from, locally and globally

We committed to support our local communities in relevant and impactful ways and donate over £400 million to charitable causes by 2020.

£359 million¹

cumulative charitable investment generated across our programmes (2020 target: £400 million)

Through our customers and colleagues, we have generated over £359 million to make a positive difference to the communities we serve. In addition, we supported over 35,000 of our colleagues who pledged to work with charities and community groups across the UK through our 150 Days of Community programme to celebrate our Company's 150th birthday.



¹ Includes funds raised for good causes from corporate donations, carrier bags, colleague and customer fundraising and charity partnerships.

Sourcing with integrity

Building resilient supply chains by sourcing products ethically and sustainably.

We committed to sourcing our key raw materials sustainably to an independent standard and that our own-brand fish would be independently certified as sustainable. We committed to selling products that are fairly traded and to invest in the sustainability of the suppliers, farmers, growers and workers within our supply chains internationally, as well as investing in the future of British farming and be the leading retailer for British produce. We also committed to sourcing our meat, poultry, eggs and dairy products from suppliers who adhere to independently verified animal health and welfare outcomes.

99.1%²

palm oil used in our products is sourced to an independent sustainability standard (2020 target: 100 per cent)

100%

farmed seafood independently certified as sustainable (2020 target: 100 per cent)

We are proud of our track record on sustainably farmed fish and have made significant progress to ensure we limit the contribution to global deforestation from our own-brand products. We will continue to actively collaborate with suppliers, our partners and industry experts to ensure that we source from sustainable sources.



Respect for our environment

Reducing emissions, water use and waste across our value chain

We committed to reduce our operational food waste and to work with our customers to help them reduce theirs, putting both to positive use. We also said we would reduce our own-brand packaging and our operational carbon emissions. Through robust water stewardship, we committed to address and manage all areas of water vulnerability.

92%³

stores with Food Donation Partners for surplus food (2020 target: 100 per cent)

42%

absolute greenhouse gas emissions reduction (2020 target: 30 per cent)

We continue to support the delivery of Courtauld 2025/Champions 12.3 by reducing operational food waste and are making year on year progress to increase the number of stores with food donation partners. We are really proud of our achievements in reducing greenhouse gas emissions and water use in our operations. This year we received a CDP A rating for our climate change disclosure for the sixth year running, the only UK food retailer to achieve this score for this length of time. We will continue to introduce proven technologies to achieve further reductions in these areas in order to reach our goal of being Net Zero in our own operations by 2040.



Great place to work

Being an inclusive employer where colleagues love to work

We committed to being an employer where colleagues love to work and to having an inclusive workforce which offers good employment opportunities to all members of the community. We also committed to investing in the training and development of our colleagues.

£9.30 per hour⁴

colleague reward (2020 target: standard colleague reward greater than National Living Wage)

6.7%

per cent colleague reward is greater than National Living Wage (2020 target: standard colleague reward greater than National Living Wage)

We are recognised as a great place to work, demonstrated by maintaining our Gold accreditation from Investors in People for the 4th year running. We have continued to broaden our training and development offer to our colleagues and our 'Leading@Sainsbury's' development programmes support individuals to develop the skills and leadership capability to transition to a management role.



² Based on 2019 calendar year.

³ We have sent zero operational waste to landfill since 2013.

⁴ Per hour base rate of pay in Sainsbury's stores. National Living Wage rate (25+) effective dates: April 2018, April 2019 and April 2020.

Our priorities

To deliver our purpose and vision we will focus on seven strategic priorities which are designed to ensure we continue to give our customers what they want in a rapidly changing retail marketplace while also delivering value for our shareholders.

These priorities are: to be competitive on price; to offer distinctive products and categories; to provide personalised and seamless physical and digital experiences; to be fast, friendly and convenient; to drive efficiency to reinvest; to be a place where we all love to work and to be Net Zero in our own operations by 2040.



Be a place where we all love to work

Sainsbury's is an inclusive employer where colleagues love to work and are encouraged to develop their skills and fulfil their potential.

Being a company that people love to work for means being an inclusive employer where colleagues are encouraged to develop their skills and fulfil their potential. It's about playing an active role in our communities and about having high ethical standards that we and our suppliers adhere to.

It is important for the long-term success of the business that our colleagues remain

engaged and we measure this twice a year through our colleague engagement survey. We retained our Gold accreditation from Investors in People (IIP) for the fourth consecutive time over 10 years, despite the level of change in the business.

We have made good progress with our inclusivity agenda. We are a Disability Confident Leader for our work on disability and inclusivity and, looking ahead, we aim to increase our employment of Black, Asian and Minority Ethnic (BAME) representation at senior manager level. We also aim to increase the percentage of colleagues who agree with the statement 'I feel I am able to be myself at work' in our colleague engagement survey.



We continue to work on our gender pay balance across the business and have further reduced our gender pay gap by 1.6 per cent to 10.5 per cent this year, while our median gender pay gap remains at 3.8 per cent. Female representation at Board level is 33 per cent and female representation at senior levels has increased to 35 per cent by the year end. Across the entire business, female representation is 54.6 per cent. There are 94,992 women and 78,983 men and the remaining colleagues did not identify as either women or men. We are committed to achieving our aspirational target of 40 per cent female representation in senior positions by 2021. For more information, see our Gender Pay Report on our corporate website.

In this complex retail environment, excellent leadership of our store teams is crucial. We have an award winning leadership programme for store colleagues and managers. We are also focused on ensuring that more junior colleagues can develop their skills and progress and measure the number of colleagues enrolled on an apprenticeship programme and the completion rate for those apprenticeships.

We play an active role in local communities

and we raised £29 million this year for local and national causes. As part of our 150th birthday, we launched 150 Days of Community and over 35,000 colleagues pledged their time to volunteer during working hours for over 2,400 local community projects. For more information on how our colleagues support the communities we serve, see pages 10-11.

We are committed to complying with laws and regulations and set high ethical standards for our colleagues and suppliers. We expect all colleagues to abide by our Ethical Conduct Policy, covering areas including anti-bribery and corruption, conflicts of interest, suppliers, fraud and whistleblowing. Training on these policies is provided to colleagues in the commercial divisions as part of their inductions and then annually. This year we also updated policies and processes for our suppliers to gain a better understanding of risk, and updated our Human Rights policy which can also be found on our corporate website.

Alongside our community investment, we make positive economic contributions through our supply chain, our market-leading pay for colleagues and our responsible approach to tax, contributing £2.1 billion in taxes borne and collected this year.





Net Zero by 2040

Living well means living sustainably and we have committed to invest £1 billion over 20 years to become Net Zero across all our operations by 2040.

We have seven key areas of focus and we will report progress against each of them at our interim results in November.

We have committed to invest £1 billion over 20 years to become Net Zero across our operations by 2040

We are the only UK food retailer to receive an A rating in the Climate Disclosure Project for six consecutive years. We are proud to have achieved a 42 per cent reduction in carbon emissions over fifteen years, despite a 46 per cent increase in our estate. We have committed to reduce carbon emissions within our own operations to Net Zero greenhouse gas emissions, increasing the use of renewable energy.



We were also the first retailer to achieve The Carbon Trust Water Standard in 2017 as well as this past year achieving the Climate Disclosure Project A-rating for water disclosure. We achieved our 2020 water reduction targets early, saving one

billion litres since 2005. We have committed to minimise the use of water in our own operations, driving towards water neutral by 2040.



In 2005 we were the first retailer to introduce multiple traffic light labelling on the front of our own-brand packaging and we have reduced the number of red traffic lights since 2015. Through reformulation, 97 per cent of our own-brand products meet Public Health England's salt reduction targets and we have reduced the amount of sugar across soft drinks, ice cream, cereals and more by over 20 per cent since 2015. As part of our Net Zero commitment we will continue to develop healthy, tasty nutritious food for our customers and expand our popular meat alternative range.

We have committed to reduce our use of plastic packaging by 50% by 2025

We have committed to reduce our use of plastic packaging by 50 per cent by 2025 and then go further. We were the first retailer to remove plastic bags from our produce aisles and bakery counters; customers now use their own bags or buy a reusable and recyclable bag made from a recycled plastic bottle. Among a large number of initiatives, we removed plastic bags from online deliveries and reduced the weight of plastic used in milk and water packaging.

We were the first retailer to achieve zero waste to landfill and we plan to reduce food waste by 50 per cent by 2030. Most of our stores redistribute good quality food safely to local charities and community groups through our food donation partnerships.

We were the first retailer to achieve zero waste to landfill and we plan to reduce food waste by 50 per cent by 2030

We will also increase the use of recycling in our own operations and make it easier for our customers and colleagues to recycle. All our plastic hangers are made from 100 per cent recycled materials and last year we recycled 300 tonnes of them. As we move forward we will expand recycling facilities at our stores to help customers recycle metal cans, glass, plastic, paper, clothing and other materials.



Finally, we will ensure that the impact of our operations is net positive for biodiversity. We have planted nearly four million trees in partnership with the Woodland Trust since 2004 and we expect to plant more than 1.5 million trees by 2025. 99.1 per cent of the palm oil used in our products is sustainably sourced as is all our farmed seafood.





Living healthier lives

Related UN Sustainable Development Goals



We help our customers to live well and living well starts with healthy eating.



We take our responsibility to help our customers eat healthily, seriously, whatever their budget. From making the everyday options a healthier choice or innovating to bring healthier products to market, customers can always choose nutritious and healthy food when shopping with us. We aim to provide customers with the information, incentives and rewards to encourage those healthier choices.

Making everyday products healthier

We have an ongoing programme of reformulation, reducing sugar, salt and saturated fat from our own brand 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 outlined by Public Health England's Childhood Obesity Plan. We have achieved over 20 per cent sugar tonnage reduction since 2015, as well as not having characters on any of our children's breakfast cereals. We have also removed sugar across key categories like ice creams, bakery and biscuits.

We have a long history of providing clear nutritional information, and were the first UK supermarket to introduce the pioneering multiple traffic light (MTL) system in 2005, going beyond government requirements at that time, and continue to do so.

We ensure that our products are

accurately and simply labelled, providing nutritional claims on our products to

help customers easily access the nutrient benefits of the product, including fibre and protein. We restrict nutrition and health claims on any own-brand product with a red MTL (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 and guarantees at least one of the recommended five a day. In 2019, 13 new Love Your Veg products launched, including butternut squash and lentil lasagne which contains three of your five a day.

43%

healthy products sold as a proportion of total sales volume, up from 38% in 2018/19¹ (2020 target: 45 per cent)

We also continue to support the Food Foundation's Peas Please Initiative, which makes a pledge for more veg. In 2019, 18.8 per cent of the total own-brand food volume sold at Sainsbury's was vegetables and 100 per cent of our promotional space had at least one vegetable option.

Innovating for healthier choices

We continue to innovate in our product ranges to provide customers with new healthier choices. We outperform the market in meat alternative, plant-based food ranges, and this year we introduced Plant Pioneers to our own-brand offer, providing innovative and delicious options to customers following flexitarian or plant based diets. We added 26 new products across the fresh, frozen and ambient categories, this includes our Vegan Fishless Fish Fingers which contain algae oil and provide customers who do not consume oily fish, with a source of Omega 3.



We also have products to help customers get enough of key vitamins in their diet, including our Super Mushrooms fortified with B12 and Vitamin D or our Scottish Salmon with additional Omega-3.

This year we also extended our Little Ones range. The first 1000 days in a child's life are vital to development and the products available across this range have been specifically designed to ensure that children are well equipped to grow and live healthy lives. All of our Little Ones savoury pouches

¹ The proportion of products in our customers' baskets that are defined as healthy, based on category specific criteria.

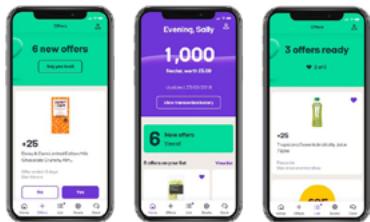
contain one of your five a day, and we also created scratch cooking weaning recipes which are available on our website.



Helping customers who wish to make healthier choices

We understand many of our customers want to make healthier choices and we aim to support customers make their healthier lifestyles more achievable.

We have an ongoing commitment to provide clear nutritional labelling for our customers, both on pack and when shopping online, and previously launched an online tool with Food Maestro, enabling those with allergies or intolerances to identify the suitability of different products when shopping online.



We have also utilised Nectar to offer points to reward fruit and vegetable purchases and worked with Disney to run a campaign which incentivised customers to buy healthier products including mini fruits, by offering additional promotional cards in return. Sales of promotional fruits increased by more than 250 per cent over the three week period.

We have also supported campaigns such as Vegpower's 'Eat Them to Defeat Them' to inspire healthier choices.

Collaborating for our customers

We collaborate with a variety of stakeholders to transform the shopping experience for customers across the UK. In 2019, we became a partner of the Collaboration for Healthier Lives (CHL) UK, an initiative with the Consumer Goods Forum. This programme is designed to encourage healthier living across the two London boroughs taking part in the initial trial period, Lambeth and Southwark, and

is supported by some of the UK's largest FMCG companies, several local authorities, as well as health authorities including the University of Oxford.

Through our involvement in the Livestock, Environment and People (LEAP) project with The University of Oxford, we were the first UK supermarket to trial selling meat-alternative products in meat aisles.

96%

increase in sales of volume of low alcohol wine (2020 target: 100 per cent)

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. Whilst great progress has been made, we're aware there's still much more that can be done and actively participate in industry working groups to drive forward the health agenda. Through our membership with the Institute of Grocery Distribution, we work with other retailers and manufacturers in Nutrition and Healthy Sustainable Diets working groups. We continue to be members of Drink Aware and collaborate with groups including the British Nutrition Foundation, the National Food Strategy group, and Guy's and St Thomas' Charity Advisory Board.

Inspiring kids to live healthier lives

As part of our commitment to encourage kids to live a healthy, balanced lifestyle, we continue to provide our Active Kids scheme. Active Kids was first introduced in 2005, donating equipment and experiences to clubs and schools across the UK, with investment reaching over £187 million this year.

£187m

Total investment in our Active Kids scheme (2020 target: £200 million)

In 2018, the scheme was reappraised and Active Kids holiday clubs were introduced, following research from the ukactive Research Institute revealing that there are significant reductions in children's cardiorespiratory fitness over the summer holidays, with the decrease being more pronounced amongst children in the most deprived areas. This alarming statistic, coupled with the guidelines announced in the government's Obesity Plan for Action which called for half an hour of a child's daily recommended activity to be delivered beyond the school gates, were motivation enough to focus our attention on the summer months.

23,076

Number of children who took part in our Active Kids holiday clubs

In 2019 we ran 70 Active Kids holiday clubs in locations across England and Wales, with attendance from over 23,000 children, and we offered 5000 free places to families who were in need. The clubs provided a healthy lunch and snacks, and a wide range of activities from fencing and circus skills to tennis and quick cricket.



Net Zero by 2040

As part of our Net Zero by 2040 commitment, we will develop and deliver healthy and sustainable diets for all.

Our priorities are designed to ensure we continue to give our customers what they want in a rapidly changing retail marketplace, while also driving value for our shareholders.



Making a positive difference to our community

Related UN Sustainable Development Goals



Our long-term business success relies on resilient, thriving communities in the UK and internationally.

Sainsbury's is a place-based business. 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 87 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.

Communities we serve

Our colleagues are key to supporting the communities we serve. Through our fundraising and volunteering programmes, our colleagues have the opportunity to fundraise and volunteer their time to local good causes. This year we ran our 150 Days of Community volunteering programme to celebrate our 150th birthday.

150 Days of Community

To celebrate our 150th birthday, colleagues from across the business were given the opportunity to dedicate some of their work time to volunteer in their communities. Over 35,000 colleagues pledged their time to support a local project, either individually or in teams, in the 150 day span from May – October 2019.

In total we had 2,456 projects approved, which included over 1,200 Sainsbury's stores and almost 500 Argos stores committed to a local project. The volunteering projects covered a wide array of areas, with 19 per cent being environmentally based projects, 14 per cent focussing on schools and young people, and 14 per cent supporting with community care projects.

90%

stores taking part in 150 Days of Community volunteering programme

A few standout projects were given extra financial support in order help to create a lasting impact on the community. The Bybrook Store supported The Caldecott Foundation to build a sensory garden for children with autism,

whilst our colleagues in Marske-by-the-Sea threw a celebration for the older residents of their area to help combat loneliness, with dancers from Strictly Come Dancing providing entertainment.

In Bath, one of our stores became the UK's first sign language store; our colleagues were taught basic UK sign language by a local signing school, Oscar-winning actress Rachel Shenton, and store colleague Sam Book. The store sign was changed to 'Signsbury's' with helpful visual guides placed throughout the store.

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"The whole experience of working with the Sainsbury's Bybrook team has been truly amazing, and the benefits to our young people have been immense. Our partnership has done absolute wonders for raising our profile within the local community. The support from everyone, from the store manager John and everyone from the staff that have helped out at different times, has been incredible and on behalf of everyone at the Caldecott Foundation I want to say a massive thanks."

Jeremy Evans

Lead Teacher, The Caldecott School

Collaborating for greater impact

Last year, we celebrated 25 years of partnership with The Royal British Legion Poppy Appeal. During that time we have



raised an estimated £40 million through Poppy Appeal collections in store and the sales of products.

To commemorate our longstanding partnership with The Royal British Legion, tea parties were held at Sainsbury's Chichester and Preston in-store cafes ahead of Remembrance Sunday, bringing together veterans and members of the Armed Forces community.

Limited edition bouquets were developed and sold in-store and online, raising £44,000 for the Poppy Appeal. One of our oldest colleagues, Des Burnand, 91, was presented with a bouquet at the Chichester tea party, dedicated to his father who served in the First World War as an infantryman.

£3.4m

raised for the Royal British Legion this year

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, indirectly supporting 11,000 charities and community projects across the UK.

This year we trialled a tech solution with FareShare, an app called FareShare Go, in 10 stores across the country. The trial saw a total donation of 5,463kg of surplus food, the equivalent of over 13,000 meals, and we are continuing to explore how a technical solution to support our redistribution programme can work on a larger scale.

Through our Food Donation Programme, we work with over 1,300 organisations which have over 2,250 partnerships



across 92 per cent of our Sainsbury's stores. These partnerships include The Felix Project and The Trussell Trust.

92%

stores with Food Donation Partners, up from 87 per cent in 2018/19 (2020 target: 100 per cent)

We have proudly been working with The Felix Project since 2016. These partners collect surplus food from 24 of our stores and our online distribution centre, whilst a number of our colleagues have also volunteered at their London facilities. We also work closely with The Trussell Trust, hosting 256 permanent collection points in our stores for their network, supporting customers to donate an average of 1.6 million meals a year.

To support our Christmas food and toy donation campaign, Help Brighten a Million Christmases, in addition to the ongoing store collection points that colleagues and customers can donate at, Sainsbury's opened the first Giving Store. The pop-up store in London was a store with a difference, giving customers the opportunity to shop for others. The store provided a family-friendly 'Dickensian' experience, and was stocked with priority items for foodbanks and charities at Christmas. All items were donated to the North Paddington Foodbank.

Communities we source from

As well as the communities we serve, we aim to make a positive impact on the communities we source from. One way we support these communities is through our long-standing partnership with Comic Relief. Since 1999, we have raised over £130 million, which goes towards supporting people both in the UK and internationally.



Our key activities to support fundraising include selling red noses and merchandise, colleague fundraising and partnerships with multiple brands. Through our partnership, we also support farmers and workers in challenged value chains through the Fair Development Fund, set up in 2007. It has helped us engage with growers, farmers

and workers in developing countries to give them a better chance of building a sustainable future for themselves, their families and their communities.

£29m

generated for charities and communities this year, bringing the total investment to £359 million¹ (2020 target: £400 million)

We recognise that we have a vital role to play in supporting our farmers, growers and suppliers across the world, and we aim to increase transparency between the communities we source and the communities we serve.

In 2010, we set up the APECAFEQ sun dried community coffee project in the town of Quinchia in Riserlida, Colombia. The project aims to enhance the positive impact of our trade and better meet the needs of this farming community. We committed to pay 2 cents/lb over the Fairtrade price for coffee purchased from this co-operative, with a total investment of \$30,000 into the community over the nine years of this project, supporting the community to invest in the construction of a greenhouse and drying tunnels.

To find out more about how we work with our farmers, growers and suppliers, see our Sourcing with Integrity section.



Be a place where we all love to work

Playing an active role in our communities is huge part of our strategic priority of being a place we all love to work.

Our priorities are designed to ensure we continue to give our customers what they want in a rapidly changing retail marketplace, while also driving value for our shareholders.

¹ Includes funds raised for good causes from corporate donations, carrier bags, colleague and customer fundraising and charity partnerships.



Sourcing with integrity

Related UN Sustainable Development Goals



With over 48,000 Sainsbury's branded products sourced from over 87 countries, we have a vital role to play in supporting our farmers, growers and suppliers across the world.

Our approach is to work collaboratively to tackle climate change, reduce the environmental impact of our raw materials, advance respect for human rights across our supply chain and improve the livelihoods of our 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.

Protecting Human Rights

Our vision is to be the most trusted retailer where people love to work and shop, which includes treating people fairly wherever they are in our business and supply chain. This year, to build on our sustainable sourcing programme, we have supported suppliers to gain a better understanding of risk areas. We have embedded a robust labour provider certification scheme, called Clearview¹, for all agencies providing labour into our depots, and we also worked with Stronger Together² to provide classroom training for our property team and key suppliers.

We updated our Human Rights Policy, making a public commitment to the United Nations Women's Empowerment Principles and UN Guiding Principles on Business and Human Rights, and revised our sustainable sourcing policy to include the key global issue of responsible recruitment and environmental protection. For our Human Rights Policy and Modern Slavery Statement, please visit our

corporate website.

Prevention, identification and remediation of modern slavery is an issue that requires collaboration across stakeholders and government involvement is essential. Sainsbury's met with newly-appointed independent Anti-Slavery Commissioner Dame Sara Thornton to share our individual and collaborative work to date.

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I met with major retailers in the wake of Operation Fort, the UK's largest modern slavery case, to assess how they are responding to human rights risks in their supply chains. I was particularly encouraged by the approach of some businesses who were innovating and experimenting with new tools and technologies and I have highlighted this as good practice. Sainsbury's Modern Slavery Risk Assessment tool, which uses data analytics to provide a dynamic assessment of multiple tiers of its supply chains, is a good example of this.”

Dame Sara Thornton
Independent Anti-Slavery Commissioner



Responsible fishing

We continue to lead the way in sourcing fish responsibly from both wild capture fisheries and farms. 100 per cent of our farmed fish sources are independently certified to a recognised best aquaculture practice standard and 82.3 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 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, Aquaculture Stewardship Council and Global Seafood Assurances.

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 through updating our Tu website with key sustainability facts about our business and plans for the future.

76%

of our cotton is sourced more sustainably through the Better Cotton Initiative, up from 68% in 2018/19 (2020 target: 100 per cent)

We are utilising more recycled materials in our ranges, with 20 per cent of our women's denim range now using REPREVE® high quality, 100 per cent recycled polyester made from post-consumer plastic bottles, pre-consumer industrial waste or a hybrid blend of both. Our Sleep More Sustainable bedding range uses REKOOP® DNA tagged recycled polyester, which is produced from post-consumer plastic bottles.

¹ <https://www.clearviewassurance.com/>

² <https://www.stronger2gether.org/>

³ The Sainsbury's Foundation is the name Sainsbury's gives to its not-for-profit initiatives including its Sainsbury's Fairly Traded programme. The Sainsbury's Foundation is a trading name only. All Sainsbury's Foundation funds are ring-fenced by Sainsbury's and applied for social and/or charitable purposes.

Trading for a fairer future

We support farmers and workers directly through our Sainsbury's Fairly Traded programmes. Sainsbury's Fairly Traded Programme was launched in 2017 with the ambition to support the sustainability, resilience and efficiency of suppliers, farmers and producers within our East African tea supply chains. We source our Sainsbury's Fairly Traded tea from producer groups in Rwanda, Kenya and Malawi, and as one of the most popular beverages in the world it provides a huge opportunity to make a real difference by working directly with our tea farmers.

In 2019, one of our Technical Managers visited Malawi to explore the projects that have been co-funded by the Sainsbury's Fairly Traded Social Premium, which farmers can use to invest in their businesses and communities.

“

“I felt immensely proud of what they had achieved with the funding, and to be a part of Sainsbury's in providing such a strong foundation for their future. Every penny has been well spent after careful consideration of what would have the greatest impact on improving lives and businesses.

It was great seeing how we could improve so many lives, hand-in-hand with creating great products for our customers. Considering that there is more funding on the way, I am excited to see the next phase.”

John Owles

Sainsbury's In-Country Category Technical Manager

The Sainsbury's Foundation Advisory Board³, comprised of external experts and Sainsbury's colleagues, oversees the activities in our Fairly Traded programme, which are decided on democratically within producer communities. For more information please see our Fairly Traded Progress Report on our corporate website.

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.

We use palm oil in a variety of our own-brand products and are proud that 99.1 per cent of our palm oil is sustainably sourced to an independent standard. We are continuing to seek new ways to ensure

more of our palm oil is certified sustainable each year. One of the major problems with deforestation is where other buyers do not source certified sustainable palm oil. To address this we have been working with other retailers on the Palm Oil Transparency Coalition (POTC) to engage suppliers and traders on the issue in order to minimise the impact concerning deforestation and land change, and promote sustainable sourcing across the industry.

99.1%

palm oil sourced to an independent sustainability standard¹
(2020 target: 100 per cent)

Through the Retailer Cocoa Collaboration, we have committed to support the Cocoa & Forests Initiative (CFI) and the eight core commitments. This year we have been progressing our CFI actions through the trader assessment process and by engaging with our cocoa supply chain partners to ensure progress is being made against their individual CFI Action Plans. We are also working as part of the Consumer Goods Forum (CGF) Forest Positive Coalition of Action to accelerate efforts to remove commodity-driven deforestation from our supply chains.



We continue to support the protection of woodland and biodiversity in the UK, and since our partnership began in 2004, we have raised £98 million for the Woodland Trust and planted 3.9 million native trees. This year to celebrate our 150th Birthday, a tree was planted for every Sainsbury's colleague, including the creation of 150 woods with landowners and farmers. We also provided colleagues with tree seeds to plant themselves.

493,750

number of trees planted in partnership with the Woodland Trust this past year, 3.9 million since 2004.



Improving animal health and welfare

We know that animal health and welfare matters to our customers and we regularly review the practices of our farmers and suppliers. We have recently moved to receiving outcomes data direct from suppliers across chicken, beef, lamb, pork, turkey, eggs and dairy. Utilising data dashboards we can gain key insights and engage suppliers to drive improvements.



We're encouraged by the progress our farmers have made and continue to support them by working with experts in animal health & welfare, sharing best practice and supporting research in this field. We're committed to ensuring the highest possible standards of animal welfare, it's what our customers expect from us and it's why we are the UK's biggest retailer of RSPCA Assured products and of MSC certified seafood products.²

Working closely with our Farmer Development Groups

Our Agriculture team works closely with our Farmer Development Groups in order to build resilient and sustainable value chains. This year we launched our Integrated Beef Programme, with farmers from our Dairy and Beef Development Groups. The programme will change how we source our beef over the coming years, and will create a more stable and financially secure supply chain for our farmers by providing a confirmed outlet and price for their animals, allowing for forward planning and the confidence to invest in their businesses.

This year we also trialled our Kinermyng range, produced from an integrated supply chain. The range is a uniquely sourced, fully traceable and renowned breed of Aberdeen Angus beef with historic ties to the Sainsbury's family. We also continue to be a key partner in the North Highland Initiative (NHI) project to support rural communities in the far north of Scotland, working with over 100 small family farmers and crofters supplying cattle into our North Highland range.

We are working closely with our lamb farmers via our Taste the Difference (TtD)

¹ Based on 2019 calendar year

² Based on the number of MSC labelled products

initiative. Within this scheme we aim to build open and resilient relationships with our farmers and share best practice to improve quality and consistency. The initiative was created to ensure a sustainable and futureproof supply of the TtD range and allows us to support over 800 Welsh hill farmers.

We also 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 ring-fenced supply which has continued to see benefits such as higher health and welfare outcomes, and improved efficiency and business sustainability.

Sustainable crops

We have been working closely with our growers through Crop Action Groups (CAG) since 2006, and we're proud to say that the number, size and reach of these groups has grown considerably over this time. We are currently running CAGs across over 30 crop areas, this covers the UK as well as other countries and regions, including Spain, South Africa and South America.

We also work with our growers via Grower Interaction Groups (GIGs), which are forums to get growers of different crops together to identify new thinking and advance best practice. Working with our orchard crop suppliers, we recently held a GIG in partnership

with NIAB and AC Goathams focused on understanding and measuring soil health.

Backing British Farming



As a UK retailer, we are proud to support British farmers and growers. This year we returned as a principal sponsor for Linking Environment and Farming (LEAF)'s Open Farm Sunday, for the fourth year. The event saw 365 British farms opening their gates to over 250,000 visitors, and we funded sustainable farming posters for farmers to display on the day. We also continue to support LEAF's Farmer Time initiative (formerly known as FaceTime a Farmer). The programme continues to gain momentum and has seen around 9,000 pupils chatting virtually to farmers from their classrooms.

We held our annual Farming Conference this year, and were delighted to welcome Emma Howard Boyd, Chair of The Environment Agency as our

keynote speaker, with attendees including our farmers, growers, suppliers, academics and industry stakeholders.

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. We are currently involved in many industry collaborations, including:

- Better Cotton Initiative
- Ethical Trading Initiative
- Roundtable on Sustainable Palm Oil UK
- Roundtable for Sustainable Soya
- Retailer Palm Oil Group and Retail Soy Group
- World Cocoa Foundation



**Net Zero
by 2040**



**Be a place
where we
all love to
work**

As part of our Net Zero by 2040 commitments, we will ensure that the impact of our operations is net positive for biodiversity. Whilst having high ethical standards that we and our suppliers adhere to is a huge part of our strategic priority of being a place where we all love to work.

Our priorities are designed to ensure we continue to give our customers what they want in a rapidly changing retail marketplace, while also driving value for our shareholders.



Respect for our environment

Related UN Sustainable Development Goals



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, maximising energy and water efficiency, reducing packaging and keeping food waste at a minimum.

Net Zero by 2040

As part of our Net Zero by 2040 plan, 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. The investment will enable Sainsbury's to fulfil Scope one and Scope two emissions, putting the business on course to reach Net Zero a decade ahead of the UK government's deadlines, and we are working with suppliers to set their own ambitious Net Zero commitments, in line with the Paris Agreement goals. We will provide clear, frequent disclosures on our progress, and as signatories of Task Force on Climate-related Financial Disclosures (TCFD), we will use scenario modelling to further assess the impact of current and emerging climate change on our business model and strategy.

Cutting carbon emissions

This year we continued to rollout Aerofoil technology across Sainsbury's stores, celebrating our 400,000th fitting in March. This milestone fitting meant that all convenience stores and supermarkets are now fitted with this innovative energy saving technology. Aerofoil Formula 1 technology prevents cold air from leaving the cabinet and directing it back into the fridge, this reduces energy consumption by 15%, keeping aisles warmer and reducing food waste by maintaining products at their optimal temperature. As a result, Aerofoil equipped fridges are delivering carbon savings of almost 9,000 tCO₂e per year

“

Sainsbury's endorsement of Aerofoils has established this unique product as the industry gold standard in energy saving technology. As one of the fastest-growing “green tech” companies in the UK, it's great that Aerofoil Energy has been part of Sainsbury's drive towards a more sustainable retail future.”

Paul McAndrew
Founder and CEO of Aerofoil Energy



Over the past 12 months we've been developing our own smart building solution, and to date, we have over 220 stores with fully connected lighting controls, through this platform. This has enabled us to help save 991,000 kWh. We have also continued our programme of LED replacement lighting this year, which with our work on aerofoils and water saving taps has seen an investment of over £6.5 million. For our greenhouse gas emission disclosure please see our Annual Report.

CDP A rating

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

Setting science based targets

Science-based targets seek to deliver on the commitment made by international leaders to meet the goals of the Paris agreement - to limit global warming to well-below 2°C, above pre-industrial levels and pursue efforts to limit warming to 1.5°C. We have signed up to setting a science-based target with the Science Based Targets initiative (SBTi) and have worked with the Carbon Trust to map and assess Scope 1, 2 and 3 emissions.

We will be setting science-based targets for emissions reductions and will be a Net Zero business across our own operations by 2040. We are really proud of the progress we have made so far, achieving a 42 per cent absolute reduction in the last 15 years despite our estate increasing by 46 per cent over the same timeframe.

Improving Air Quality

We recognise the impact of the vehicle emissions on air quality and human health and continue to trial and roll out new technologies to minimise emissions across our fleet. We have been working with Imperial College London on our electric van trials, which have given us vital data on the operational considerations of running refrigerated, electric vans. We're now looking to extend the trial and have one of our click and collect hubs running entirely on electric vans by the end of the 2020/21 financial year. We also have a strategy in place for when electric vans become more widely available that will enable us to transition at speed.

42%

absolute reduction in carbon emissions against our 2005 baseline, achieved a year early (2020 target: 30 per cent reduction)



Reducing, reusing and recycling

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 274 stores nationwide. This year we trialled Deposit Return Schemes with our reverse vending machines. Customers could recycle plastic, metal cans and glass drink containers in exchange for a 5p per item coupon towards their shopping. Customer uptake proved positive and we're now looking at how these trials can be scaled up.

We support the UN Sustainable Development Goal 12.3 to halve food waste by 2030 and are a signatory to the Courtauld Commitment to cut food waste by 20 per cent by 2025. We are committed to supporting the delivery of these targets by working to reduce operational food waste and put it to positive use. We have sent no food to landfill since 2013 and 92 per cent of our stores have Food Donation Partners for surplus food.

92%

stores with Food Donation Partners up from 87 per cent in 2018/19 (2020 target: 100%)

Pledging to cut plastic

Packaging helps us deliver fresh, undamaged produce, but we know that it can have a negative impact on our planet. Respecting our environment is one of our core values and 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 by 50% by 2025.



As part of this commitment, Sainsbury's achieved a 4 per cent reduction of primary plastic packaging in 2019. We removed, reduced and replaced plastic packaging across various categories and improved recyclability by replacing 1,200 tonnes of own-brand packaging with recyclable alternatives. In September we removed all plastic produce bags from our bakery and produce aisles, becoming the first retailer to do so, customers now have the option to

purchase a reusable and recyclable bag made from recycled plastic bottles.



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.

Saving water



Having reached our water reduction target years ahead of schedule, we went beyond our 2020 target this year, achieving a 33 per cent absolute water reduction. We are continuing to drive efficiency across the business, and are proud to have received a CDP A rating for our water disclosure this year. Our engineering teams are currently in the process of rolling out low flow taps in our washrooms and reviewing solutions for our food preparation areas.

33%

absolute water reduction against our 2005 baseline¹ (2020 target: 30 per cent)

CDP A rating

for our water disclosure

Collaborating on global challenges

This year we held an Environmental Science Conference in partnership with the Natural Environment Research Council (NERC) in order to have collaborative discussions on key themes; air quality, biodiversity, plastics, soil health and water quality, with 175 attendees across our suppliers, academics, research councils, government officials and industry stakeholders. We have also responded proactively to government consultations, including the Environment Bill, welcoming impending legislation which are bringing focus on the global challenges of today.



Net Zero by 2040

As part of our Net Zero plan we have made the following commitments;

- Reduce greenhouse gas emissions from our own operations to Net Zero
- Minimise the use of water in our own operations, driving towards water neutral
- Increase the use of recycling in our own operations and make it easier for customers and our colleagues to recycle
- Reduce our use of plastic packaging by 50% by 2025 and then go further
- Reduce food waste by 50% by 2030

Our priorities are designed to ensure we continue to give our customers what they want in a rapidly changing retail marketplace, while also driving value for our shareholders.

¹ Excludes Argos to be consistent with prior year disclosure. Absolute water reduction including Argos for 2019/20 is 30%.



Great place to work

Related UN Sustainable Development Goals



We want to be the most inclusive retailer, where every single one of our colleagues can fulfil their potential and where all our customers feel welcome when shopping with us.

Our colleagues are the foundation of our business, and they strive to provide excellent service for our customers across our Sainsbury's, Argos, Habitat stores, Sainsbury's Bank, Travel Money outlets and customer management centres. Creating an inclusive environment where over 172,000 of our colleagues can be the best they can be, helps us to attract and retain talent, and increase productivity.

A place where colleagues love to work

We invest in our colleagues to make sure they feel rewarded and motivated to do the best possible job for our customers every day. This year to celebrate our 150th Birthday we ran a year-long programme of communication to engage and excite colleagues. During our birthday week, all colleagues had the opportunity to celebrate with parties taking place at each location. Colleagues received a commemorative bag made from recycled bottles, which contained a badge and tea and biscuits in heritage packaging.

75%

colleagues who are engaged based on results from our colleague engagement survey

The milestone birthday was also celebrated with an immersive experience shop in London, which took visitors through the Sainsbury's journey from 1869 to 2019. The event was attended by Her Majesty the Queen and over 1,000 visitors, which included 46 colleagues recognised for their long service and contribution in their local communities.

We also launched our 150 days of Community programme, our first work time volunteering initiative. Colleagues were asked to suggest local projects that mattered to them and were given the opportunity to volunteer during work time, you can read more about this on page 10.

We conducted an all colleague survey to understand how colleagues felt about our 150th birthday celebrations. Colleagues reported the celebrations made them feel proud to be a part of Sainsbury's,

highlighting a great atmosphere during birthday week. A colleague survey completed at the end of 150 Days of Community saw 91 per cent of volunteer respondents say they strongly agree or agree with the statement 'I felt positive and inspired as a result of volunteering' and 19 per cent colleagues significantly more likely to recommend Sainsbury's as an employer.



This year we came third in the LinkedIn annual poll of top companies to work for in the UK, and are delighted to have retained our Gold accreditation from Investors in People, making us the largest organisation to have achieved Gold. The Investors in People report praised the way that change has been implemented across our business and our work to develop and improve our people management processes. The report also praised the 'level of diversity and the genuine culture of inclusivity' that we have in our business.

Gold accreditation

from Investors in People, maintained for the fourth consecutive year

**INVESTORS
IN PEOPLE™**

A place where colleagues learn and grow

Apprenticeships give colleagues on-the-job skills and training, and help us to secure our talent pipeline. We have offered apprenticeships since 1974 and continue to expand our offer, this year we had 1,316 apprentices on our programme.

1,316

number of apprentices trained in 19/20¹

This year we launched the 'Leading@Sainsbury's' programmes in order to support individuals to develop the skills and leadership capability to transition to a management role. Consisting

¹The 2019/20 figure represents the amount of apprentices live on an apprenticeship programme



of four programmes, they are tailored to develop colleagues of different grades, providing a mix of face-to-face interventions and practical applications, underpinned by a digital learning platform. To date, 230 programmes have been completed, with a total of 2,242 colleagues enrolled.



We are proud to have become a signatory of the Social Mobility Pledge, the largest business campaign of its kind encouraging business to put social mobility at the heart of its purpose. The commitment covers outreach, access and recruitment in order to progress talent from all backgrounds and to help to improve the UK's social mobility.

Inclusive recruitment and development

Inclusion is at the heart of our approach to recruitment and talent development. We have trialled several initiatives in recent years to reduce recruitment bias, this includes anonymised CV's, strengths-based assessments and video interviewing.

We continue to integrate best practices into our recruitment and development processes, and have created a guide to inclusive recruitment which details a new mandatory approach and trialled Black, Asian and Minority Ethnic (BAME) and female development programmes.

Celebrating and empowering diverse colleagues

Our colleagues continue to demonstrate their support for diversity and inclusion through our Embrace the Difference campaign. We continue to actively drive our culture of inclusivity; our colleagues attended over 40 pride events this year, created a Standing Together film and we ran a campaign during Black History Month to celebrate black culture, both with colleague activities and with messaging to our customers.

We are also proud that some of our colleagues have been recognised externally this year; in recognition of services to disability awareness, our Company Secretary, Tim Fallowfield, was awarded an OBE, he was also recognised by the Business Disability Forum, winning the Disability-Smart Senior Champion Award 2019. Our Chief Technical Officer, John Elliott, was shortlisted for a prestigious British LGBT+ Award 2020, whilst Alice Boaten, Regional Manager, was awarded Woman of the Year 2019 by the Everywoman in Retail Awards.

Disability Confident Leader

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



We continue to work hard to improve gender pay balance across the business and welcome the opportunity to report on our gender pay gap. For details on gender diversity and pay balance, please see page 6 and our corporate website for our Gender Pay Report.



Time to Change

this year we pledged to end mental health stigma



71st

ranking in Stonewall Workplace Equality Top 100 employer list making us the top retail employer for LGPT+ people



Be a place where we all love to work

We aim to be a company that people love to work, this means being an inclusive employer where colleagues are encouraged to develop their skills and fulfil their potential.

Our priorities are designed to ensure we continue to give our customers what they want in a rapidly changing retail marketplace, while also driving value for our shareholders.

Local to Global Impact

Judith Batchelar reflects on challenges facing our customers, business and the wider world and how, working together, we can do even more to grow and develop sustainably into the future.

Our customers care about wide-ranging, complex issues. From social challenges with the soaring use of food banks in our communities and world hunger on the rise, to environmental challenges with plastic polluting our planet's oceans and climate change affecting every part of our business. These challenges may seem overwhelming, but they are all areas where we can make an important contribution, as one of the UK's largest retailers, working with our suppliers and partners.

We are at a pivotal moment in time and are entering into a decade of huge change as we work with Government's, wider industry and on an individual level to ensure we keep our planet's warming within 1.5 degrees. We announced our own plans on how we are working towards this, committing to being Net Zero in our own operations by 2040, a decade ahead of the Government's Net Zero plans, and that we are also working with

our suppliers to support them to set their own challenging emissions targets. As we look forward, it is worth reflecting on what we have achieved and learnt over the past decade as we come to the conclusion of our 2020 Sustainability Plan.

Whilst we have some significant achievements to call out, such as our 42 per cent absolute reduction in carbon emissions over the past 15 years, which has laid strong foundations as we progress forward to our Net Zero ambition. There are also areas where things have moved on considerably in the past decade, and although not reflected in our numbers, we are proud of the progress we have made.

We know that animal health and welfare matters to our customers, and we have identified ways to take our commitment to higher welfare a step further. We recognise that standards and certifications aren't always a guarantee of an outcome, therefore since our 2011 commitment we have moved from a standards approach to a data-led outcomes approach. We work closely with our farmers and suppliers to collect data in order to give us the best insights, and are confident in our approach of measuring and managing to continuously improve the health and welfare of our animals.

There are a number of areas where we acknowledge collaboration is fundamental to change. Our work on ensuring our own-brand products do not contribute to global deforestation over the past decade has led us to 99.1 per cent and 90 per cent sustainably sourced palm oil and timber respectively. Even though we have improved the sustainable sourcing of our raw materials, global deforestation is at an all-time high, indicating we cannot make a significant change on our own. Therefore we are working collaboratively, on initiatives such as the Palm Oil Transparency Coalition to minimise the impact concerning deforestation and promote sustainable sourcing across the industry.

We continue to be actively involved in research and development, and this year are involved in projects worth over £3 million related to British Farming. We also held an Environmental Science Conference in partnership with the Natural Environment

Research Council (NERC) to ensure we are collaborating with our supply base and wider industry to innovate in areas such as plastics and biodiversity. We continue to utilise the latest technology where possible across our value chains, including our partnership with OceanMind to broaden responsible fishing practices.

We fully support the UN Sustainable Development Goals, which are a call for all countries and organisations to take action to grow prosperity while protecting our planet. This includes promoting health and wellbeing, reducing inequalities, cutting resource consumption and tackling climate change. Throughout this report, we indicate where our activities and partnerships contribute towards these global goals.

As we look forward to the next 20 years, we have a hugely ambitious goal and we now need to push ourselves to make the biggest impact we possibly can, as quickly as we possibly can. We plan to be even more transparent, with clear and frequent disclosures on our progress. As signatories of the Task Force for Climate-Related Financial Disclosures (TCFD), we will utilise scenario modelling to further assess the impact of current and emerging climate change on our business model and strategy, and will report biannually against our new Net Zero by 2040 commitments. We know that achieving this won't be easy but we have a once-in-a-lifetime opportunity to make the changes needed to help the planet exist sustainably.



Judith Batchelar, OBE
Director of Sainsbury's Brand

Transforming our world

Here are a few examples of how we're contributing to the UN Sustainable Development Goals. More can be found throughout this report.



Good health and wellbeing

We're committed to helping our customers and communities to live healthier lives.



43%

Healthy products sold as a proportion of total sales volume¹

23,000+

children took part in our new Active Kids holiday clubs



Reduced inequalities

We want to be the most inclusive retailer where people love to work and shop. We also work with partners to support inclusive growth.

40%

our aspirational target for female representation in senior positions by 2021

10%

our aspirational target for BAME representation in senior positions by 2021



Sustainable cities and communities

Our long-term business success relies on resilient, thriving communities in the UK and internationally.



£359m

investment generated for charities and communities²



Responsible consumption and production

We provide facilities to help our customers recycle, as well as supporting global efforts to reduce food waste and working to minimise our own packaging.

6,368

volume of clothing donated through our facilities

92%

of our stores have food donation partners



Climate action

Doing our part to help tackle climate change.

42%

reduction in relative carbon emissions since 2005

CDP A

rating for our climate change disclosure for the sixth year running



Life below water

We're leading the way in sourcing fish responsibly.



Life on land

We have a long history of collaborating to protect the world's forests.



Partnerships for the goals

We have a strong track record of partnering to help address global and local challenges.



¹ The proportion of products in our customers' baskets that are defined as healthy, based on category specific criteria.

² Includes funds raised for good causes from corporate donations, carrier bags, colleague and customer fundraising and charity partnerships.

Largest

retailer of Marine Stewardship Certified products.⁴

99.1%

of palm oil and 90 per cent of timber in our products certified to international sustainability standards³

3.9m

trees planted through our partnership with the Woodland Trust since 2004



15+ years

partnership with the Woodland Trust

25 year

partnership with The Royal British Legion

³ Based on 2019 calendar year.

⁴ based on the number of MSC labelled products

Corporate Responsibility and Sustainability Committee Report

Dear Shareholder

Our purpose is to help our customers live well for less, now and in the future. In delivering that purpose, we take our responsibility as a sustainable retailer seriously.

The Committee oversees the governance of being a sustainable business. Now in my second year as Chair, I am pleased to see the accomplishments against our agenda: the significant progress that has been made against our 2020 Sustainability Plan since its inception in 2011; the development of our new 'Net Zero by 2040' sustainability plan; and the increased focus on our stakeholders.

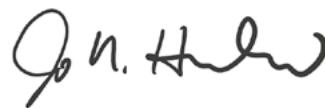
This year sees the conclusion of our 2020 Sustainability Plan and I am proud of the progress and achievements we have made against our commitments. Our activities have spanned our five values, governed by our Value Management Groups, to help customers live healthier lives, make

a positive difference to our communities, source with integrity, have respect for our environment, and create a great place to work for our colleagues. Highlights include reducing our absolute carbon emissions by 42 per cent against our 2005 baseline, reaching our 30 per cent target a year early, and retaining our Gold standard accreditation from Investors in People for the 4th year running. We also celebrated our 150th birthday by delivering our 150 Days of Community programme which saw over 35,000 of our colleagues pledge their time to good causes in their communities. We were unable to reach every target we set out to achieve in 2011 but we have learned a lot in the process. We are confident we are taking the right approach in areas such as improving animal health and welfare by focussing on data-led health outcomes, whilst on deforestation we understand that despite our high levels of certification and sustainable sourcing of raw materials, such as palm oil and timber, we have been unable to impact the rise of deforestation on our own.

This year has also seen the Committee increase its focus on stakeholder engagement including our customers, colleagues, suppliers and the community. We have listened to and engaged with our stakeholders and more information about our work can be found in our Annual Report.

The Committee was instrumental in the development of our Net Zero by 2040 plan. I was delighted that we launched it in January 2020 and that it is one of our strategic priorities. Our Net Zero by 2040 plan includes key areas of focus across carbon, water, sustainable diets, plastics, food waste, recycling and biodiversity, which will guide our activity over the next 20 years to ensure we become Net Zero in our own operations by 2040. We have also committed to investing £1 billion over 20 years to help us achieve this.

In order to oversee the implementation of our new Net Zero by 2040 plan and to have more time to understand and hear from our stakeholders, we have increased the number of Committee meetings. From 2020/21 we will be holding at least three meetings a year, with additional updates to the Board and I am pleased to welcome Martin Scicluna and Simon Roberts to the Committee as members, effective from 1st June 2020. We have also refreshed our sustainability governance structure in the business with the creation of a Net Zero Steering Group, as well as specific working groups. This will allow us to be more agile amid changing dynamics and emerging issues, and support the delivery of our commitments.



Jo Harlow

Chair, Corporate Responsibility and Sustainability Committee

Attendance at scheduled Committee meetings. Meetings were also attended by Martin Scicluna.

Jo Harlow	2(2)
Mike Coupe	2(2)
Jean Tomlin	2(2)

The maximum number of meetings held during the year is shown in brackets.



Principal roles 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.

Principal activities in the year

The Committee met twice during the year. Prior to each meeting, members received insights on how we engaged with our stakeholders - colleagues, customers, the community and suppliers - as well as progress updates on the 2020 Sustainability Plan. During the meetings, discussions and reviews of stakeholder engagement and development of our Net Zero by 2040 plan took place.

The Committee was engaged in our 150 Days of Community programme which ran from May to October 2019, to celebrate the Company's 150th birthday. The programme offered the opportunity for each colleague to volunteer during working hours. In total, we supported 2,456 projects which saw colleagues volunteer on a wide range of initiatives to support their local communities.

Culture and 'creating a place where we all love to work' was a key part of the Committee's agenda. The Committee were provided with the feedback from colleague engagement surveys and discussed ways to build colleague trust with the management team.

This year the Committee received a comprehensive update on supplier engagement, including the results of the Advantage Suppliers Survey and Groceries Code Adjudicator report. Committee members were keen to understand the actions being taken to build relationships with our suppliers, how our supply chains source products ethically and sustainably and the work undertaken by the Fair Development Fund and Sainsbury's Fairly Traded programme. More information

on our suppliers can be found on page 12-14. The Committee also reviewed the steps we are taking to prevent modern slavery and human trafficking in our business operations and supply chain and recommended that the Board approve our Modern Slavery Statement, which can be found on our corporate website.

As we focused on our new sustainability plan, we listened intently to our customers, noticing a shift in their views on sustainability. While climate change and being 'green' are really important to them, they are not fully aware of the extensive work that Sainsbury's does in this area, an insight that has helped inform the communications plan for our new strategy. The Committee was engaged in upcoming regulatory developments on childhood obesity, resources and waste, clean air, employment reform and the cost of these to the business, which fed into the development of the new Net Zero by 2040 plan. Learnings from the 2020 Sustainability Plan and other stakeholders were also considered. After a broad discussion, at a number of Committee and Board meetings between September 2019 and January 2020, the Net Zero by 2040 plan was approved as our seventh strategic priority.



Value Management Groups¹

Led operational execution of sustainability activities for our 2020 Sustainability Plan commitments by value, ensuring delivery of performance.

1. Living Healthier Lives - Chair: Judith Batchelor, Director of Sainsbury's Brand
2. Making a Positive Difference to our Community – Chair: Simon Roberts, Director of Retail & Operations
3. Sourcing with Integrity – Chair: James Brown, Director of Non-Food Commercial
4. Respect for our Environment – Chair: John Rogers, CEO of Argos (until Oct 2019) / Patrick Dunne, Director of Property, Procurement and Cost Transformation (since March 2020)²
5. Great Place to Work – Chair: Angie Risley, Director of Group HR

¹ These groups are currently being reviewed on conclusion of our 2020 Sustainability Plan.

² An interim Chair was in place between John Rogers and Patrick Dunne's appointments.

Net Zero Steering Group (since Feb 2020)

Leads operational execution of Net Zero by 2040 commitments by overseeing working group activity, ensuring delivery of performance.

Chair: Simon Roberts, Director of Retail & Operations and Paul Mills-Hicks, Commercial Director

Working groups:

1. Carbon & Water
2. Sustainable Diets
3. Plastics
4. Food Waste
5. Recycling
6. Biodiversity

Performance scorecard

Below are our key commitments, KPIs and performance across our five values.

Living Healthier Lives

Commitment

Our customers can trust that they can always choose nutritious and healthy food when they shop with us

What we'll do	KPI	Performance			2020 target (where relevant)
		2017/18	2018/19	2019/20	
We'll continue to reformulate our own-brand products to reduce salt, sugar, fat and saturated fat	Percentage of red traffic light labels on our own-brand products	23%	22%	22%	21%
We'll build the nutrient profile of our own-brand food	Percentage of products that have an appropriate nutrition claim on pack ¹	14%	17%	18%	
We'll improve the healthy balance of our customers' food baskets	Healthy products sold as a proportion of total sales volume ²	39%	38%	43%	45%
We'll continue to grow our lighter alcohol wine category (under 10.5% ABV)	Percentage increase in sales of volume of low alcohol wine (against a 2010/11 baseline)	73%	75%	96%	100%

Commitment

We will encourage kids to live a healthy, balanced lifestyle

What we'll do	KPI	Performance			2020 target (where relevant)
		2017/18	2018/19	2019/20	
We'll continue to develop our Active Kids scheme, investing £200 million in activities for kids of all abilities	Total investment in our Active Kids scheme	£186m	>£186m	>£187m	£200m

¹Examples of nutrition claims include 'one of your five-a-day', 'low in fat' or 'high in protein'. These are also products which do not have a red traffic light label for sugar, salt or saturated fat.

²The proportion of products in our customers' baskets that are defined as healthy, based on category specific criteria.

Making a positive difference to our community

Commitment

We'll support our local communities in relevant and impactful ways and generate over £400 million to charitable causes by 2020

What we'll do	KPI	Performance			2020 target (where relevant)
		2017/18	2018/19	2019/20	
We'll give back to communities through volunteering, awareness-raising and charitable investment	Total annual charitable investment generated across all programmes ¹	£35m	£30m	£29m	
	Cumulative charitable investment generated across all programmes	£300m	£330m	£359m	£400m
We'll continue to develop our Local Charity of the Year programme	Percentage of stores supporting their Local Charity of the Year partner through awareness-raising, fundraising and volunteering ²	91%	94%	90%	100%
We'll develop our national partnerships with Comic Relief and The Royal British Legion	Increase in scale and innovation of our support for national charity partners ³	£9m	£14.8m	£7.2m	

¹ Includes funds raised for good causes from corporate donations, carrier bags, colleague and customer fundraising and charity partnerships.

² For 2019/20 this figure represents the percentage of stores that took part in the 150 Days of Community volunteering programme.

³ Annual contribution to our national charity partners - The Royal British Legion and Comic Relief.

Sourcing with integrity

Commitment

We will source our key raw materials sustainably to an independent standard¹

What we'll do	KPI	Performance			2020 target (where relevant)
		2017/18	2018/19	2019/20	
Each of our key raw materials is sourced sustainably to an independent standard	Number of Sainsbury's Sustainability Standards developed	35	35	35	Independent sustainability standards for all key raw materials
	Number of Sainsbury's Sustainability Standards in pilot	4	4	4	
	Number of suppliers, farmers and growers engaged via Sainsbury's Sustainability Standards ²	5 suppliers Over 100 farmers and growers ²	Over 100 farmers and growers ²	42 farms including growers cooperatives	
Our own-brand products will not contribute to global deforestation and we will source all commodities which can cause deforestation from sustainable sources	Percentage of commodities which can cause deforestation sourced to an independent sustainability standard				
	Timber ¹	95%	97%	90%	100%
	Palm oil ²	98%	98.7%	99.1%	100%
	Woodland Trust trees planted	323,471	273,471	493,750	

Commitment

Our own-brand fish will be independently certified as sustainable

What we'll do	KPI	Performance			2020 target (where relevant)
		2017/18	2018/19	2019/20	
All the wild caught fish we sell will be independently certified as sustainable ³	Proportion of wild caught seafood sales which is independently certified as sustainable ³	86%	82.5%	82.3%	100%
All farmed fish will be independently certified as sustainable	Proportion of farmed seafood sales which is independently certified as sustainable	100%	100%	100%	100%
We'll diversify our offer beyond the big five (cod, haddock, salmon, tuna and prawns)	Percentage sales volume of other species	17%	18%	20%	

¹Based on 2019 calendar year.

²Based on 2019 calendar year.

³Where 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 projects.

Sourcing with integrity continued

Commitment

We are committed to selling products that are fairly traded, investing in the sustainability of our suppliers, farmers, growers and workers within our supply chains internationally

What we'll do	KPI	Performance			2020 target (where relevant)
		2017/18	2018/19	2019/20	
We'll continue to grow the sales of fairly traded products in line with the business ¹	Value of fairly traded sales	>£280m	>£300m	>£300m	

Commitment

We will invest in the future of British farming and be the leading retailer for British produce

What we'll do	KPI	Performance			2020 target (where relevant)
		2017/18	2018/19	2019/20	
We'll continue to focus on research, development and innovation to improve agricultural productivity, resilience and quality	Number of R&D projects (participation either as a project lead or partner)	11	12	6	
	Value of investment for projects involving Sainsbury's in British farming	>£3m	£2.8m	>£3m	

Commitment

Our meat, poultry, eggs and dairy products will be sourced from suppliers who adhere to independently verified higher animal health and welfare outcomes

What we'll do	KPI	Performance			2020 target (where relevant)
		2017/18	2018/19	2019/20	
Our meat, poultry, eggs and dairy products will be sourced from suppliers who adhere to independently verified higher animal health and welfare outcomes ²	Proportion of sales from an independently verified higher animal health and welfare outcome source				
	Poultry	14%	14%	13%	100%
	Egg	100%	100%	100%	100%
	Veal ³	100%	100%	n/a	100%

¹This includes Fairtrade branded and Sainsbury's Own-Brand Fairly Traded products.

²We have identified ways to take our commitment to high welfare a step further, and have moved from a standards approach to a data-led outcomes approach; we believe in our cycle of measuring, managing and continuously improving the health and welfare of our animals.

³ We no longer sell veal

Respect for our environment

Commitment

We will work to reduce our operational food waste and put it to positive use

What we'll do	KPI	Performance			2020 target (where relevant)
		2017/18	2018/19	2019/20	
We'll support the delivery of the Courtauld 2025 target by working to reduce operational food waste and put it to positive use ¹	Percentage of stores with food donation partners for surplus food	73%	87%	92%	100%

Commitment

We'll work with our customers to help them reduce their waste and put it to positive use

What we'll do	KPI	Performance			2020 target (where relevant)
		2017/18	2018/19	2019/20	
Through our facilities we will help our customers reduce their waste and put it to positive use	Number of Sainsbury's-managed recycling facilities in all available sites	269	269	274	345
	Volume of clothing donations (tonnes)	5,594	5,289	6,368	

Commitment

We will reduce our operational carbon emissions by 30% absolute and 65% relative (to 2005)

What we'll do	KPI	Performance			2020 target (where relevant)
		2017/18	2018/19	2019/20	
We'll continue to introduce proven and next generation technologies in our new and existing stores to reduce our operational carbon emissions	Absolute greenhouse gas emissions reduction	24%	35%	42%	30%
	Relative greenhouse gas emissions reduction	50%	55%	60%	65%
	Percentage of our core fleet to use an alternative fuel rather than pure diesel	2%	3%	3.3%	
We'll help colleagues to do the right thing for the environment at home, and at work, by sharing information and ideas	Percentage reduction in electricity as a result of colleague engagement programme	3%	3%	3%	

¹ We have sent zero operational waste to landfill since 2013.

Respect for our environment continued

Commitment

Through robust water stewardship we will ensure that our business addresses and manages all areas of water vulnerability

What we'll do	KPI	Performance			2020 target (where relevant)
		2017/18	2018/19	2019/20	
We'll improve the efficiency of water use in our operations	Absolute water reduction (against a 2005 baseline) ¹	31%	30%	33%	30%
	Relative water reduction (against a 2005 baseline) ²	55%	57%	56.5%	55%

Commitment

We will reduce and optimise our own-brand packaging

What we'll do	KPI	Performance			2020 target (where relevant)
		2017/18	2018/19	2019/20	
Reduce own-brand packaging by 50 per cent compared to 2005	Reduction in own-brand packaging since 2005/06	35%	36%	37%	50%
We'll seek to use recycled materials and make sure that the material is recyclable wherever possible	Percentage recycled content by weight	38%	38%	44%	
	Percentage of recyclable packaging by weight (OPR)				
	Widely recycled	83%	85%	87%	
	Check local recycling	2%	1%	3%	
	Not currently recycled	15%	14%	10%	

¹ Excludes Argos to be consistent with prior year disclosure. Absolute water reduction including Argos for 2019/20 is 30%.

² Excludes Argos to be consistent with prior year disclosure. Relative water reduction including Argos for 2019/20 is 54%.

Great place to work

Commitment

We'll be an employer where colleagues love to work

What we'll do	KPI	Performance			2020 target (where relevant)
		2017/18	2018/19	2019/20	
We'll understand our colleagues better than anyone else and engage colleagues in the long-term success of our business	The percentage of our colleagues who are engaged based on results from our colleague engagement survey ¹	72%	69%	75%	
We're committed to exceed the National Living Wage (NLW)	Colleague Reward ² (percentage above NLW)	£8.00/hour 2.2%	£9.20/hour 12.1%	£9.30/hour 6.7%	
We'll continue to be recognised as being a great place to work by maintaining our Gold Investors in People accreditation	Continue to be awarded a Gold accreditation in Investors in People	Maintained	Maintained	Maintained	

Commitment

We'll continue to invest in the training and development of our colleagues

What we'll do	KPI	Performance			2020 target (where relevant)
		2017/18	2018/19	2019/20	
We'll offer colleagues externally accredited training to support our business strategy	Number of apprentices trained ³	713	887	1,316	2,500

Commitment

We'll have an inclusive workforce that offers employment opportunities to all members of the community

What we'll do	KPI	Performance			2020 target (where relevant)
		2017/18	2018/19	2019/20	
We'll be an inclusive workforce that reflects the communities we serve	Increase diversity of our workforce across race and gender:				
	Percentage of women on our Operating Board	11%	22%	22%	
	Percentage of women in our workforce	55%	56%	55%	

¹ 2018/19 and 2019/20 data is for the Group and prior data is for Sainsbury's.

² Per hour base rate of pay in Sainsbury's stores. National Living Wage rate (25+) effective dates: April 2018, April 2019 and April 2020.

³ The 2019/20 figure represents the amount of apprentices live on an apprenticeship programme