

Handled with care...

John Lewis

Corporate social responsibility policy

'As a responsible retailer, owned beneficially by our employees, we believe that the long-term future of the Partnership is best served by respecting the interests of all our stakeholders: Partners, customers, suppliers and the wider community. We look actively for opportunities to improve the environment and to contribute to the wellbeing of the communities in which we trade.'

...every step of the way



to the customer...

...through the shop...

...via distribution...

2 The John Lewis experience

Unrivalled choice, outstanding service, a unique price pledge and ethical sourcing standards

6 Quality products

350,000 high-quality product lines, all competitively priced, regularly updated, safe to use and fit for purpose

8 Outstanding customer service

Friendly, knowledgeable employees plus courteous service equals unrivalled customer satisfaction

10 A unique shopping experience

John Lewis continually invests in its shops to ensure they are safe and accessible

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Making John Lewis' distribution network as efficient, safe and environmentally responsible as possible

Welcome

Today, the John Lewis Partnership is a very different retail company from the one John Spedan Lewis handed over to his employees back in 1929. Annual sales across the Partnership for the year ending January 2006 were £5.8 billion and we now have more than 64,000 employees, known as Partners, making us the UK's largest employee-owned company.

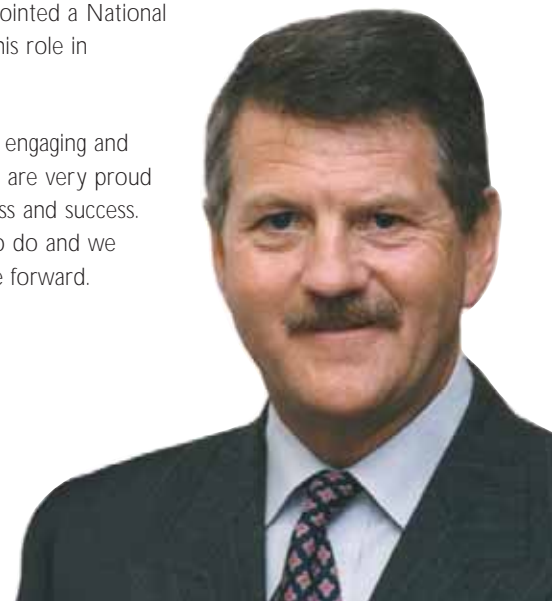
However, our founder's ideals, set out in our original Constitution, remain the inspiration behind our approach to corporate social responsibility (CSR) and continue to shape the principles we apply. Determined to embrace diversity and earn a reputation as an 'employer of distinction', we aim to treat all Partners as individuals, with respect, honesty and fairness. Sharing the rewards and responsibilities of ownership, and conducting our business with integrity and courtesy are key aspects of the way we work; this drives our environmental policies and our involvement with local communities.

Certainly, CSR remains a significant business challenge and views vary considerably on what priority any business should have, from climate change to child labour, sustainable timber and other areas. We cannot hope to cover the whole range of issues in this report so we have focused on those that our Partners, customers and suppliers tell us are the most important to them.

Overall, we are delighted by the success and recognition we have achieved since our last report. Examples of that success include remaining in the Top 20 ranking in Business in the Community's (BITC's) Corporate Responsibility Index, receiving excellent scores in consumer satisfaction surveys run by Verdict and Which?, and receiving a high commendation for our Golden Jubilee Trust employee volunteering scheme at BITC's National Awards for Excellence 2006. Another BITC Award saw our Chairman Sir Stuart Hampson appointed a National Ambassador to HRH The Prince of Wales, primarily for his role in championing community regeneration.

We have tried to make the information in this report as engaging and accessible as possible, and hope you enjoy reading it. We are very proud of the content as it highlights a significant level of progress and success. However, we are equally aware that there is still much to do and we do not underestimate the challenge we face as we move forward.

Alastair McKay
Deputy Chairman and Director,
Corporate Responsibility



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John Lewis supports British manufacturers and suppliers

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How John Lewis has performed against its key sustainability measures (2003–06) and a summary of its recent achievements and future priorities

The John Lewis experience

One of the UK's top 10 retail businesses and recently voted one of the UK's favourite retailers by consumers, John Lewis' reputation is built not only on the range and assortment of products it sells – but on the high quality and ethical standards it applies, its commitment to outstanding customer service and its unique price pledge: Never Knowingly Undersold. And as the UK's largest employee-owned business it prides itself in the way it treats its employees (known as Partners), the respect it has for the environment and the manner in which it serves its customers and communities.



Why is John Lewis different?

- From buttons to barbecues and televisions to trampolines, it offers customers somewhere in the region of 350,000 different product lines.
- John Lewis merchandise is constantly reviewed and refreshed to give customers a wider choice than any other national retailer.
- Even though John Lewis bought products from over 4,000 suppliers in 2005, sourced from more than 80 countries, its teams of expert buyers place traceability and integrity at the top of their buying agendas. It has strict requirements for quality and product safety, including policies on chemical use, sustainable timber and animal testing.
- It supports British suppliers, and has three production units of its own: JH Birtwistle, a textile supplier in Lancashire; Stead McAlpin, a specialist in printing and dyeing in Cumbria; and Herbert Parkinson, also in Lancashire, which makes up John Lewis' own-brand curtains, pillows and duvets.
- John Lewis is committed to working with its suppliers to ensure good working practices throughout its supply chain. Not only does it expect its suppliers to obey the law, but asks that they respect the rights and interests of their workers, communities and the environment.
- Faced with public concerns about climate change, water usage and excessive waste, and the challenges of a growing business, John Lewis strives to minimise the environmental impacts of its products and packaging, and its business operations.
- It operates one of the cleanest and greenest distribution fleets in the UK and endeavours to apply the principles of sustainable construction for all new builds and redevelopments.
- John Lewis pays its suppliers a fair price and works hard to justify the price of every product it sells. This ethos is underpinned by the slogan it has had for more than 80 years, 'Never Knowingly Undersold', a guarantee that ensures the price for any item in its shops will always be as low as, if not lower than, any local competitor.

Who is John Lewis?

John Lewis, part of the John Lewis Partnership (which combines John Lewis department stores and Waitrose supermarkets), is the UK's largest department store group, employing more than 26,000 permanent Partners. With its headquarters in London, it has a network of shops stretching from Aberdeen in the north of Scotland to Southampton on the south coast of England. It has come a long way since John Lewis opened his first shop on Oxford Street in 1864. John Lewis now has 26 department stores, with over 3 million square feet of floor space, offering the widest range of fashion and household goods available from any British retailer.



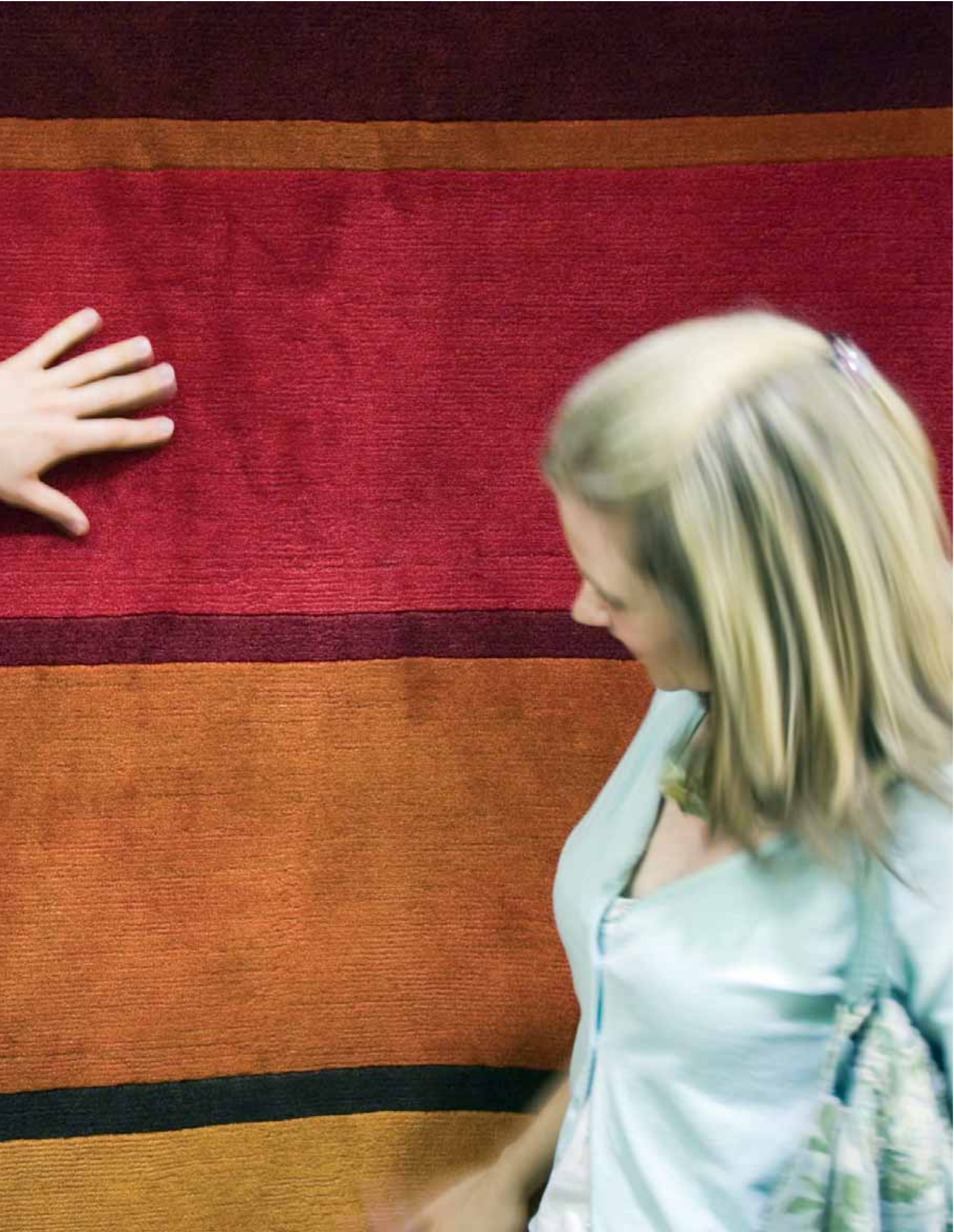
- All 26,000 John Lewis Partners have a say in how the business is run and share in its profits. Last year £206 million of the Partnership's profits were allocated for the benefit of its Partners – that goes a long way to explaining why they are helpful, knowledgeable and loyal.
- Its customers particularly value Partners' product knowledge and advice, which is why they voted John Lewis top in a consumer satisfaction survey by Verdict Research in 2006 and have placed them first for service every year since the survey began.
- John Lewis aims to make its customers' shopping experience as easy and enjoyable as possible, by ensuring its shops are well lit, easy to navigate and contain consistent signposting and labelling. This makes products easy to find and information simple to understand. Access for disabled customers and those with pushchairs remains a priority in the design, construction and operation of all John Lewis shops.
- In 2001, John Lewis extended its reach to the whole of the UK with the launch of John Lewis Direct (JLD). Customers now have a choice of channels to choose from: as well as the 'bricks and mortar' shops, they can order via telephone through the JLD catalogue or online at johnlewis.com – one of the UK's fastest growing and most successful internet sites.
- Uniquely, John Lewis operates smaller call centres from each shop, enabling customers to experience the same quality of service whether visiting or calling their local shop. Its in-store call centres provide an effective alternative channel for those who prefer to arrange free local deliveries for their purchases, including all those who may find it difficult to visit the shop. It also offers a collection facility for those with less time or inclination to browse.
- Peter Jones – where the Partnership's democratic approach was first introduced more than 75 years ago – holds Royal Warrants with HRH The Duke of Edinburgh, HRH The Prince of Wales and previously with HM Queen Elizabeth The Queen Mother, a mark of recognition to those who regularly supply goods or services to the Royal Family.



to the customer...

'Many things make the John Lewis experience unique. Customers tell us that they appreciate the outstanding customer service, John Lewis' unrivalled assortment of products, our well-laid-out stores and our unbeatable value. However, one thing they may not be aware of as they walk round our shops is the difference we make at a local level, through our relationships with the communities we serve, our charitable donations and our employee volunteering.'

Simon Fowler Director, Customer Service





Quality products

With more than 350,000 different product lines, John Lewis offers clothing and accessories for customers of all ages, a wide range of home and giftware, and a fast-growing range of own-brand goods. The key to maintaining the freshness and popularity of that range is the company's expert buying team.

A world of difference

John Lewis buyers have always supported British manufacturing, and will continue to do so, which is why the business owns three UK textile manufacturers (see page 30). Its buyers remain committed to sourcing the best products at the best prices from all over the world. But not at any cost. With so many products and such a large and complex supply chain, ensuring the goods are sourced responsibly and that standards are always met is a huge job. So John Lewis focuses on implementing measures to address those product areas where it suspects standards would otherwise fall below acceptable levels, such as the timber used in its garden furniture (see page 36).

Safety as standard

John Lewis is committed to ensuring that every product sold is safe to use and fit for purpose. Technologists in its dedicated Merchandise Standards department in the head office in London work in conjunction with the buying teams, and are responsible for ensuring all its own-label, branded and exclusive products comply with all relevant consumer legislation and safety standards. The team takes everything in hand from checking out suppliers' quality control systems to advising on the technical information in instruction booklets. With the fast-growing development of its own-label products, this work can be very detailed indeed and it is essential to ensure every relevant piece of technical documentation is present and correct.

Regrettably, some own-label products do occasionally fall below John Lewis' high standards of safety and performance; when that happens, its technologists implement the company's product withdrawal and investigation procedure, issuing a recall notice where necessary. Thankfully, such instances are very unusual, and in 2005/06, across John Lewis, only one own-label product was recalled.

Outstanding customer service

Treating customers well, making sure they have the products and information they want, listening to their concerns and acting upon that feedback are all crucial to the success of any business. But the dedication and expertise of John Lewis' highly trained Partners is exceptional and has deservedly earned recognition from a range of customer satisfaction surveys.



Target...
Receive more customer appreciations than customer complaints.

Performance...
Customer complaints fell to 3,389 in 2005/06, while the business had 23,577 customer appreciations.

Target met

Going one step beyond

Many Partners have worked for John Lewis for many years. They're interested in what they sell, and they have excellent product knowledge. And John Lewis customers often remark on Partners' friendliness and helpfulness. They know to treat every transaction differently, so they don't use stock phrases or sales speak. Every customer is treated as an individual, and taken through their purchase from start to finish.

But this doesn't happen by accident. John Lewis Partners undergo carefully crafted training on sales and service, as maintaining the business' reputation remains ever-important. And when it comes to developing its customer service strategy, importantly, John Lewis listens to its Partners. They are the experts who deal with thousands of customers every year and are considered the eyes and ears of the business.

Showing appreciation helps Partners to engage with the business and encourages them to perform even better. One Step Beyond (OSB) is a reward and recognition scheme, through which Partners are given genuine, spontaneous recognition and reward for exceeding expectations. However, OSB does not replace John Lewis' approach to pay and is not offered as an incentive for completing a task.

John Lewis is also encouraging shops to perform 'random acts of kindness', whereby Partners take the opportunity to go that extra mile for customers.

Customer satisfaction

A smile can convey a thousand words, so Partners try to make every customer feel welcome and appreciated, and always treat them as individuals, not as part of a business process. John Lewis aims to provide its customers with excellent service at all times, so it likes to hear what they think it does well, and where it can do better, and it keeps track of their feedback.

The UK's favourite retailer

In the Consumer Satisfaction Index 2006 conducted by retail industry analysts Verdict Research, John Lewis was ranked top after three years in second place. The annual survey, which measures how satisfied 6,000 consumers are with 67 retailers across a range of factors, concluded John Lewis has no equal in terms of customer service, having topped that category every year since the survey began.

It is also the top-ranked department store for both layout and in-store ambience, and features among the top five retailers for product quality for a sixth successive year. According to Verdict, **'the results show that customers value detailed product knowledge and advice. With a clear price commitment and extended product guarantees, John Lewis commands a level of trust unique among UK retailers.'**

The author of the report Nick Gladding added that, 'John Lewis always scores well for its level of service. But recent improvements in the

ambience of the store due to refurbishment projects, coupled with a new look at the way products are displayed, has taken it into the top spot.'

John Lewis has enjoyed further success in other surveys. It came second – behind its sister company Waitrose – in the Benchmarking Retailer Satisfaction survey published by the consumer association Which? in 2006. More than 2,000 shoppers in 80 UK locations were asked about their recent shopping experiences in 42 of Britain's top retailers; nearly two-thirds of respondents judged John Lewis' in-store experience to be 'excellent or very good'. It also won Gold in the 'Excellence in Service' category as voted by readers of *House Beautiful* magazine.

'Earlier accolades make this our third win in as many months,' explains Simon Fowler, Director, Customer Service. 'It illustrates the value of Partners' efforts in achieving excellent levels of service.'



Customer complaints have fallen by nearly 60% over the last two years (from 8,182 in 2003/04 to 3,389 in 2005/06), while customer appreciations were up to 23,577 last year. All John Lewis shops have met the target of receiving more compliments than complaints in the last two years.

To get detailed information on what customers think of its products, 1,000 customer testers visit John Lewis shops every month, while mystery shoppers indicate that 74% of customers are acknowledged within two minutes of entering a department. The mystery shopping programme is just as much about finding Partners going the extra mile as it is about noting what could be done better.

Simon Fowler, Director, Customer Service, says, **'Much of our ability to differentiate on service comes about because we are a co-owned business. Partners have a commitment to the business that you don't find elsewhere; it is what takes our service light years ahead of everyone else's.'**

The way our Partners deliver service shows they care about making their contact much more personalised. This serves to show how much they care about their customers and is a quality for which we want to be known.'

John Lewis also runs customer focus groups in every shop and makes available customer comment cards. Although most of the feedback these generate is of a local nature, comments occasionally include possible opportunities for the business as a whole. The introduction of name badges for selling Partners was a response to a need to provide even more personality to each customer contact and to help customers recall who had helped them, should they return to a department for additional help with a more complex purchase.

A unique shopping experience

All shops should be safe and accessible, with products thoughtfully displayed and everything the customer needs, from information to checkouts, clearly set out and signposted. That's John Lewis' benchmark when it builds a new shop or refurbishes an existing one. It's this ongoing investment in its growing network of department stores that encourages its customers to return time and again.

Changes in store

Without investment, shops start to look tired and dated, and customers will soon find somewhere new and more attractive to shop. That's why continued capital investment plays a central part in John Lewis' ongoing development programme; plans to build 10 new shops commencing in 2007 will double its retail floor space. Whether investing in its existing shops or building in new locations, its aim is to create contemporary selling floors that are lighter and brighter, with some stunning visual merchandising, but always with a focus on product.

In particular, redeveloped fashion areas now have better merchandise and more attractive presentation, and clearly segmented departments for each brand have been welcomed by customers, while in electricals and home technology, product demonstration areas and well-spaced display units help to showcase John Lewis' considerable product range and knowledge.





Access all areas

John Lewis welcomes all its customers and treats every customer as an individual, responding to their particular needs. In the case of disabled customers, it aims to make the shopping experience as easy and as pleasurable as possible, taking all reasonable steps to ensure each customer receives the same high levels of service. John Lewis has integrated the principles of accessibility into the design, construction and operation of all its shops and continually strives to improve access and respond to customer feedback.

All Partners are trained to meet customer access needs and are happy to assist customers with their shopping. In addition, John Lewis' multi-channel approach provides greater access to its goods and services via its internet site and call centres as well as its shops.

In meeting the 'letter and spirit' of the Disability Discrimination Act (DDA), more than 200 access audits were conducted with an accessibility consultant, Access Matters. John Lewis shops have reserved parking bays close to shop entrances, accessible lifts, toilets and till points, and mobile and fixed hearing loops. It also makes key literature available in alternative formats, such as large print, Braille and audio cassette, upon request. The company has worked with Access Matters to improve access to its older buildings and continually reviews its service and physical access levels to ensure it meets the individual needs of all its customers.

John Lewis' commitment to access has earned several awards:

- In 2004, johnlewis.com won an International Visual and Communication Association (IVCA) award for its accessibility
- John Lewis Direct won the 2005 UK Usability Professionals' Association award for 'Best retail website for online purchasing'
- John Lewis Peterborough was nominated for a Deafblind Friendly award, run by the charities Sense and Deafblind UK, in recognition of Partners' efforts to meet the needs of customers with sight and hearing difficulties.

Protecting the business

John Lewis has a duty to protect its Partners, customers and naturally, as a business, its profit. Its Partnership Principles include honesty and trust (see page 16), so it takes a serious view of dishonest and illegal behaviour by anyone. Its recently launched Business Protection strategy emphasises:

- integration – encouraging every Partner to take a proactive approach to protection
- deterrence – through shaping its environment, systems and processes to deter inappropriate behaviour
- investigation – targeted at the causes of loss to the business.

For this, the business uses various systems to help detect, investigate and prosecute misconduct and criminal activity, including the use of in-store CCTV cameras, point-of-sale transaction monitoring, and the logging of business telephone calls and emails. Shop Partners also work with local authorities with the aim of keeping the environment around the shops safe and crime-free.

Safety in numbers

Southampton Business Against Crime (SoBAC), a partnership of local businesses including John Lewis Southampton and the City Council, has recently won the Home Office 'Safer Business' award in recognition of its work in tackling antisocial behaviour, crime and the fear of crime in Southampton city centre. The members of SoBAC use radios and other communication technology to share information and run an exclusion notice scheme to identify and control persistent offenders.

According to Jonathan Boswell, SoBAC Chairman, 'This is an excellent example of John Lewis leading the way in the community by driving and supporting initiatives that not only embrace the residents and workers but also complement the business environment.'





John Lewis Victoria Partner **Anne McShea** (right) organised and promoted the National Alliance for Autism Research's (NAAR's) first fundraising event, a charity walk in the Great Park, Windsor, while Anne Jones of Waitrose (left) developed NAAR's media policy.



Cuthbert James (front), a Floor Coverings Manager at John Lewis' Park Royal Distribution Centre, helped School-Aid to move to new premises and to get more books and equipment donated to schools in Africa.

Community partnerships

John Lewis believes in getting involved with its communities at a local level. Its shops actively forge close links with local schools and communities. Through donations and Partner volunteering, it invests in local charities and community groups.

Getting involved

Reflecting its Principle, 'to contribute to the wellbeing of the communities where it operates', the John Lewis Partnership has a well-established and respected record for doing just that, and has increased its community investment by 22% over the last three years. Community Committees at each shop have a budget of around £15,000 to help meet the needs of their local communities. Partners are encouraged to become engaged locally, where their knowledge of local community needs can bring greater benefit to both business and society. The core objectives of John Lewis' community investment programmes as a responsible retailer are:

- to provide effective help to improve and support local communities
- to make Partners proud of their work in the community
- to offer Partners the opportunity to increase their skills and capacity
- to bring its Principles to life (see 'Powered by our Principles' on page 16)
- to aid recruitment and retention through instilling pride in the way the business works.

Giving money... and time

Community Committees are the Partnership's most active democratic bodies. Any Partner can stand for election, regardless of position or length of service, and has complete independence and freedom to choose which projects to support and how much to donate. Total John Lewis shop budgets have significantly increased over the last five years, allowing the shops to support more than 4,000 different community projects each year, ranging from the environment to healthcare and education. Such has been the increase in activity that in early 2006, the Partnership launched an online management and reporting system allowing all Community Committee secretaries to monitor and measure community investment in real time.

But community investment is not just about pounds and pence; Partners give their time and effort to good causes too. Since 2004, John Lewis shops have participated in Business in the Community's (BITC's) Cares programme, a business-led employee volunteering scheme that encourages Partners to give their time and skills to practical community-led team challenges. Partners can also access a national database of employee volunteering opportunities detailing the requirements, commitments and rewards of roles such as school governors, magistrates and special constables.

The management teams in every shop 'donate' 500 hours into a 'time bank' every year, and interested Partners, either as individuals or as teams, can apply to take up to two days (15 hours) each year to spend on charitable and community projects. It's not just the shops that get involved. Corporate and John Lewis Head Office Partners can also participate in the Partnership's new short-term volunteering scheme for local community projects. The initiative has created strong links with a number of local charitable organisations which, increasingly, contact John Lewis shops directly with new projects they think will suit local Partners.

And even the most senior Partners get involved. The Chairman and five Partnership directors have now participated in The Prince's Seeing is Believing Programme run by BITC. The scheme, founded by HRH The Prince of Wales, gives business leaders an opportunity to explore ways for business to help to overcome contemporary social issues, and involves visits to schools, prisons and community projects.

Measuring community investment

2005/06 marked the Partnership's third year of membership of the London Benchmarking Group (LBG), a voluntary membership scheme that helps to develop and promote a process for measuring community investment. Using the LBG's community investment model, the Partnership now has a much clearer picture of its overall community investment. The data gathered is reported via the Per Cent Standard, a voluntary benchmark developed by BITC to assess companies' overall charitable contributions as a percentage of pre-tax profits. It is also cited in *The Guardian's* Giving List, which ranked the Partnership as the fourth-highest retailer in November 2005. The value of John Lewis' total community contributions has been calculated at more than £2.28 million, roughly 45% of the Partnership's total. This equates to 2% of pre-tax profits, and twice the 1% standard suggested by BITC. The Partnership was one of only 127 companies to achieve this standard in 2005.

Big Tick for John Lewis Glasgow

John Lewis Glasgow was delighted to receive a Business in the Community (BITC) 'Big Tick' Award for Excellence for its school mentoring programme in 2006, in the Merrill Lynch 'Investing in Young People' category. The mentoring programme with St Roch's Secondary School (established as part of BITC's 'Closing The Gap' project) enables John Lewis Partners to support teaching staff, helping pupils develop interview and application skills, build confidence and raise awareness of career opportunities in the retail industry. According to the leader of Glasgow City Council Steven Purcell, 'This is a terrific initiative that allows pupils to acquire employability skills and an understanding of what an employer

is looking for when recruiting staff.' Partners from the shop have so far dedicated around 350 hours to this programme.

'The project has been a great success,' says James Storrie, an active Partner in the programme. 'The pupils' timekeeping and attendance have improved, and their horizons have been widened.' Helen Phee, a mentor and Partner, adds, 'I was able to use my skills as a team leader to coach the pupils. From that, I was able to build my own confidence, which I'll take back to my own job.'



Emma Gibbs, a Selling Assistant at John Lewis Cribbs Causeway, jumped at the chance to volunteer at the RSPB's Ham Wall nature reserve. She divided her time between educating young visitors, wildlife monitoring and essential maintenance.

Golden Jubilee Trust

In April 2000, the Partnership established the Golden Jubilee Trust (GJT) as part of the Partnership's Golden Jubilee celebrations. Through the GJT, any Partner, regardless of age, seniority or length of service, can apply for a full- or part-time volunteering secondment with a registered charity for up to six months, enabling Partners to make a real and practical difference to the local communities in which they work.

Funded from the income of an initial investment of £5 million (provided by the Partnership), awards are made by a board of trustees. In 2005/06 the GJT supported 36 John Lewis Partners who gave just under 17,500 hours to charities. Such placements have created a wide range of links with the community, through care of the elderly, youth education, environmental protection, the arts and much more. The scheme ensures the right Partner skills are matched with the specific needs of the charity being supported, providing the charity with the resources and skills to get the job done and enabling the Partners to meet their own objectives in serving the needs of the wider community.

The GJT was highly commended as a finalist in the Effective Giving category of the 2005 Companies and Communities Awards, hosted by the Charities Aid Foundation and was also highly commended in the BUPA Healthy Communities category at the National BITC Awards for Excellence 2006.

Target...

Exceed BITC Per Cent Standard of community investment expressed as a percentage of pre-tax profit.

Performance...

The Partnership's total community investment is equal to 2% of its pre-tax profits, twice the 1% standard suggested by BITC.

Target met





401203-1
MORRIS

370 980-3
KEMPER

31 43-1
NOBEL

394

394

394



...through the shop...

'There is much to do behind the scenes to keep us one of the UK's favourite retailers, from ensuring our shops are designed and adapted to meet the needs of the area they serve, to making sure every building from planning through to operation minimises its impact on the environment, and to keeping our shelves stocked with the 350,000 product lines we sell. And as the UK's largest employee-owned business, it's not just about providing great places to shop but great places to work in for our 26,000 Partners.'

Tracey Killen Personnel Director

Our Principles



Purpose

The Partnership's ultimate purpose is the happiness of its members, through their worthwhile and satisfying employment in a successful business. The Partnership is owned in trust for its members so they all share the responsibilities of ownership as well as its rewards – profit, knowledge and power.



Power

Power in the Partnership is shared between three governing authorities: the Partnership Council, the Partnership Board and the Chairman.



Profit

The Partnership aims to make sufficient profit to sustain its commercial viability, invest in its development, distribute profits to members and pursue other goals consistent with its purpose.

Doing the business

The John Lewis Partnership is much more than a retail business with sales of over £5 billion a year and an expanding network of shops. It is the result of decades of endeavour to create a different sort of company – one that is honest with its customers and Partners, fair to its suppliers and shares its success with everyone who works for it.

A unique business model

The John Lewis Partnership is quite literally a community of stakeholders. There are no shareholders, but Partners have a say in how the business is run and last year shared £120 million of the Partnership's profits in the form of a bonus. Truth, honesty, participation, ethical values and a written Constitution set the business apart and make it Britain's largest and longest-surviving employee-owned business.

The John Lewis culture is based on the formal documents that define the Partnership's democratic structure and determine how the business is run on a day-to-day basis: a written Constitution, and its Principles and Rules.

The Constitution, now over 75 years old, contains seven Principles (see above), many of which read like a modern-day wish list for corporate social responsibility (CSR).



 **Powered by our principles.**

Powered by our Principles

In 2005, the Partnership launched 'Powered by our Principles' (PboP), an initiative which has helped translate the founder's original set of Principles into a set of modern-day behaviours, essential in a growing business with many new Partners. 'It suggests behaviours intended to integrate these Principles into everything we do,' says Charlie Mayfield, Managing Director, John Lewis, 'from our business relationships and our work environment, to appraisals, training and recognition.'

'Powered by our Principles is familiar territory,' he adds. 'We already see it in the top 30% of Partners in any shop. It's about providing a rallying cry for all Partners to behave in that manner. That way, we can be sure that the Partnership is really driving the success of the business.'

Democracy and governance

It's more than 75 years since John Spedan Lewis effectively handed over the Partnership to his employees, setting out a vision of a business that was fair to all, was owned by Partners, and was commercially competitive, enabling what Lewis called 'the sharing of gain, knowledge and power'. And while the Partnership's Constitution has been revised over the years, most recently in 2004, it remains firmly based on the original document of 1929, and it still relates to how democratic ownership should operate – through a unique system of employee participation with three main governing authorities:

- the Partnership Council – best described as the 'Partnership's parliament'
- the Partnership Board – ultimately responsible for the Partnership's direction and strategy
- the Chairman – who takes executive leadership of the Partnership.

Beyond that, Partner participation extends throughout the business, and all Partners are encouraged to learn about the business and to take an active role in the various councils and forums. For example, John Lewis has its own elected Divisional Council, which works alongside the John Lewis Management Board, and Partners can also make their views known through a variety of committees dedicated to community investment, financial support for Partners, social and leisure activities, and communication.



Members

The Partnership aims to employ and retain as its members people of ability and integrity who are committed to its Principles. It aims to recognise their individual contributions and reward them fairly.



Customers

The Partnership aims to deal honestly with its customers and secure their loyalty and trust by providing outstanding choice, value and service.



Business

The Partnership aims to conduct all its business relationships with integrity and courtesy, and scrupulously to honour every business agreement.



Relationships

The Partnership aims to obey the spirit and letter of the law and to contribute to the wellbeing of the communities where it operates.

Corporate governance and managing CSR

The Partnership's Principles sit perfectly with today's corporate social responsibility agenda, so CSR is clearly not something new to John Lewis, but is engrained in its culture and business.

As a Partnership, John Lewis recognises that the management of social, ethical and environmental issues involves everyone. While it firmly believes that responsibility rests with line management, technical guidance and support is provided by the Partnership's Head of Corporate Social Responsibility and team – a shared service to both John Lewis and Waitrose. Principal authority and accountability for these issues rests with the Deputy Chairman and the Director for Corporate Responsibility, and each division has a board director responsible for CSR.

As an integral part of its risk management and a key element of effective corporate governance, John Lewis established a CSR committee in 2002. Its focus is to maintain a sound system of internal control, agree CSR policies and programmes, regularly review performance, and report and provide assurance to the Partnership Board.

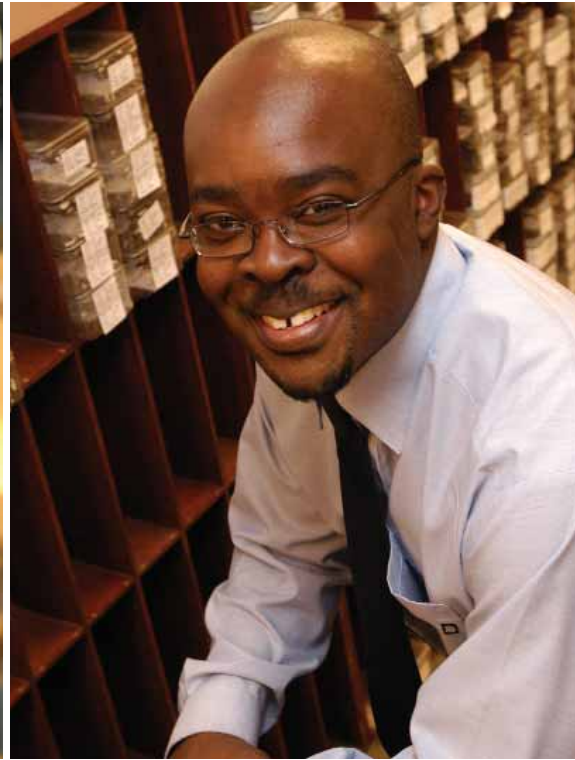
Each divisional committee reports to the Partnership CSR Committee every six months, which in turn reports annually to the Partnership Board. Divisional CSR committees are themselves responsible for implementing sound systems to identify and manage CSR issues. The committees are supported by technical working groups like the recently established Diversity Strategy Group.

CSR performance highlights

With its open and honest culture, John Lewis recognises that its CSR performance must be open to public scrutiny. It aims to fairly and regularly report its performance, online and also in reports such as this. It also participates in many independent benchmarking surveys; the results of some are shown below.

- The Partnership was ranked the second-highest performing retailer in an independent survey of social responsibility and accountability undertaken by **csrnetwork**. Scoring 55%, the Partnership easily outperformed the retail average (35%).
- As announced in the Top 100 'Companies that Count' supplement to *The Sunday Times*, the Partnership retained its place in the Business in the Community's (BITC's) Corporate Responsibility Index Top 20 this year. After dramatically improving its ranking in 2005, leaping from 45th position to joint ninth, the 2006 Index now ranks the Partnership equal 14th.
- Last year, John Lewis' and Waitrose's CSR performance were awarded an International Visual and Communication Association (IVCA) Clarion Award for the best printed CSR materials, with judges commenting that they '**provided a simple and clear explanation of its mission, objectives and achievements**'.
- In 2005/06, the John Lewis Partnership commissioned independent consultants **csrnetwork** to undertake an internal assurance process on its social responsibility data management system, focusing on the processes and controls in place for the aggregation of CSR performance data.





Great people

The Partnership employs approximately 64,000 dedicated, knowledgeable and professional Partners, 26,000 of them at John Lewis, and it continually works to improve workplace conditions, benefits and opportunities for them all.

Having a say

As co-owners, everyone who works for the Partnership has a voice. Communication is key, with almost every shop and department throughout the company running weekly communication half-hours. Dedicated Committees of Communication exist for non-management Partners, and these independently facilitated sessions allow Partners to pass their views directly to the Chairman.

Individual shop *Chronicles* (weekly newsletters edited locally), an intranet, a website and the Partnership-wide weekly internal magazine *The Gazette* keep Partners up to date with news, company information and the latest products and services. They also provide a forum where their concerns and questions will be addressed fully, frankly and anonymously if necessary.

Raising the standard

John Lewis aims to offer every customer the best possible experience, so it needs Partners who share that objective, and have the necessary skills and knowledge to perform at their peak. This starts with a comprehensive induction programme, and continues through a range of vocational training opportunities and access to a variety of learning resources. Partners' performance is developed and appraised against a framework of behaviours, including those related to PboP (see page 16).

An emphasis on productivity in shops has also led to the introduction of flexible contracts, under which Partners can 'bank' time to take at a later date. According to Carole Donaldson, Manager, Personnel Policy, **'This scheme not only supports our commitment to work-life balance, but gives us greater flexibility with resources during quiet and busy periods, helping us to manage our shops and Partners' time more effectively.'**

Just rewards

In addition to a fair salary, Partners are rewarded with an annual Partnership Bonus – a share of the company's profits. The Partnership Board (which includes elected directors) decides how much is reinvested into the company and how much is distributed to Partners. In February 2006, £120 million was paid out as a Bonus, equal to 15% of pay and almost 50% of pre-tax profits.

Partners enjoy a wide range of other benefits too, including a non-contributory pension scheme, life insurance, season ticket loans and shopping discounts, a wide variety of social events, and affordable holiday accommodation at properties owned by the Partnership across the country. In 2006, the Partnership announced changes that make more Partners eligible for 'long leave' – six months' paid leave – after 25 years of continuous service. It has also introduced a flexible retirement policy so that Partners can request to work beyond 65. According to Andy Street, Director of Personnel, a new career break policy being introduced in July 2006 is **'a major addition to our current leave and work-life balance policies, and one that will also give Partners the opportunity to fulfil other personal priorities such as childcare or a desire to travel'**.

Health and welfare

A safe and healthy work environment is a legal obligation, so it is essential that John Lewis offers a safe working environment for its Partners. But despite this, 261 accidents occurred in John Lewis during 2005/06, which represents an accident frequency rate of 1.28 accidents for every 100 full-time equivalent (FTE) Partners. This exceeds both the previous year's rate (1.14) and the Partnership's target of a maximum of one accident per 100 FTEs. With a view to improving its health and safety record, a new work-related stress policy was included in the revised Partner Handbook sent to all Partners in July 2005, and an online accident reporting and management system is currently being piloted.

Employee issues

The Partnership's employment practices were praised by other retailers in the 2005 Retail Reputation Survey conducted by Adgrafix Advertising. The Partnership came second in the online poll, with its employment practices being highlighted by 35% of the 1,500 retail professionals questioned. Meanwhile, John Lewis received the most votes in the 'department store' category as the company most respondents would like to work for (30%), that worked hard to look after its employees (26%) and that was the 'most ethical' company, and was second only to Harrods in terms of 'product quality'.



A helping hand

Through its involvement with Education and Skills and Business in the Community (BITC), John Lewis offers the Skills4Industry programme, which is targeted at students from disadvantaged areas under the age of 19. The one-year programme is a combination of college-led tutorials and six months of practical learning in the workplace.

John Lewis Bluewater also teamed up with the Shaw Trust, a national charity that provides training and work opportunities for people disadvantaged by disability, ill health or other social circumstances, to offer four people basic skills training. Two were subsequently offered permanent employment.



Celebrating diversity

The Partnership's vision to be an 'employer of distinction' requires a culture based on:

- Partners being treated as individuals and with respect, dignity, honesty and fairness
- employment policies that are fair and provide equal opportunities for all
- respecting and reflecting the communities within which it trades.

The Partnership already does much to celebrate individual differences but it wants to support that philosophy more with its PboP thinking, particularly as it helps John Lewis to attract, retain and develop Partners. **'Diversity gives us a commercial advantage,'** confirms Andy Street. **'If Partners feel recognised, valued and respected, they are more likely to make a commitment to the business, they will achieve more, and Partner turnover will be lower.'**

The Partnership's Diversity Strategy Group has been the driving force behind new diversity awareness training, a recruitment guide for managers, and two new gender and ethnicity discussion forums, as the business aims for more women and Partners from ethnic minorities in management positions, and a better match between shop staff and the communities they represent. In 2005, John Lewis completed a full review of its dignity at work policies, revising them to create a new fair treatment policy.

Target...

Reduce accident frequency among Partners and contractors to below one accident per 100 full-time equivalent (FTE) Partners.

Performance...

261 accidents occurred during 2005/06, an accident frequency rate of 1.28 per 100 FTEs.

Target not met

Target...

Increase the overall Partner response rate in the Partner survey to above 85% and increase the average score to above 10.

Performance...

The John Lewis response rate increased from 73% in 2004/05 to 81% in 2005/06 and although the average score rose from 8.3 to 9.4, it fell short of the target of 10.

Target nearly met

Our survey said...

All Partners had the chance to express their views through the second annual Partner survey, which was extended to all shops in 2004. A total of 53,000 Partners completed questionnaires, increasing the Partnership-wide response rate from 60% to 79%. The John Lewis response rate rose from 73% to 81%, but still fell below the Chairman's 85% target, although 21 shops exceeded that target, and two – Robert Sayle (Cambridge) and Peterborough – achieved 98%.

The results showed an improvement on the previous year, with the average John Lewis score rising from 8.3 to 9.4, and 13 shops scoring above the Partnership target of 10, the best being Robert Sayle (12).

More than 23,000 Partners wrote individual comments or suggestions, most concerning management structure and style, staffing levels and pay. Since the survey began, the Partnership has reviewed its democratic arrangements, with new Council procedures currently being piloted in three John Lewis shops, and undertaken an equal pay audit as a result of such feedback. The aim now is to ensure that what it measures is fully aligned with the PboP philosophy.

Our Partners say...

'I've only been in the Partnership for eight months and it's nice to know that your views count.'

'A lot of people don't like speaking up in meetings so the survey gives them a chance to say what they think without being identified.'

'The Partner survey is a real step forward. Its existence demonstrates a commitment to measuring the broad level of satisfaction Partners feel at work.'

'I think the survey will help to improve communication between management and other Partners.'

'Anything that lets Partners get things off their chest has got to be a good thing.'

Behind the scenes

With 26 department stores and an ambitious retail development plan, the reach of the John Lewis business is constantly changing. Ten new shops are planned in as many years, as are many refurbishments of its existing shops. This presents an environmental challenge too, as every one needs to be located in the right place, designed to suit its surroundings, built responsibly and operated sustainably.

Mind the gap

Work to fill the gaps in John Lewis' network of shops continues with a new department store in Manchester's Trafford Centre in 2005, and plans to build at least 10 new shops from 2007. The project is moving fast with sites already confirmed in Cardiff, Portsmouth, Leeds, Leicester, Crawley and Sprucefield, Northern Ireland; a new full-range department store in Oxford will be the anchor store for the redeveloped Westgate Shopping Centre.

Ann Humphries, Retail Development Director, is delighted to have found the right location. **'We know that many of these customers already visit our department stores,'** she says, **'and we are excited at the prospect of providing them with a John Lewis closer to home.'** Richard Cable, Director of Capital Shopping Centres, adds, **'From our extensive public consultation process, we know that the Oxford store is eagerly awaited by local residents. Our design team has created an exciting retail environment with a rich and varied architecture and has been working closely with John Lewis to create a distinctive store, unique to Oxford.'**

In London, the £107 million refurbishment of the Peter Jones shop in Sloane Square was completed in 2004 and a £60 million upgrade of the Oxford Street store will be completed in 2007; smaller refurbishments are also under way at John Lewis Watford and Brent Cross. Elsewhere, Robert Sayle (Cambridge) will reopen in a new shop in the town's historic centre in 2007, while the Liverpool and Sheffield shops are also being relocated. Together, these will provide hundreds of new jobs, regenerate and revitalise existing retail areas and, in some cases, act as cornerstones for new developments.

Unfortunately, John Lewis has also had to confront closures. Caeys, John Lewis' smallest department store, closed in July 2006 after five years of falling sales. The closure resulted in the loss of 130 positions at the shop in Windsor and four posts at its service building at Theale. All affected Partners have received support and assistance in finding alternative employment opportunities, both within and outside the Partnership. At the time of going to press, 98% have secured employment, 45% within the Partnership.

Sustainable construction

With new sites appearing across the country, and existing ones being refurbished, managing its impact on the environment remains uppermost in John Lewis' approach to retail development. Each site and each design is carefully assessed before a single brick is laid, and at all stages of a project, the views of local people, as well as the relevant authorities, are sought to ensure the buildings positively contribute towards the long-term wellbeing of the communities within which they reside. The systems and programmes John Lewis has in place ensure that it:

- maximises the sustainability of its built assets
- actively manages the environmental impacts of its activity
- selects development and construction teams that demonstrate commitment to sustainability
- adheres to all health, safety and welfare legislation on its sites.

Such an approach has led to the Partnership being shortlisted in the 'Retail Client of the Year' category of *Building* magazine's 2006 Building Awards. John Lewis in particular was described as **'placing itself at the heart of the regeneration agenda'** by the judges, while several of its contractors were also winners.

According to Steve Isaia, Head of Maintenance and Engineering, building in long-term environmental benefits is a critical part of store design, such as installing taps with timers – they may cost more but over time, the reduction in water use more than makes up for any initial expense. **'Our retail development programme aims to save 15% in costs,'** he says. **'This means challenging everything we do when constructing a new shop from a sustainable as well as commercial perspective, from looking at the materials we use to the energy efficiency of the building and the time we take to build it.'**

A vision of the future

The Partnership's commitment to sustainable construction principles – shared responsibility, honesty and accountability, sustainable progress and demonstrable best practice – will ensure all its buildings deliver long-term value to stakeholders while reducing environmental impacts over time.

According to James Goodman of Forum for the Future, the UK's leading sustainable development charity, 'As a partner in our business network, we have been working with the Partnership over the past year to develop a sustainable construction "vision" for the retail sector and, more specifically, a sustainable building policy and framework for its business. John Lewis is setting out clear objectives for each stage of the construction life cycle to ensure these principles are adopted within the planning, design and construction of John Lewis' future builds and refurbishments.'

Small promises, big difference

John Lewis believes that everyone has a role to play in helping to reduce the impact on the natural environment and to promote good environmental practice both at work and at home. On 5 June 2006, United Nations World Environment Day, John Lewis, alongside many other UK companies, supported the efforts of the Environment Agency by encouraging Partners to make small changes to their lifestyles to help save water and energy, and reduce waste – with hundreds of Partners accepting the challenge.



Maggie Porteous, Managing Director of John Lewis Cheadle and Trafford, surveys the site of the new Trafford shop during construction.



Target...
Reduce CO₂ emissions per £million sales by 10% by 2010 against 2001/02 baseline.

Performance...
Emissions relative to sales have fallen by 7% to 52 tonnes in 2005/06 against 2001/02 baseline.

On target

Target...
Improve energy efficiency by 5% by 2008, and 10% by 2013, against 2003/04 baseline.

Performance...
Average energy efficiency has improved by 15% to 52.4 kWh in 2005/06 against 2003/04 baseline.

On target

Share and save

With rising global temperatures and atmospheric CO₂ levels, and gas and electricity prices being pushed up by dwindling reserves and supply issues, the need to reduce energy consumption has only increased in recent years.

In line with Kyoto Protocol targets, John Lewis is committed to reducing CO₂ emissions by 10% by 2010, relative to its trading pattern in 2001. The Partnership has also joined the Corporate Leaders Group on Climate Change, a group of CEOs and senior executives from 13 major UK and international companies. The Group has come together under the auspices of HRH The Prince of Wales's Business & the Environment Programme, in response to a challenge issued by the Prime Minister in his climate change speech at the Programme's 10th Anniversary in September 2004. As a member, the Partnership has made a commitment to take action on climate change, to show strong leadership, and to offer support to the Government in developing new, longer-term policies for tackling climate change.

Through energy efficiency measures, John Lewis has reduced CO₂ emissions by over 5% to approximately 125,000 tonnes in 2005/06, and emissions relative to sales have fallen by 7% to 52 tonnes per £million sales. A Partnership-wide energy awareness campaign, 'Save Energy, Share the Savings', was launched in 2005 to help Partners save energy by reducing use of heating and air conditioning, and switching off lights and computers. The business is also installing energy-efficient lighting and energy use is a consideration whenever it buys new equipment or builds a new shop.

Under its Carbon Acceleration Programme, the Carbon Trust, a Government-funded company dedicated to carbon emission reduction, is supplying

specialist advice to help John Lewis increase its efficiency in the Oxford Street refurbishment. Other energy efficiency actions taken by John Lewis in the last year include:

- a lighting replacement programme that has seen older, halogen lighting displays replaced with more efficient, ceramic metal halide alternatives
- using life-cycle costing to assist in the choice of new equipment, and specifying, where possible, equipment that meets the Government's eligibility criteria for an Enhanced Capital Allowance
- investigating a wind turbine at one of its production sites
- sourcing electrical products with the highest efficiency ratings.

Conserving water

Although its shops aren't big users of water (Stead McAlpin has the largest consumption in the Partnership by far – see page 31), John Lewis recognises the part it has to play in using less of this precious and increasingly scarce resource. This is a challenge for John Lewis, as it doesn't have regular and reliable data on consumption. Data gathered shows that water consumption has increased in absolute terms by 59% in 2005/06, to over 677,000 cubic metres a year, and water consumption per full-time equivalent (FTE) Partner increased by 66%. This step change is most likely to result from John Lewis' concerted efforts to capture data on water usage, and although it will continue to publicly report available data, it is still not confident that its water consumption profile is sufficiently accurate or reliable.

Environment Agency prosecution

In May 2006, John Lewis plc accepted responsibility for a small spillage of diesel oil that was accidentally pumped into the River Kennet in July 2005 by the Reading branch. The Partnership acknowledged that an offence had been committed under the provisions of the Water Resources Act 1991. An immediate response by the shop, in conjunction with the Environment Agency and appropriate water cleansing contractors, ensured that the pollution to the Kennet was minimised. The shop initiated an extensive clean-up programme to ensure there would be no long-term impact to the Kennet resulting from the spillage. Despite these actions, the Partnership was disappointed to be prosecuted by the Environment Agency. This was the first conviction, under any environmental legislation, recorded against the Partnership in more than 140 years of its history.



Waste and recycling

During 2004, national waste management and recycling arrangements were introduced at all John Lewis shops, and the Waste Steering Group introduced a new electronic waste management information monitoring and reporting system.

The overall weight of general waste handled through its waste management contractor in 2005/06 (excluding recycled waste) was 12,281 tonnes and is entirely consistent with previous years. Recycled waste, including plastic, polystyrene and cardboard, was measured at 2,543 tonnes – a recycling rate of 17.2%, one that John Lewis accepts is well below expectation.

New contractual arrangements are delivering substantial cost savings, but they are yet to deliver a step change in waste recycling, something John Lewis is keen to address.

Target...

Increase proportion of waste recycled by 10% by 2005/06 against 2002/03 baseline.

Performance...

The proportion of waste recycled increased to 17.2% against a 2002/03 baseline of 14%.

Target not met



Not just any old iron

John Lewis is one of 17 major retailers that helped to establish the Retail Compliance Scheme (RCS) to implement the forthcoming EC Directive on Waste Electrical and Electronic Equipment (WEEE). Under this directive, currently being reviewed by the Department of Trade and Industry, retailers will have to provide consumers with adequate recycling facilities for old electrical and electronic goods when they buy new items.

'Although John Lewis currently enables customers to return and recycle large white goods, recycling small items instore is not cost-effective or best for the environment,' states Nick Monger-Godfrey, the Partnership's Head of CSR. 'We need to work closely with waste disposal authorities

to use and enhance the existing infrastructure, and as a member of the RCS, we will ensure we meet our legal obligations and provide our customers with access to essential recycling services.'

Reusable carriers

Concerned by the unnecessary use of carrier bags, in December 2005, John Lewis trialled a long-life, reusable, biodegradable jute carrier bag in its three Scottish shops, generating average sales of 700 bags per week. Feedback from customers suggests they love the bag, with almost 50% buying it for environmental reasons. John Lewis now plans to roll out a similar bag across the whole business so all its customers can do their bit to reduce waste from carrier bags.





...via distribution...

'Our six distribution centres have to receive, pick and dispatch stock quickly and accurately, 24 hours a day, to keep our shelves well stocked with the thousands of products we sell. Suppliers and Partners work hard to minimise the number of lorries and vans on the road, the deliveries we make, and the distances we drive. Our drivers and maintenance team make sure the vehicles we own run like clockwork and operate to the highest environmental and safety standards, while our partnership with Parcelforce brings us closer to a "one-touch" supply chain, delivering goods to our customers' doors.'

Patrick Lewis Supply Chain Director



A one-touch supply chain

John Lewis constantly strives to minimise its environmental impact and make its distribution network as efficient as possible. In practice, that means running its distribution centres round the clock; avoiding unnecessary mileage; using the latest vehicle technology; and working with its drivers to promote safe and economical driving.

In it for the long haul

Computerised route planning helps John Lewis to avoid unnecessary mileage, load lorries more efficiently, and utilise empty vehicles during return journeys. In fact, it is fairly common to 'backhaul' – pick up stock from a supplier on the way back to the depot – which reduces fuel use and saves the supplier having to make a separate trip. Backhauling saves John Lewis approximately 500,000 miles a year on the road, and reduced its commercial mileage per £million sales by 8% in 2005/06. A further 4 million miles a year are saved by increasing individual vehicle loads. John Lewis was the first UK retailer to introduce the fixed double-decker trailer in 1986, doubling load capacity, and now has 130 multi-deck trailers in use.

Target...

Reduce the number of miles driven per £million sales year on year.

Performance...

Miles driven per £million sales reduced from 7,210 in 2004/05 to 6,629 in 2005/06, an 8% reduction.

Target met

Centres of excellence

With 80% of John Lewis' stock (35,000 different products a week on average) passing through six distribution centres (DCs) – Stevenage, Park Royal in West London, two in Northampton and Blakelands 1 and 2 in Milton Keynes – it's vital they run smoothly. Products range in size from buttons to table-tennis tables, and some seasonal items, such as garden furniture, require more space at certain times of the year. So the challenge is to make picking and delivering stock as fast and accurate as possible. This frees up storage space in service buildings and shop storerooms, and enhances John Lewis' reputation for efficient service.

'It's about being proactive and planning ahead,' explains Dino Roccos, Managing Director, Distribution, about the new sense of focus. 'We are a service provider to the rest of the business, and our priority is making that service consistently good.' Such a commitment involved DC Partners 'streaming' output – sorting products according to destination (customers, service buildings or shops) – and 'cross-docking', where suppliers package stock for different shops separately so it can go straight from the receiving dock to the dispatch dock. Both have saved time and money, and earned Stevenage last year's 'Delivering the Difference' award from John Lewis' Managing Director Charlie Mayfield. However, this award merely reflects the progress made across all six DCs, which includes:

- reducing stock turnaround from several weeks to 78 hours in most cases
- cutting the lead time for selected special orders from other shops or the central warehouse to three days
- introducing a new scanning process at Blakelands, which has improved its already high standards of speed and accuracy.



A direct link with customers

John Lewis owns and manages a van fleet that makes over a million deliveries a year; a further half a million or so products are delivered through a number of carriers including Parcelforce. Orders from John Lewis Direct alone fill three Parcelforce trucks every day.

In June 2006, Partners at John Lewis Bluewater trialled DC Direct, which enables John Lewis carriers to deliver more stock directly to customers' homes. Ray Fernandez, Head of Customer Delivery, sees it as a significant step towards a 'one-touch' supply chain. **'Customers get a more efficient service, the environment benefits from lower mileage and unnecessary journeys, and Partners in stores won't have to spend time replenishing their stock because products will go directly from the DCs to customers.'** If successful, the system will be rolled out across John Lewis by March 2007.

As part of an ongoing review, John Lewis' customer delivery team is also looking to rationalise delivery areas. During the second half of 2006, John Lewis will begin the transition towards designating each postcode to one shop only, which will reduce the number of delivery vehicles in one area and also reduce total mileage.

Putting the wheels in motion

The Partnership owns approximately 1,700 commercial vehicles. This means it can specify the vehicles and engines it wants, service them regularly, fit optional extras and trial new technologies, all of which can help to reduce John Lewis' environmental impact. For example, its lorries have rounded front corners and aerodynamic side-skirts to minimise wind resistance and reduce fuel use. Many of its pre-Euro 3 vehicles are also fitted with Continuously Regenerating Traps (CRTs) to reduce carbon monoxide and hydrocarbon emissions.

Emission control

For the last two years, John Lewis' Central Transport team in Bracknell has been trialling a Euro 4 engine, with the help of delivery drivers at its Theale service building. Tough new European regulations, being introduced in August 2006, will impose significant reductions in nitrous oxides and particulate matter (soot) emissions from large commercial vehicles. The Euro 4 engine emits 30% less nitrous oxides and 70% less soot than the current Euro 3 model, as well as reducing hydrocarbons and carbon monoxide. The rest of the Partnership's fleet will move to Euro 4 engines within its normal six-year replacement cycle.

A good training ground

Good driving can cut fuel use by up to 20%, but it also reduces accidents. All John Lewis' 1,000-plus commercial drivers are provided with appropriate driving courses and have their safety performance monitored. Since 1997, the Partnership has operated a unique risk rating system that collates accident statistics and gives penalty points to drivers involved in collisions, helping to identify those requiring additional training. In 2005/06, there were 1,330 road accidents involving Partnership commercial vehicles, equivalent to 24,000 miles per accident (compared to 25,360 in 2004/05), and the average risk rating remained low at 2.94, down 3% on the previous year.

All drivers are encouraged to join the Royal Society for the Prevention of Accidents (RoSPA), which operates a national awards programme for safe driving. Of the 868 Partner members, 686 qualified for awards in 2005 in recognition of another year of incident-free driving and 17 Partners qualified for further awards following more than 25 years of incident-free driving.





...from the supplier

'Selling around 350,000 different product lines involves a large and complex network of suppliers around the world, from our textile manufacturers in Lancashire and Cumbria to our timber suppliers in Guyana. Robust policies and procedures, and strong relationships with our suppliers based on honesty, trust and mutual respect, are essential if we are to continue to source our products responsibly.'

Jill Little Merchandise Director



Where John Lewis products come from

John Lewis customers expect high-quality, safe products. They increasingly want to know where they come from, the materials they are made from and how they have been produced. And while a large and complex network of suppliers, from local to global, makes some of these questions a challenge, John Lewis still wants the answers.

A world of choice

John Lewis is committed to bringing its customers the best homeware and fashion at the best prices. That means its buyers are happy to complement Scottish wool and Sheffield steel with Italian leather, American maplewood and electronics from the Far East.

Although its products are sourced from more than 4,000 suppliers in more than 80 countries around the globe, John Lewis supports British manufacturers and suppliers where it can. This is most evident with its three wholly owned production subsidiaries in the north of England, which between them weave, dye and print fabrics and make them up into finished products.





Weaving ISO into everything

Established in 1892, JH Birtwistle is a Lancashire weaving mill that produces fabrics for both furnishings and industrial use. In 1988, it was acquired by the Partnership and has been the subject of continual investment since then.

The company recognises that weaving cotton and linen into 85,000 metres of fabric a week for the domestic and industrial markets can have a significant impact on the environment. In order to manage this, the company maintains an ISO 14001-accredited Environmental Management System and an environmental policy that commits it to continual improvement.

As cheaper cotton imports dominate the market, JH Birtwistle has to continually improve, by implementing and reviewing a range of projects and procedures that strive to make the process more efficient. In striving to meet its environmental objectives of waste minimisation, increasing energy efficiency and reducing the risk of water pollution it ensures it complies with all relevant environmental legislation and the John Lewis Partnership Responsible Sourcing Code of Practice – see pages 32–33.

Wash and go

Half of the fabric woven at Birtwistle's is transported to Stead McAlpin in Cumbria, another Partnership-owned business, which specialises in the printing, dyeing and finishing of high-quality furnishing fabrics.

Stead McAlpin has the largest water consumption in the Partnership by far: almost 400,000m³ out of a total of 677,000m³. An Environment Agency licence allows it to take water from the River Caldew and discharge it back into the sewers – all closely monitored and recorded – while water from the local supply, used to make print pastes and dye liquors, is also recorded.

According to Angus Barclay, Technical Manager, Stead McAlpin has been able to reduce water consumption by 213,000m³ since 2004 and last year was particularly successful due to the company's involvement in the Envirowise big splash programme. 'We have been able to reduce water use by 30% over two years,' he confirms, 'which is an equivalent saving of more than £137,000 at the current average price for effluent disposal. Further ways to save water are currently being investigated, including trials to discover the optimum water requirements for washing processes and how best to recycle water.'

Makeover programme

From Stead's, some of the printed fabrics return to Lancashire, where they are made up into finished goods by Herbert Parkinson. Established in 1934 in Darwen, the business was purchased by the Partnership in 1953. In addition to the fabrics it weaves for other customers, Herbert Parkinson makes up John Lewis' own-brand furnishing fabrics into cushions, pillows, duvets, beanbags, curtains and blinds.

A £2.5 million facelift in 2005 has transformed both the site and the company's capabilities. It included new equipment for making ready-made curtains, doubling the factory's capacity to 2,000 pairs a week, while a reconfigured layout, with new offices and meeting rooms, has improved working conditions for the 260 Partners. A new just-in-time production approach has also revolutionised its previously unprofitable weaving operations, while the replacement of antiquated boilers and the 120-foot chimney with a new gas central heating system freed up 2,000 square feet of floor space for warehousing. Arguably the biggest transformation though came in the form of a new composite panel roof, which lets in more natural light, provides better insulation against extremes of heat and cold, and also reduces noise pollution.



Derek Renshire (above) is one of the highly skilled craftsmen in Sheffield who turn Nick Munro's (standing, right) creative designs into reality.

Sourcing responsibly

Strong trading relationships based on honesty, fairness and mutual respect help John Lewis to ensure the responsible sourcing and production of its merchandise. John Lewis nurtures these relationships with a range of initiatives designed to help its suppliers improve workplace conditions and increase their commercial, environmental and ethical sustainability.

Trusted relationships, mutual benefit

John Lewis has a commitment to 'responsible sourcing', which reflects the spirit of partnership that runs through the business. It believes that its suppliers work with it, not for it, and continues to develop longstanding and mutually beneficial relationships with them.

The responsible sourcing brief is undoubtedly a daunting one. The company has several hundred thousand products, and dealt with almost 4,000 suppliers in 2005. And that is just the 'first tier'; behind those companies are many more individual factories around the world that may need to be assessed to ensure they comply with John Lewis' responsible sourcing criteria.

Sourcing with a conscience

John Lewis has had a set of Responsible Sourcing principles relating to labour rights and working conditions since 2000 and these were underpinned by a detailed Partnership-wide Code of Practice in 2005. Of course, writing such a Code and handing it out to suppliers is one thing, but actually ensuring it is adhered to is a much greater challenge. The Code itself acknowledges that providing 100% confirmation that the principles are fully observed is never likely to be achievable. What John Lewis can do though, is to implement a system that provides regular checks on suppliers, keeping them on their toes with regard to workplace practices.

Recognising one of the main areas of potential risk is the Far East, much of John Lewis' early work was spent auditing workplace conditions there, with the support of its international buying agent Li & Fung, which operates a dedicated ethical compliance department (see page 33).

However, recent changes to the programme have been made following the appointment of a dedicated Responsible Sourcing Manager in 2004, and a comprehensive review of the Partnership's Responsible Sourcing programme was carried out to identify how the audit and assurance programme could be extended to all global suppliers. John Lewis is now implementing a programme that encompasses its full supply chain in a range of activities that go beyond just monitoring. These activities include:

- formally integrating responsible sourcing into the way it does business
- clearly communicating its requirements to its suppliers
- assessing and auditing suppliers to ensure standards are met
- building the capacity of suppliers to meet these requirements.



The production floor of a John Lewis garment supplier in southern China.



A worker in China prepares pieces of glass for a John Lewis Tiffany-style lampshade.

In addition to adopting the John Lewis Partnership Code of Practice, John Lewis has joined the Supplier Ethical Data Exchange (Sedex), the largest global database on labour standards:

- **Responsible Sourcing Code of Practice** – John Lewis' Code of Practice includes policies and standards that communicate how its suppliers are expected to behave with regard to people, animals and the environment. During 2005, the Code was sent to all active suppliers; all own-brand and exclusive suppliers, both new and existing, were asked to sign a declaration of compliance. The Code has now been integrated into the business' general supplier terms and conditions, so that all new suppliers must sign up before trade can begin.
- **Sedex** – Beyond just asking suppliers to comply with the Code, key suppliers are required to complete a self-assessment, which provides John Lewis with essential information on workplace practices such as worker age, shift patterns, production processes, pay scales and on-site facilities such as housing and recreation. To further improve standards and to reduce the number of audits needed, John Lewis joined Sedex in early 2005. Today, more than 7,000 suppliers can share information on international labour standards and workplace practices with their customers in a secure web-based environment. John Lewis has also played an active role in working with other Sedex members to develop a sophisticated risk assessment tool and to drive convergence in the auditing protocols that are acceptable to all retailers.



Supplier prioritisation

The extensive review of its supply chain, in consultation with its buying teams, has enabled John Lewis to prioritise its extensive supply base, dependent on their location, whether they produce own-brand or exclusive products, whether they are currently active, and the volume and value of orders placed with them. Approximately 650 own-brand and exclusive suppliers have been identified as 'key suppliers' and will be required to register with Sedex; to date, over 500 have done so.

John Lewis has set targets for 2006 to ensure:

- all key own-brand and exclusive suppliers have been registered on Sedex and self-assessed, so that buyers can easily access their social compliance status
- all suppliers categorised using the Sedex risk assessment tool as 'high priority' are independently audited and any non-compliances identified and addressed.

Additional support to suppliers is also provided through a comprehensive guidance manual and the Sedex helpline.

While the main focus in 2005 has been the roll-out of the new Code and the introduction of Sedex to suppliers, the Li & Fung monitoring programme has continued to represent the bulk of audits being carried out. In 2005, Li & Fung's social compliance team carried out 264 audits. Some of these audits were shadowed by either John Lewis' Responsible Sourcing Manager Aisha Aswani or an independent third party. A number of improvement opportunities were identified and John Lewis is working with Li & Fung to address these.



Homeworkers in a village on the outskirts of Delhi, India, where more than 1,000 skilled women help to produce jewellery and accessories.



Morning assembly at the school in Ghosia, India, that receives funding support from John Lewis.

Catching up on homework

Some of John Lewis' suppliers face complex challenges in meeting the requirements of its Code in the countries that it sources from. However, **'rather than taking a "pass or fail" approach,'** Aisha explains, **'we seek to develop an open and honest dialogue with them on this issue and work together to address these challenges.'** One such challenge is implementing the Code in supply chains where there is a high degree of subcontracting to homeworkers.

Homeworkers are a common and important part of the informal sector in many countries that John Lewis sources from. By definition, homeworkers operate in small, dispersed units where labour standards are difficult to monitor and workers are often open to exploitation. During a trip to India in November 2005, John Lewis carried out an extensive consultation on Indian suppliers in jewellery, cushion covers, metalware and textile industries. The visit looked at the extent and nature of outsourcing in the supply chain, the challenges suppliers face in trying to implement the Code in the informal sector, and ways John Lewis and its suppliers could work together to address such issues in the future. Working with a local expert on improving working conditions in the informal sector, John Lewis engaged with 21 exporters, eight contractors and more than 70 homeworkers through a combination of one-to-one meetings with suppliers, visits to subcontracted units and two supplier consultation workshops.

In addition, in parts of rural India, making handmade carpets provides much-needed extra income for many families. Many of the rugs John Lewis buys are produced by families in their own homes. However, through close links built over many years with suppliers, plus regular visits, buyers are confident that suppliers satisfy the company's Responsible Sourcing Principles. Recognising the special relationship with these local families in Ghosia, India, John Lewis was invited to contribute to Hand Made Carpets' funding of a local school for girls under the age of 15, who do not traditionally benefit from education. Over the past nine years John Lewis has contributed in the region of £33,000 to this project.

Better buying

John Lewis also believes that its buyers have a key role to play in raising standards and enforcing its Code. Over the last year it has focused on integrating responsible sourcing into the roles and responsibilities of buying teams.

'As the people who manage day-to-day supplier relationships and place orders, John Lewis buying teams have a critical role to play in ensuring suppliers meet the company's responsible sourcing expectations,' explains Aisha. **'This role includes helping to communicate the requirements of our Code to suppliers, assisting suppliers with the Sedex registration process and utilising their commercial leverage to raise issues with suppliers and encouraging them to improve.'**

In 2005 John Lewis worked with specialist ethical trade consultancy Impactt to develop and deliver a series of eight half-day sessions to all John Lewis buyers and assistant buyers. As Impactt's Director Rosey Hurst explains, **'the courses have given attendees a deeper understanding of labour standards, clarity on their roles within the process, the skills and confidence to tackle these issues, and a greater awareness of how their behaviour and decisions can impact on labour standards.'**

The feedback from buying teams has also been extremely positive. **'During the training sessions,'** Rosey adds, **'we have been impressed by how engaged and enthusiastic the John Lewis buying teams are regarding these issues. The John Lewis Partnership values seem to have genuinely filtered through to their commercial teams, who are excited about working with suppliers to help them to improve.'**

The programme of training is ongoing, to ensure that all new buyers and assistant buyers are up to speed and are aware of their responsibilities. In addition, job descriptions have been amended so that responsible sourcing is incorporated into their annual performance reviews.

Maintaining standards

John Lewis is committed to maintaining the standards of every product it sells, in terms of ethics, safety, performance, quality and sustainability. In response to public and NGO concerns, work over the last year has focused on formalising animal testing policies, addressing chemicals of concern and continuing the progress of its sustainable timber programme.

Passing the test

According to a 2006 booklet by the RSPCA about setting animal welfare at the heart of companies' ethical policies, the ethical consumer market is now worth an estimated £25.8 billion a year. That's a lot of people whose interest in the products they buy extends to how they are sourced, what materials they are made from, and what methods are used to manufacture or test them.

John Lewis shares those concerns. Take animal testing, for example. Even though the UK stopped licensing animal testing for cosmetics products and ingredients in 1998, more than 35,000 animals in the European Union alone are used for testing cosmetics and toiletries every year. John Lewis believes that such practices are unethical, unnecessary and should be banned, so it doesn't test its own-label cosmetics, toiletries or personal care products on animals, nor does it commission others to do so. It also checks that all ingredients bought from its own-label suppliers haven't been tested on animals and encourages its branded suppliers to do the same. The same 'zero tolerance' approach is adopted with regard to the use of animal fur in any product.

A chemical reaction

The last few years have seen growing evidence to suggest that some chemicals contained in everyday products may have long-term effects on health or the environment, and although they may be safe to use, they may contain, or be manufactured using, chemicals that remain in the environment for longer than first suspected.

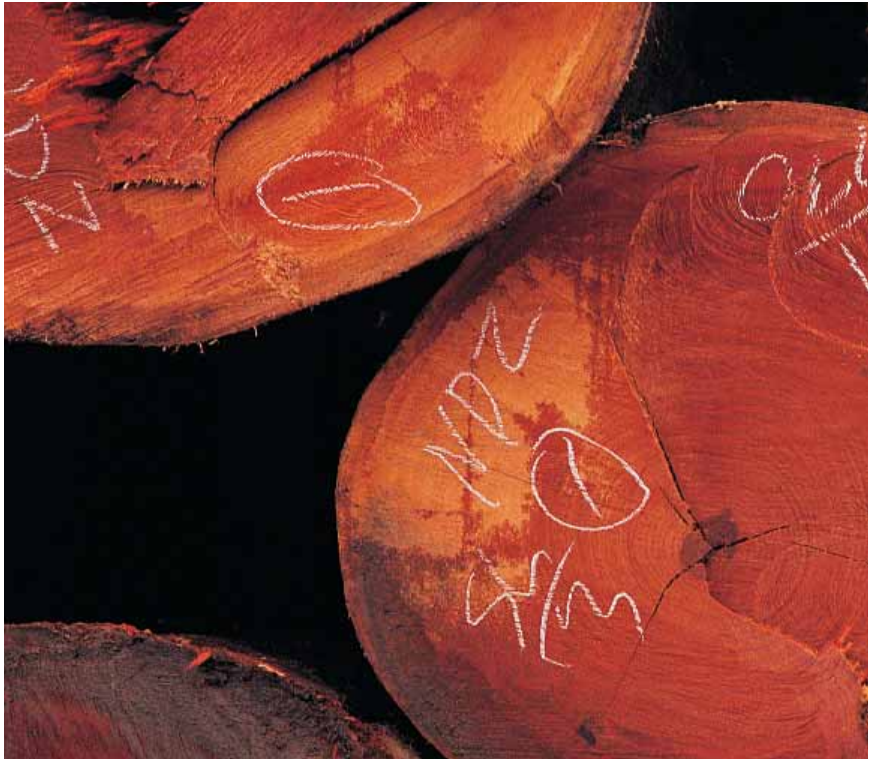
John Lewis naturally wishes to allay any worries its customers may have, and pending imminent REACH (Regulation Evaluation Authorisation of Chemicals) legislation, which will seek more effective ways of testing the impacts of all chemicals involved in European manufacturing processes, has developed its own 'risk-based' strategy. This has been designed to ensure chemicals are never used unnecessarily, and where they are used, this has been done in a responsible way, with clear instructions on their safe use and disposal.

In practice, this means understanding which chemicals are of particular concern, identifying the products that contain them, and taking action to remove or replace them. It can't achieve this alone so John Lewis joined other leading UK retailers in setting up the 'Chemicals of Concern Toolkit' project within the British Retail Consortium (BRC). Following a BRC study into 'chemicals of concern', it worked with risk management consultancy Acona to conduct its own review, evaluating around 3,000 different chemicals. **'During 2005, we worked with John Lewis to engage a number of key suppliers,'** confirms Acona's Nick Ceasar, **'and to review the latest information regarding relevant substances. This work has helped to shape the production of a practical guidance document and an assurance process that will enable steady progress in this area for John Lewis own-brand and non-branded products.'**

Focusing on a prioritised list of chemicals believed to pose the greatest risk, John Lewis has agreed to do one of the following:

- remove it – ensure its removal from a product or manufacturing process
- phase it out – develop a programme to phase out the chemical over a set period
- restrict it – restrict the chemical from product areas where exposure concerns are highest
- evaluate it – evaluate the chemical for action at a later date and ask suppliers to notify John Lewis of its use
- permit it – do nothing for the time being as no risk has been identified.

Taking this sort of action requires the support of Partners and suppliers, so John Lewis has developed an ongoing programme of engagement to inform suppliers of the risks, to work with them to ensure quality and safety tests meet customer expectations and legal obligations, and to determine what action to take. A phased approach will initially concentrate on its own-branded products and those it imports directly. Training workshops are also planned for those Partners involved in the programme.



Why certified timber?

Timber sourcing, particularly of tropical hardwoods used in garden furniture, is a sensitive issue because of the role forests play in providing habitats for plants and animals, providing a livelihood for many communities and helping to combat climate change by absorbing carbon. Forests therefore need to be carefully managed – but standards vary. Retailers and customers can help by demanding timber certified by organisations such as the Forest Stewardship Council (FSC). However, at the moment, only 10% of the world's timber is certified.

John Lewis takes its responsibility for sourcing timber seriously. It never sources from areas where it believes forest management is poor, but with one of the widest selections of garden furniture on the high street, it is currently unable to source all of it from independently certified sources. In fact, timber is sourced from regions where certified products are not yet available, but by supporting those suppliers who are willing to work towards

Forest Stewardship Council

The FSC is an independent, not-for-profit, non-governmental organisation providing standards, trademark assurance and accreditation services for responsible forestry. Its mission is to promote the environmentally appropriate, socially beneficial and economically viable management of the world's forests. For more information, visit www.fsc-uk.org.

Target...

75% of garden furniture sales by volume to be certified by end of 2007.

Performance...

In 2005/06, 54% of garden furniture sales were FSC-certified. In 2006/07, all but 1% of anticipated sales will be at Stage 3 or 4.

On target

certification, John Lewis can help to raise forestry standards, increase the availability of certified timber and phase out timber from illegal, unsustainable sources.

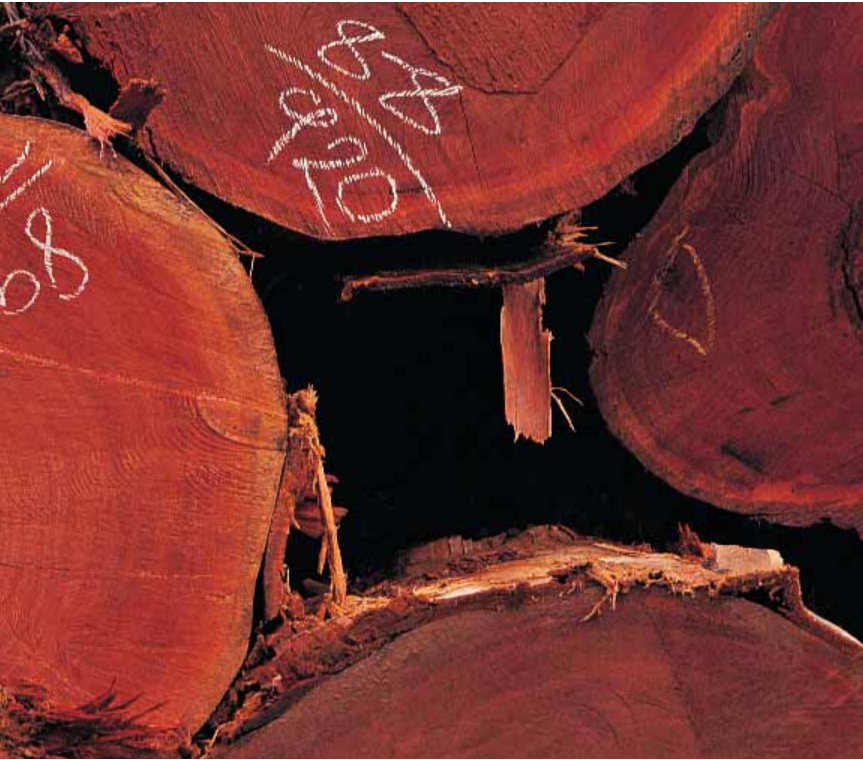
Moving towards certification is not just about better forest management standards. It is also about improving information management systems, so that the origin of every product can be traced, and so that every business in the supply chain complies with national laws and standards.

Logging timber suppliers

John Lewis furniture is made from more than 30 different species of timber, many of them tropical hardwood, sourced from around 40 different countries. Needless to say, keeping track of where all this wood comes from, and checking whether it has been legally sourced, is a monumental task. The company has therefore developed a timber sourcing policy that ensures that **'all timber used in the course of our business has been sourced with the least possible damage to the natural environment'**.

This involves a four-stage timber supplier assessment system devised with the help of sustainable forestry consultancy ProForest (www.proforest.net), which helps all suppliers to move towards independent certification in a progressive, systematic manner:

- Stage 1** Origination – Timber of known origin – the entry level. The supplier must provide specific information on the source and species of every timber product.
- Stage 2** Evidence – Timber from verified legal sources, harvested and traded in accordance with national forestry laws and standards – the minimum level to ensure continuation of 'approved supplier' status.
- Stage 3** Transition – Transition timber – where the supplier is in 'transition' towards independent certification.
- Stage 4** Certification – Independently certified timber – the long-term objective for all timber purchased by John Lewis.



The focus has been further sharpened by risk-assessing product ranges based on ProForest's priority lists:

- **Red** – timber from countries where forest governance is very poor. John Lewis buyers cannot buy from suppliers using timber on this list unless those suppliers can prove that the timber has been approved by independent verification (ie Stage 3 or 4).
- **Amber** – timber from countries where there is high risk of raw material from illegal sources entering supply chains. John Lewis buyers can only buy from these suppliers if the timber has been verified as originating from a legal source (ie Stage 2).

Any suppliers falling into these categories must also commit to move towards independent certification, a requirement John Lewis is extending to all furniture suppliers and, eventually, to suppliers of any product containing timber.

Making progress

Over the last three years, John Lewis has:

- rolled out its timber sourcing programme to all garden furniture suppliers
- identified regions with a high risk of poor forest management practices
- reviewed documentation to ensure all timber furniture from high-risk areas is sourced legally
- removed products from many areas of the business where the origin or legality of the timber being used is uncertain
- audited a selection of suppliers, including all sources of tropical hardwood used in its garden furniture.

Higher bench marks

In January 2006, John Lewis completed the Greenpeace Survey on Sustainable Garden Furniture Sourcing, providing detailed sourcing information on all its wooden garden furniture ranges and highlighting its continued commitment and progress towards sourcing only FSC-certified products.

For example, in 2006, more than 50% of the garden furniture it purchased was from certified sources (up from 21% in 2003) and all but 1% of the rest came from suppliers it is actively helping to move towards forestry certification. The ultimate goal is for all John Lewis' timber garden furniture to be FSC-certified by 2008. In addition, the Stage 3 teak plantations it uses have been recently certified, and taking lead times into consideration, all its teak ranges should also be 100% FSC-certified by 2008.

Neil Judd, Director, ProForest, confirms that John Lewis' hard work with garden furniture suppliers is really paying off. **'The Partnership is recognised by this year's Greenpeace survey of retailers as sourcing over 75% of garden furniture that is either FSC-certified or from forests working towards FSC certification. This represents excellent progress.'**

Nice and precise

Precision Woodworking of Guyana has manufactured garden furniture for John Lewis for eight years and was one of the first suppliers to be audited against its timber sourcing policy. By visiting Guyana, buyers were able to understand local sourcing practices, and observe the benefits of using suppliers in transition to certification. There is now one FSC-certified forest in Guyana, and Precision has improved its forest management practices so that it can now trace its timber origin back to stump. Through John Lewis' continued support, Precision will soon be one of the first to manufacture FSC-certified garden furniture in Guyana.



ProForest



Shared thoughts

'I like to bring people up through the organisation. Obviously, it's helpful to bring in new blood to provide that external view but longer term, we should be developing people from within.'

Charlie Mayfield, Managing Director of John Lewis, talks to Julia Cleverdon, Chief Executive of Business in the Community (BITC).

JC – John Lewis has ambitious plans for new shops. What's the impact going to be?

CM – One of the exciting things is going to cities like Liverpool and Sheffield, which are undergoing some kind of regeneration. When I first visited Sheffield, it was looking rather tired, so it's great to be part of a regeneration scheme that is helping the city to regain its pride. What has also struck me about Sheffield, and Liverpool too, is the strength of leadership there. There are some very impressive people in local government. And it is all about having a vision together and having real cooperation between the public and private sectors.

JC – It's been interesting watching your business grow. I wanted John Lewis to join BITC for eight years. You were a pretty closed operation, always very strong on values, but you weren't a joiner.

CM – I think there has been a big change. One strength of the Partnership is that it's more about our power as an organisation of individuals. We have tended to be somewhat introspective, perhaps partly because of our reluctance to put people forward for leadership roles outside the Partnership, but we are now much more open and engaged with the outside world.

JC – You've done so well in coming out and saying 'OK, what's new?' So how do companies face the new things happening in the world?

CM – There are huge benefits from being more outward facing. But we must find our own path, not one dictated to us by the fad of the moment. We don't want to be drawn into a fight for ratings – we want to decide what's right for us and what actually works, and then push that.

JC – You've always had an inherent understanding of what you're doing and why it matters, but you've never done much public measurement. Now you're up in the top 20 of the BITC's Corporate Responsibility Index. The trick is to get companies to share their experiences when the corporate world is challenged about what they do and why they do it.

CM – We don't go into things to win prizes; we're not into corporate vanity. But by becoming more outward facing, we have more confidence internally to talk about what we do. I don't think you can define what makes John Lewis different in only a few words but part of it is the pride Partners feel in working for us. That comes partly from what they experience every day and partly from the way we talk about the business internally. It is often those who have compared our approach to other businesses that can tell you exactly what the Partnership means to them – that has real value for us as a business.

JC – You've always had very strong values: they've been your foundation and now you're starting to communicate them more. Does that come back through your customers?

CM – Customers are increasingly aware of the importance of such aspects. It's always difficult to generalise but if you asked one of our customers, 'How would you expect John Lewis to behave with respect to the community?', I think their expectations would be significantly better than the average. We have enjoyed the benefits of that reputation, but with that comes a lot of responsibility – we have to keep pushing ourselves.

JC – You've raised the bar recently in terms of your advertising. You've begun to say it's not just about how you behave in local communities, but about how you manage the supply chain miles away.

CM – The advertising you're referring to is probably Waitrose-oriented. But I think the ante has been upped by M&S's high-profile 'look behind the label' angle. The difficulty is that you are making some big, simple claims about something very complex and the customer isn't necessarily aware of that complexity, or very interested in it. For example, we have built sustainability into our timber supply base, but if we were worried about chasing prizes and headlines, we might have done things differently, and maybe taken the wrong route. So although growing customer awareness is a good thing, I am wary about jumping on the credentials bandwagon because there's a risk of doing things that aren't necessarily right for the long term.

JC – Everyone knows you go to Waitrose for food and John Lewis for everything else. But do customers differentiate between them?

CM – We're the same in terms of values: in that sense, we march as one. But there are big differences in our supply chains. Ours is more complex and requires a different management approach. Waitrose only has about 300 own-label, first-tier suppliers, many of whom are long-term suppliers whereas we have nearer 1,500 and they change more frequently. Waitrose also has 179 shops; we've got 26. And we give more power to our local leaders – the shop managers. Over the last few years, we've defined the Partnership's objectives, really focusing on 'Partner, customer and profit'. We're working on where we want to be in five years' time in these areas so we can see whether they all link together and if so, how. I think it's a real strength to have a balanced view built into the fabric of the business. If we were conventionally owned and had pressure from shareholders, it would make striking a balance between Partners, customers and profit much more difficult.



Contact details

JC – The Partnership structure is about the whole, not the individual, so how do you manage the prima donnas in your business?

CM – By being clearer about the behaviours we want to see, through appraisals for example, and the Partner survey. But I don't want us to become a bunch of clones, because the great strengths of the business include its personality and individuality. So we need to continue to emphasise the importance of local leadership and have people of the right calibre locally who can make the right judgement calls. I think of John Lewis as a collection of families. There's a head of each family, but it is still a family.

JC – So what makes John Lewis different to where you were before?

CM – It sounds terribly cheesy but I do like the people here. If I am having a bad week, the best thing is to go out to the shops and talk to Partners; they remind me what the business is all about. I suppose my career pre-Partnership in consultancy and marketing didn't always play to that.

JC – When you are recruiting for front-line leaders, what do you look for?

CM – Not having been John Lewis born-and-bred, I like to bring people up through the organisation. Obviously, it's helpful to bring in new blood to provide that external view but longer term, we should be developing people from within. We are getting better at that because we're clearer about what success is and what we need to achieve it; we are developing more people with the right sort of profile for leadership positions. One of the challenges we have going forward with our '10 in 10' expansion programme is developing a pipeline of capable people who can create the right culture. We must be careful that we don't end up with a two-speed organisation, with one group of people who really understand the values and a group of new people who don't.

JC – And finding leadership that is diverse and reflects local communities?

CM – We've had some success in pushing some very capable people from ethnic groups through but it's something we feel we should improve. We also have lots of capable women in senior positions. Given the amount of turnover in retail, the size of our organisation and the diversity we have already, we should be able to create an outcome that better reflects the ethnic mix of our communities. It's not just something you leave to chance; it needs encouragement, a few steps in one area, which will have a disproportionate benefit later. And it's not about abandoning meritocracy. It's about reflecting the diversity of the communities we serve in our leadership teams.

Further information about corporate social responsibility at John Lewis can be found at www.johnlewispartnership.co.uk.

If you have any comments regarding this report or would like an audio or large print version, please contact:

Nick Monger-Godfrey
Head of Corporate Social Responsibility
Partnership House, Carlisle Place
London SW1P 1BX
Email: csr@johnlewis.co.uk

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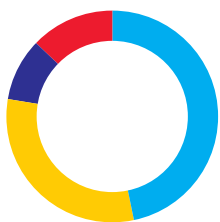
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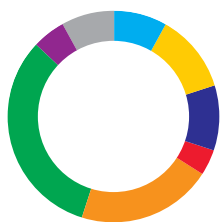
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Performance and progress



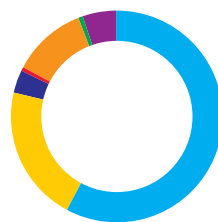
Total value of donations to charities and community groups by type 2005/06*

Cash	£2,387,643
Time	£1,573,056
In-kind	£487,731
Management costs	£656,621



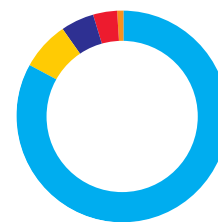
Person hours invested in charities by GJT secondees 2005/06

Environment	8%
Disability	12%
Medical/care	10%
Homeless	4%
Youth	21%
Community	32%
Arts	5%
Animals	8%



Carbon footprint 2005/06

Electricity	57.8%
Gas	21%
Other energy	3.5%
Business miles in company cars and private cars	0.5%
Distribution	11.4%
Air travel	0.7%
Waste and waste collection	5.1%



Partner ethnicity January 2005

White	82.9%
Asian or Asian British	7.4%
Black or Black British	5.1%
Chinese or other	3.7%
Mixed origin	1%

Economic	2003/04	2004/05	2005/06	CHANGE ON LAST YEAR †
Number of shops (NB: Caley's closed July 2006)	26	26	27	1
Trading floor area as at 31 Jan 2005 (sq ft)	3,402,560	3,402,560	3,498,168	3%
Divisional profit (£m)	n/a †	204	192	-6%
Total sales (£m)	2,356	2,378	2,423	2%

Community

Total value of cash donations made to charities and community groups (£) *	2,887,888	2,827,775	2,387,643	-15%
Total value of all contributions made to charities and community groups (£) *	4,166,803	4,559,752	5,105,051	11%
Community investment as % Partnership pre-tax profit *	2.41%	1.99% ‡	2.03%	2%
Number of Partner hours seconded to charity (GJT)	11,225	15,015	17,497	17%
Number of customer complaints	8,182	5,367	3,389	-37%
Number of customer appreciations	15,825	19,525	23,577	21%

Responsible sourcing

Number of Responsible Sourcing Code audits	173	180	264	47%
Number of branded product recalls	7	7	7	0
Number of own-label product recalls	1	2	1	1
Number of trading standards/environmental prosecutions	0	0	1	1

On target?

Yes No Nearly

Notes

- * Partnership data.
- † Calculated relative to the previous year, including data expressed as a percentage.
- 1 Due to recent changes in financial reporting regulations data for 2003/04 is not available.
- 2 Pre-tax profit restated under international financial reporting standards (earlier years remain under UK GAAP).
- 3 Excludes mileage related to corporate activities.
- 4 Energy data reviewed to bring to a common baseline.
- 5 Increased trading hours means overall efficiency has improved by 4% between 2004/05 to 2005/06.
- 6 During 2004/05, national waste management and recycling arrangements were introduced at all John Lewis shops, and the Waste Steering Group introduced a new electronic waste management information, monitoring and reporting system.
- 7 Recycled waste including plastic, polystyrene and cardboard was measured at 2,543 tonnes. This delivers a recycling rate of 17.15%.
- 8 CO₂ includes electricity, gas, fuel oil, delivery, air travel and waste.
- 9 Includes a larger sample size in 2005/06.
- 10 Partner survey not introduced until 2004.
- 11 Reporting of Injuries, Diseases and Dangerous Occurrences Regulations.
- 12 The previous two years have been adjusted by the Retail Price Index.

Environment	2003/04	2004/05	2005/06	CHANGE ON LAST YEAR †
Commercial mileage †	15,799,024	17,146,268	16,061,807	-6%
Commercial mpg	13.13	12.78	13.99	9%
Commercial miles per £m sales	6,706	7,210	6,629	-8%
Number of backhaul journeys	2,900	3,871	5,967	54%
Avoided mileage from back- and forward hauling	380,954	493,938	987,876	100%
Business mileage in company cars	3,844,855	3,006,031	2,964,071	-1%
Company car mpg *	38.38	37.58	39.60	5%
Total energy consumption (gas and electricity) (kWh) †	344,900,289	323,503,633	305,894,292	-5%
Average shop energy consumption per sq ft of trading floor area (kWh) †	61.7	52.9	52.4	-1%
Weight of product packaging (tonnes)	12,598	13,162	13,048	-1%
Weight of general waste (tonnes) †	10,782	13,239	12,281	-7%
Weight of general waste per £m sales (tonnes) †	4.6	5.6	5.1	-9%
Weight of waste recycled (tonnes) †	1,965	2,631	2,543	-3%
Percentage of all waste recycled	15.41%	16.58%	17.15%	3%
CO ₂ emissions (tonnes) †	134,418	131,630	124,950	-5%
CO ₂ emissions per £m sales (tonnes) †	57	55	52	-7%
Water consumption (m ³)	430,064	425,460	677,107 ‡	59%
Water consumption per FTE Partner (m ³)	20	20	33 ‡	66%
Water used in Stead McAlpin (m ³)	573,068	499,959	398,311	-20%

Co-ownership

Number of Partners	28,012	26,273	26,117	-1%
Number of full-time equivalents (FTEs)	21,742	21,237	20,374	-4%
% full-time workers	63%	63%	61%	-3%
% female Partners	62%	62%	62%	0%
% female managers	62%	63%	63%	0%
Bonus as proportion of pay *	12%	14%	15%	7%
Sickness rate	4.1%	3.6%	3.6%	0%
Partner turnover	23%	20%	19%	-5%
Partner survey average participation rate	n/a †	73%	81%	11%
Partner survey average score	n/a †	8.3	9.4	13%
Average commercial distribution driver risk rating *	3.01 (low)	3.02 (low)	2.94 (low)	-3%
Number of Partner RIDDOR accidents †	271	243	261	7%
RIDDOR accident frequency (per 100 FTEs) †	1.25	1.14	1.28	12%
Number of Partner RIDDOR accident claims for compensation †	56	45	47	4%
Cost of Partner RIDDOR accident compensation claims (£) †	312,822 †	190,439 †	256,144	34%

Key priorities for 2004/05	Performance against priorities 2004–06	Key priorities for 2006–08
<p>Sourcing</p> <p>Roll out timber assurance programme. Identify all high-risk timbers in furniture departments. Work with suppliers to secure more sustainable sources</p> <p>Carry out at least two more on-site inspections of timber concession in Ghana and Indonesia</p> <p>Send out Code of Practice on Responsible Sourcing (RS) to suppliers. Establish a responsible sourcing database</p> <p>Develop buyer training programme for responsible sourcing</p>	<p>All sources of potentially high-risk timbers fully engaged in John Lewis Sustainable Timber Sourcing Programme • More than 50% of all garden furniture sales now FSC-certified (up from 21% in 2003) • All remaining sources have reached Stage 3 of the John Lewis Sourcing Programme (indicating they are actively working towards certification)</p> <p>All sources of tropical hardwood timber used in garden furniture ranges independently audited in 2004</p> <p>All own-label suppliers sent copies of the Partnership-wide Responsible Sourcing Code of Practice • In early 2005, John Lewis joined the Supplier Ethical Data Exchange (Sedex) through which companies maintain and share data on suppliers' labour practices • All own-label suppliers instructed to register on Sedex and complete a self-assessment questionnaire</p> <p>During 2005, all John Lewis buyers and assistant buyers attended responsible sourcing training sessions with Impactt Ltd</p>	<ul style="list-style-type: none"> • All garden furniture to be FSC-certified by 2008. Expand timber sourcing programme to all buyers of wooden products • Roll out Chemicals of Concern programme to priority buyerships. Work with suppliers to replace/remove chemicals identified as 'high risk' • Achieve zero own-brand product recalls per year • Have full visibility of RS issues within own-brand and exclusive supplier bases and activities to improve working conditions • Continue to add priority suppliers to Sedex. Ensure 'higher-risk' suppliers upload audit and corrective action plan • Develop buying teams' role within RS programme. Provide up-to-date information on suppliers' progress in meeting Code
<p>Customers and community</p> <p>Ensure compliance with, and exceed requirements of, latest Disability Discrimination Act provisions</p> <p>Implement customer access policy for customers with disabilities</p> <p>Trial a time bank for short-term employee volunteering to complement the Golden Jubilee Trust</p> <p>Improve sharing of information and best practice between shops, including Community Committees</p> <p>Extend London Benchmarking Group programme. Coordinate various forms of community contribution more effectively and begin to measure outputs</p> <p>Launch new Partnership website with comprehensive CSR performance information*</p>	<p>Over 200 DDA audits carried out • Initiatives to improve disabled customer access to its shops, services and information introduced • JohnLewis.com awarded an International Visual and Communication Award (IVCA) for its accessibility in 2004</p> <p>Partner training refreshed by Employers Forum on Disability, and access policy communicated • 'Shopping for disabled customers' leaflet refreshed and rolled out, detailing services available to customers</p> <p>A short-term employee volunteering scheme successfully piloted in John Lewis Brent Cross and Nottingham • Rolled out to all shops, distribution centres and offices • Management donates 500 hours into the bank every year • Partners apply for up to two days each year to spend on charitable and community projects during work time</p> <p>In 2006, the Partnership will launch an online management and reporting system allowing all Community Secretaries to monitor community investment</p> <p>The Partnership completed its third LBG return in June 2006 • Data collection procedures were extended to include head office and cash, time, in-kind and management costs, and have been continually built on year-on-year to capture more data</p> <p>Partnership website launched in July 2004 containing detailed information on all aspects of its CSR performance • The CSR section receives 37,550 visitors every month on average</p>	<ul style="list-style-type: none"> • Applying the LBG tool, improve processes for measuring the outputs and impacts of community programmes, where appropriate • Increase shop and head office Partner participation in employee volunteering programmes • Develop in-store concepts for communicating John Lewis' approach to responsible sourcing • Implement and fulfil a common safety methodology for risk assessment throughout the division • Roll out the Business Protection strategy, which emphasises protection of Partners, customers and profit across the whole division
<p>Environment</p> <p>Improve waste collection data through Waste Steering Group. Standardise waste management equipment in shops. Work to improve national recycling opportunities</p> <p>Launch supplier engagement programme to identify products containing 'priority chemicals' and establish process for eliminating them</p> <p>Keep increase in commercial vehicle mileage and associated emissions below increase in sales</p> <p>Further increase the proportion of energy obtained from renewable sources</p>	<p>Implemented national waste management and recycling arrangements for all John Lewis shops during 2004 • Introduced new electronic waste management information monitoring and reporting system</p> <p>Launched 'chemicals of concern' policy in 2005 • Conducted comprehensive review of product range to evaluate chemical risk • 2006 focus to remove potentially harmful chemicals from key product categories</p> <p>Reduced miles driven per £million sales from 7,210 in 2004/05 to 6,629 in 2005/06 • Number of avoided miles from forward and backhauling increased by 100% to almost 990,000</p> <p>Rising energy prices (increase of over 80%) prevented John Lewis from sourcing commercially viable renewable energy for 2005</p>	<ul style="list-style-type: none"> • Publish sustainable construction strategy and apply to retail development programme* • Continue to improve energy efficiency to meet long-term targets* • Include renewable energy into new building design* • Exceed Part L Building Regulations* • Increase recycling and reduce waste in line with corporate targets* • Develop generic waste strategy for new and existing shops • Improve accuracy of water data. Revise targets*
<p>Partners</p> <p>Extend Partner survey to all shops. Increase average response rates. Improve scores*</p> <p>Review dignity at work policies*</p> <p>Develop framework to prevent and reduce work-related stress*</p> <p>Conduct feasibility study into flexible working*</p> <p>Improve effectiveness of democratic arrangements by updating Council procedures*</p> <p>Increase Partner involvement in community programmes</p>	<p>Partner survey extended to all shops in 2005 • John Lewis response rate increased from 73% to 81% • Average score rose from 8.3 to 9.4 (Partnership target was 10) • Average score in all categories improved on previous year</p> <p>Dignity at work policies reviewed, updated and renamed the fair treatment policy</p> <p>Work-related stress policy developed and included in the revised Partner Handbook, distributed to all Partners in July 2005</p> <p>Flexible working policy and procedure have been put in place</p> <p>Partner survey results led to the launch of new democratic arrangements, currently being piloted in seven shops across the Partnership</p> <p>The Golden Jubilee Trust has enabled 36 John Lewis Partners to give in excess of 17,500 hours to charitable projects in 2005/06 • The GJT was highly recommended in the Charities Aid Foundation National Community Investment Awards 2005 and received a BITC 'Big Tick' in 2006 • John Lewis shops took part in the BITC Cares Challenge volunteering programme in 2004</p>	<ul style="list-style-type: none"> • Continue democracy projects* • Improve average response rate to Partner survey (target 85%) and average score (target now 12)* • Amend recruitment and retirement policy in the light of age discrimination legislation* • Implement career break policy* • Continue diversity awareness training for managers* • Further develop ethnicity and gender forums* • Introduce benefits statements for Partners* • Review maternity/paternity arrangements in the light of Work and Families Bill*

* Partnership-wide

A photograph of a forest with large, moss-covered tree trunks. The trees are tall and slender, with thick, textured bark. The forest floor is covered in fallen leaves and twigs. The lighting is soft and dappled, suggesting a dense canopy above. The text "...every step of the way" is overlaid in white on the left side of the image.

...every step of the way