

In the hands of our Partners

JOHN LEWIS PARTNERSHIP PLC SUSTAINABILITY REVIEW 2014



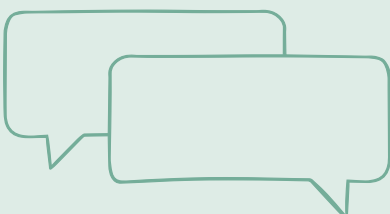
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The report focusses on our activities, progress and achievements within our 2013/14 trading year at sites under our operational control unless stated otherwise. Sites operated by stores under licence and franchisees (both overseas and Welcome Break franchises) are excluded from this scope.

You can see our

Sustainability Review 2014 online
www.johnlewispartnership.co.uk



Tell us what you think

Have feedback on our strategy? Thought of another way we can make a difference? We want to hear from you. www.johnlewispartnership.co.uk

Sustainability is critical to the Partnership – it's written into our Constitution. That's why we published this Sustainability Review at the same time as our Annual Report and Accounts and why the two share more content than ever before.

In this review, we've explored how we're responding to a wide range of issues across our value chain – from the way we source our products to how we engage with customers. We've highlighted how our co-ownership model and investment in Partners continues to be a better way of doing business. And we've outlined some of our key achievements this year, showing how our Partners' efforts are keeping us successful in the face of new challenges.

Whether you're new to our business, have been following our sustainability journey or are one of our longest-serving Partners, I hope you enjoy reading about our exciting achievements over the year.

Yours sincerely,
Sir Charlie Mayfield, Chairman,
John Lewis Partnership

THE JOHN LEWIS PARTNERSHIP AT A GLANCE

The John Lewis Partnership is unique: it's the UK's largest example of co-ownership and its activities are governed by a principles-based Constitution.

We operate 305 Waitrose shops and 40 John Lewis shops, johnlewis.com, waitrose.com and have business-to-business customers in the UK and abroad.

The two trading divisions of Waitrose and John Lewis are supported by Partnership Services (a shared service division) and Corporate (the Group head office function).

Our Partners co-own the Partnership.

GROSS SALES (INCLUDING VAT)

Partnership

£10.2bn

+6.6%

2013: £9.5bn

Waitrose

£6.1bn +6.0%

2013: £5.8bn

John Lewis

£4.1bn +7.5%

2013: £3.8bn

REVENUE

Partnership

£9.0bn

+6.6%

2013: £8.5bn

Waitrose

£5.7bn +6.2%

2013: £5.4bn

John Lewis

£3.3bn +7.4%

2013: £3.1bn

OPERATING PROFIT

Operating profit

£423.6m

-6.6%

2013: £453.4m

Operating profit before exceptional item

£470.9m

+3.9%

2013: £453.4m

Waitrose

£310.1m +6.1%

2013: £292.3m

John Lewis

£226.1m +4.3%

2013: £216.7m

Partnership Services and Corporate

(£65.3m) -17.4%

2013: (£55.6m)

PARTNERSHIP BONUS

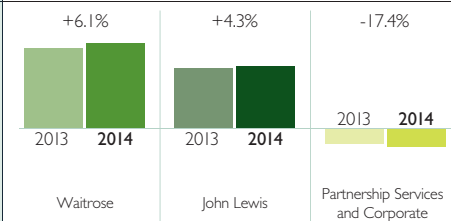
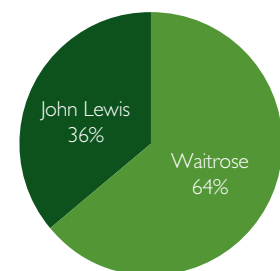
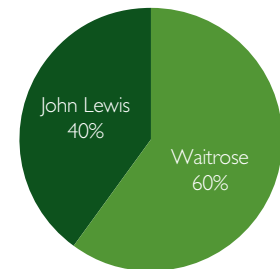
15% of pay

2013: 17%

PROFIT BEFORE PARTNERSHIP
BONUS AND TAX

£329.1m

-4.1%



For a more detailed insight into our Group and divisional performance in the year, please see our Annual Report and Accounts.

INVESTING ONLINE

£1.4bn

Annual online sales were £1.4bn with johnlewis.com up 19.2% and waitrose.com grocery sales up 41.4%.

CO₂e EMISSIONS INTENSITY**-5.0%**

An emissions increase of 1.3% against a revenue increase of 6.6%, equating to a 5.0% decrease in emissions intensity. We are working to reduce absolute operational CO₂ equivalent (CO₂e) emissions by 15% by 2020/21 against our 2010/11 baseline.

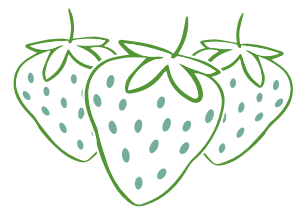
About Waitrose

Waitrose has 305 shops in the UK and Channel Islands and has consistently achieved sales growth ahead of the market. Its strong performance has been driven by the service from loyal and dedicated Partners, a long-term commitment to sourcing the UK's finest local and regional foods, the success of the essential Waitrose range, Brand Price Match, the success of the myWaitrose card and free delivery for online shopping.

Waitrose combines the convenience of a supermarket with the expertise and service of a specialist shop – it is dedicated to offering quality food that has been responsibly sourced, combined with high standards of customer service.

BEST SELLING PRODUCT

Our essential Waitrose range offers keenly priced everyday items with no compromise on quality. Our best selling product from the range was essential strawberries.



NEW PRODUCTS LAUNCHED

4,000+

ONLINE GROCERY SALES GROWTH

+41.4%

2013 AWARDS

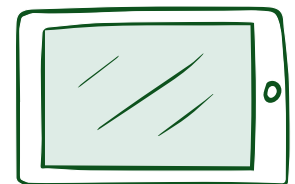
- Good Housekeeping Favourite Supermarket
- Favourite Food and Grocery Retailer (Verdict's Customer Satisfaction Awards)
- Top performer in National Consumer Satisfaction Index

About John Lewis

John Lewis has 40 shops in the UK: 30 department stores, 10 John Lewis at home and johnlewis.com. Led by our committed and focussed Partners, we sell the best of fashion, beauty, home and giftware and electrical items. John Lewis typically stocks more than 350,000 separate lines in the department stores. The website offers over 250,000 products including online exclusives. johnlewis.com is consistently ranked one of the top online shopping destinations in the UK. John Lewis Insurance offers a comprehensive range of insurance products – home, car, wedding and event, travel and pet insurance and life cover – delivering the usual values of expertise, trust and customer service expected from the John Lewis brand.

BEST SELLING PRODUCT

We're a market leader in the electronics and home technology sector so it's fitting that 2013/14's best selling products were tablets.



ONLINE SHARE OF JOHN LEWIS SALES

28.1%

ONLINE SALES GROWTH

+19.2%

2013 AWARDS

- Retailer of the year (Oracle Retail Week Awards)
- The Nation's Best Retailer (Verdict's Customer Satisfaction Awards)
- Best Retailer 2013 (Which? awards)

OUR STORY

In the hands of our Partners

Since our early days, we've done things differently. Our Partnership model makes us unique, and it's still key to our success today.

The combination of a trusted legacy and continuous innovation keeps us at the forefront of retail. We have a competitive and commercial mindset. And, most important of all, our Partners keep us one step ahead with new ideas and personal commitment.

We will continue to invest in our business, listen to our Partners, and do things differently – in shops, service, and ways to shop. And that will ensure our doors stay open to a bright, sustainable future.

During the year, the Partnership created 6,300 net new jobs.



NEW BRANCHES

We have an active pipeline of new stores across Waitrose and John Lewis, including a John Lewis in Heathrow's Terminal 2.



WAITROSE GARDEN

Launched 6,000 gardening products devoted to helping our customers grow their own flowers, fruit and veg.



FIRST MOBILE CHRISTMAS

At Christmas, the shift to mobile devices for online shopping was confirmed but the in-store sale is well and truly thriving.



WAITROSE CHIPPING SODBURY

Opened in October 2013 and is more than 40% more carbon efficient than the equivalent existing shop.





INVESTING IN OUR ESTATE

Our new distribution centre in Leyland builds capacity for Waitrose in the North and Scotland.



INVESTING ONLINE

Scheduled for Autumn 2014, the opening of the second dotcom fulfilment centre will increase the online capacity of Waitrose.

CLICK & COLLECT

John Lewis orders delivered by Click & collect were up 57%. Almost 60% of these orders were collected from a Waitrose store.



CONVENIENCE STORES

Five little Waitrose stores opened during this year and we have 23 planned for 2014/15.



GOOGLE OXFORD STREET

Used Google to map the inside of John Lewis Oxford Street.

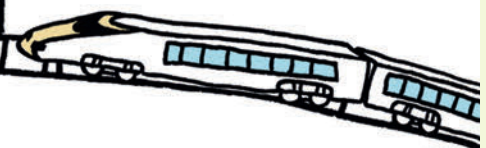


JOHN LEWIS ASHFORD

Opened our tenth at home shop in November 2013, creating 125 jobs.

WAITROSE ON THE EUROSTAR

Since April 2013, Waitrose has supplied food and drink to all Eurostar buffet cars.

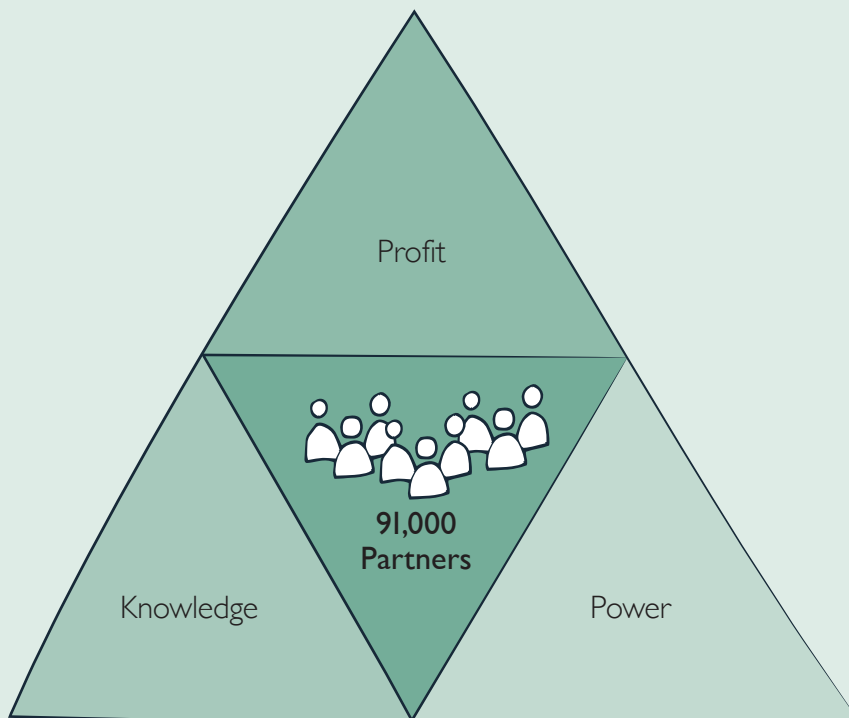


OUR PARTNERSHIP MODEL

Uniting our Partners through a shared vision and values, our Constitution is the cornerstone of our Partnership.

Our founder, John Spedan Lewis, envisioned a great commercial enterprise whose success would be measured by the people working in it. His vision was enshrined in a written Constitution in 1929. This Constitution is still at the heart of our Partnership today. The Constitution's Principle 1 sums up what our Partnership stands for:

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



DID YOU KNOW?

Today, the John Lewis Partnership is the largest employee-owned business in the UK. Our Partnership model is admired across both the private and public sectors. Co-ownership gives us a distinctive culture – and a competitive advantage.

PARTNERS ARE CONNECTED BY OUR SHARED VISION AND VALUES

Profit

Our success relies on the collaboration and contribution of our Partners, who receive a share of profits in the form of Partnership Bonus.

Knowledge

We provide our Partners with the knowledge they need to carry out their responsibilities effectively as co-owners of the Partnership.

Power

Our Partners are able to influence their business at all levels of the Partnership through the democratic structure and the representative bodies which are defined in our Constitution.

Our Partnership model gives us our distinctive culture. This, combined with the efforts of our Partners, gives us our competitive advantage.

Governance of the Partnership model

Aligning Partner interests

Our Partnership model creates a commercial competitive advantage through our 91,000 Partners. And because we're an open, fair and transparent democracy, there is a true sense of belonging to the John Lewis Partnership. This is clear in the way we do business: Partner engagement and investment for the long-term are at the heart of our commercial strategy.

Communicating Partner interests

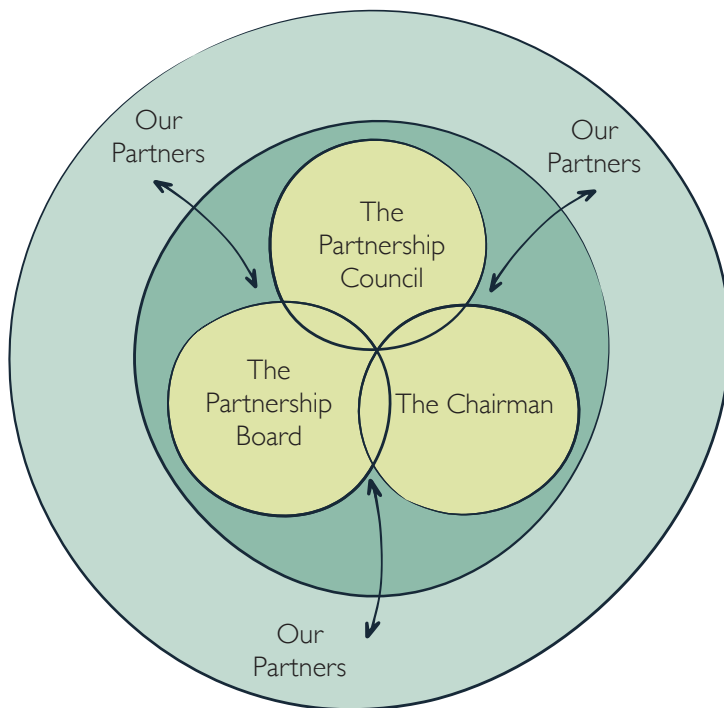
Our Partnership model sets out clear channels of communication, from branch level right up to Partnership Council. These allow and, more importantly, encourage our Partners to make their opinions heard – and see them acted upon – whether that's through letters sent to the weekly Partnership magazine, the Gazette, or valuable representation at the decision-making table.

Representing Partner interests

Partners are formally represented in two of the three governing authorities: the Partnership Board and the Partnership Council. This means all Partners can share their thoughts about our strengths, weaknesses, accomplishments and plans with everyone in the organisation – from the shop floor to the Board.

PRINCIPLE 2:

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



Key

↔ Representation and communication

○ Our Partners ○ Our Constitution ○ Our Governing authorities

GIVING OUR PARTNERS A VOICE THROUGH A DEMOCRATIC STRUCTURE

Read more about the Partnership Council on page 9.



15%

John Lewis Stratford Partners celebrate following the announcement in March 2014 that Partnership Bonus would equal 15% of pay.

OUR PARTNERSHIP MODEL IN ACTION

As a Partnership we are open, fair and transparent. There's a true sense of pride in belonging to a successful, well-respected business.

“I really enjoy discussing the business plans at Partnership Council – to see what Charlie Mayfield, Andy Street, Mark Price and Patrick Lewis have in the pipeline always makes me feel inspired as a Partner.”

Rebecca Lacey, Partnership Councillor for John Lewis Victoria



Rebecca is one of the 66 Partners who have been elected onto the Partnership Council. She is an Assistant Buyer, Cookshop in John Lewis Victoria.

“During the Pension Review we will be looking to gather Partners’ thoughts and feelings on all the options proposed – Partners can be confident we will ensure any changes are fair and reasonable.”



REPRESENTING PARTNERS

The Partnership Council is elected for a three year term and includes 66 Partners. Any Partner can stand for election.

The 15 members of the Partnership Board are members of Council. Additionally, the Chairman appoints three members to Council. Members of the Partnership Board and the three members appointed by the Chairman have no vote in Council.

Many Partnership Council sessions are transmitted live to all branches via the Partner Intranet.

Elections take place for Partners to represent their colleagues at Partnership Council and on the Partnership Board.

“The Executive Directors have a good understanding of Partner opinion: what we have to do is cement it. Everyone’s focussed on doing what’s right for the business and for Partners and there are no other agendas.”

Steve Gardiner, Elected Director on the Partnership Board



Steve is one of five Partners elected to represent Partners on the Partnership Board. He is the Branch Manager of Waitrose Cirencester and joined the Partnership Board in May 2012.

“I take the role of Elected Director very seriously. The responsibility motivates me to be the best that I can be.”

OPENNESS

The Partnership Council holds the Chairman to account for running the business. It may ask the Chairman or Partnership Board any question. The Partnership Board or Chairman must respond to the Partnership Council unless it would, in their opinion, damage the Partnership's interests.



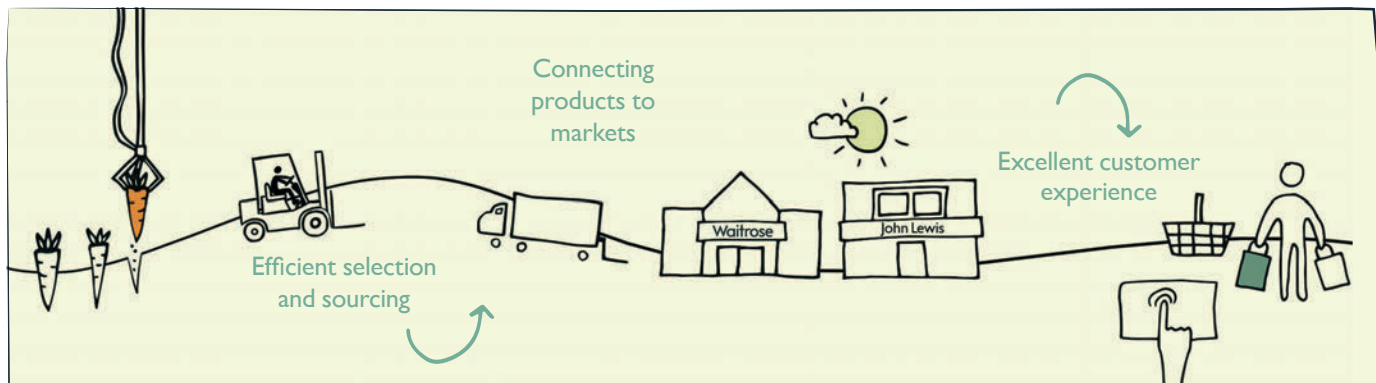
HOW WE CREATE VALUE

We create value through understanding and delivering on our customers' needs across the value chain resulting in a strong financial performance.

A retail value chain sits at the heart of our business. John Lewis and Waitrose tailor their approach to creating value based on a deep understanding of customer needs.

PRINCIPLE 5:

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



Efficient selection and sourcing

- Selecting and sourcing the best products to meet our customers' needs
- Providing value for customers by driving efficiency throughout the supply chain
- Purchasing local, ethical and sustainably-sourced products

Connecting products to markets

- Meeting our customers' needs for flexible ways to research, shop and receive their products
- Operating a smart distribution network and investing in new technology to meet customer demands
- Reducing CO₂e emissions from transport and distribution

Excellent customer experience

- Providing the best customer service – wherever and however they shop with us
- Creating strong customer loyalty by providing services which enhance the products themselves
- Informing customers about the sustainability and story of the products they buy



With the opening of a new frozen beef production site in Yorkshire, Waitrose now has one of the shortest supply chains for beef of any UK supermarket.



Waitrose began a pilot for Click & collect temperature controlled lockers in July.

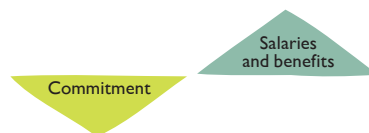
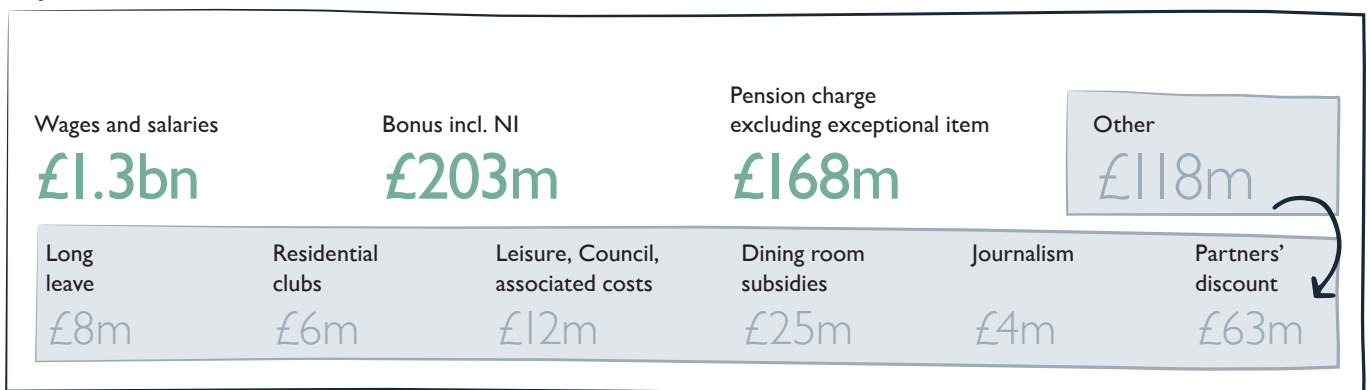


John Lewis became the first UK electrical retailer to launch a minimum two year guarantee on all its electrical products at no extra cost.

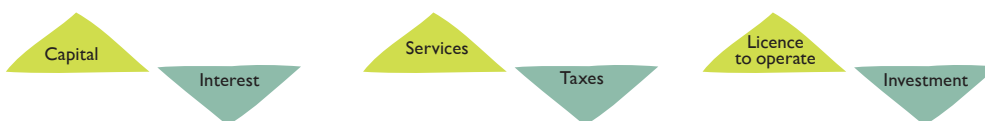
Value we created in 2013/14

Our business activities have a significant economic impact on our Partners and stakeholders beyond. This year, for the first time, we've aggregated our economic impacts in a value-added statement to show how and where we created value in 2013/14 for our Partners and other key stakeholders.

Payments and benefits to Partners



Income and expenditure



Payments to stakeholders



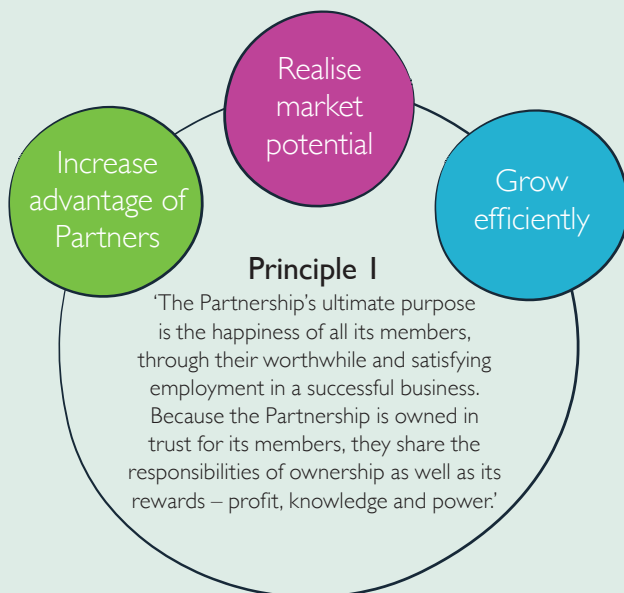
OUR PARTNERSHIP STRATEGY

The Partnership strategy is underpinned by three Aims, which support Principle I.

As the Partnership expands and the retail marketplace evolves, it remains important that our strategy focusses on our ultimate goal: balancing the happiness of our Partners with the success of the business as a whole, as outlined in Principle I of our Constitution.

Principle I sits at the heart of our overall business strategy. The Partnership Board sets the strategy after considering our areas of strength, opportunities and changes in the marketplace and in the world around us.

Our strategy is underpinned by three Aims. They are designed to make us bolder, clearer, and more confident that our Partnership approach is a better way of doing business. Delivering on our Aims ensures that, as our business grows, we respond better to new demands and continue to make the most of our co-ownership model. Underneath all our activities are the Partnership's ethical principles and our commitment to do business in a fair, sustainable way.



OUR PARTNERSHIP AIMS

Increase advantage of Partners

When our Partners achieve their very best at work, it creates a competitive advantage for the whole Partnership – happiness makes us all more motivated and effective. We aim for Partners to gain personal satisfaction by being members of a co-owned enterprise in which they have worthwhile and fulfilling employment, as well as a genuine sense of community.

Realise market potential

We aim to attract new customers, and retain and deepen the relationships with those we already have. We do this through better understanding and quickly responding to their changing needs, whether that means more competitive pricing, flexible shopping opportunities, or peace of mind about our product sourcing. Enhancing our sustainability programme will support our market position.

Grow efficiently

The business has grown significantly over the last ten years, and growth will continue to be important. But growth increases business complexity and impacts our costs. Focussing on efficiency is becoming more important and to achieve a balanced and profitable growth, whilst delivering enough profit to distribute to our Partners, we need to carefully prioritise our investments and further instil cost control discipline.

For further details see our Annual Report and Accounts.

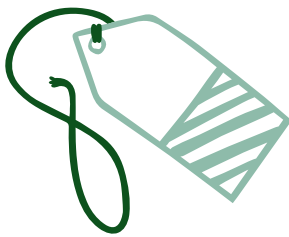
Our strategy in context

Our strategy reflects fundamental changes in customer attitudes towards value, service and trust.

Our customers' needs are changing

Value for money

Customers are demanding better value for money with no compromise on quality and innovation.



Service and convenience

Technological innovation is driving demand for flexible shopping according to customer lifestyles.



Trust

Customers are increasingly demanding that companies operate ethically and keep their promises.



For more information about the changing attitudes of our customers, please see page 42.

How we are investing to respond to changing customer demands

- essential Waitrose
- John Lewis Value ranges
- Never Knowingly Undersold
- Brand Price Match
- Developing better value products of excellent quality through product innovation
- Omni-channel services: online and on the move
- New retail formats and service offerings
- Enhanced network of Click & collect locations
- Improved in-store experience
- Greater online distribution capacity
- Investment in supply chain and IT
- Never Knowingly Undersold
- Guaranteed Guarantees
- Improving supply chain practices
- Increasing the product range from certified sustainable sources
- Supporting UK supply

469 new essential Waitrose products were launched in 2013/14.



Our Click & collect service is now available in every John Lewis and 229 Waitrose stores.



100% of the palm oil in our own brand ingredients are certified sustainable (CSPO).

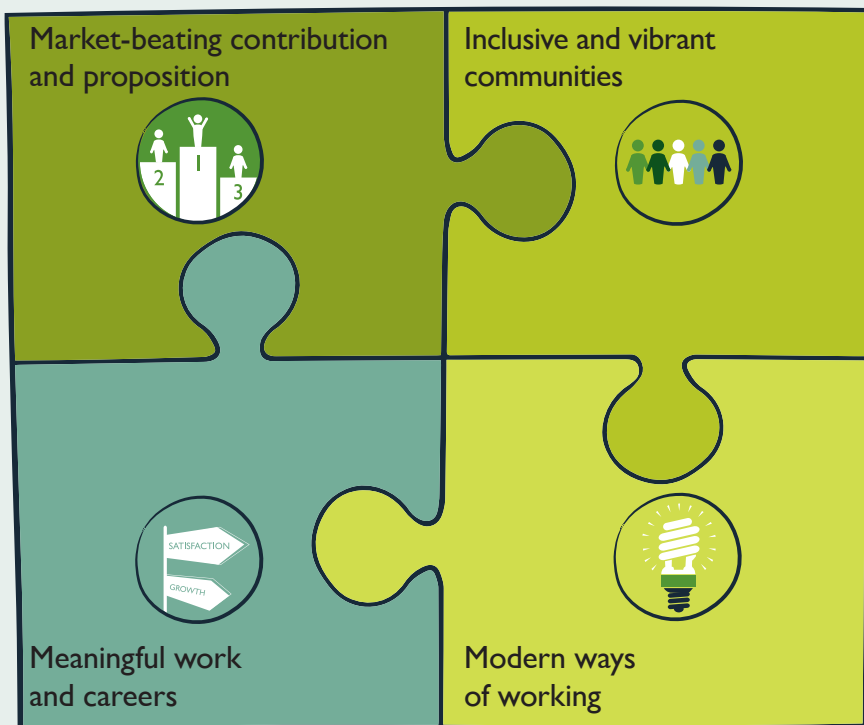


OUR PARTNERS

The retail environment is becoming increasingly competitive. But thanks to the dedication and drive of our 91,000 Partners, we continue to thrive.

Our success has created new challenges. We need to ensure that the way we work and the services we provide are right for our growing business. We also need to keep our Partners engaged in what it means to be a co-owner during a period of significant transformation.

Launched in November 2012, the Partner Plan is built around four key themes. It addresses the issues that our Partners have told us are most important to them and changes in our business model.



PRINCIPLE 4:

The Partnership aims to employ and retain as its members people of ability and integrity who are committed to working together and to supporting its Principles. Relationships are based on mutual respect and courtesy, with as much equality between its members as differences of responsibility permit. The Partnership aims to recognise their individual contributions and reward them fairly.

Increasing the advantage of Partners is at the heart of our strategy. Our Partner Plan is helping us achieve this.

87%

OF PARTNERS:

“Recommend the Partnership as a great place to work.”

Market-beating contribution and proposition



Every Partner shares in the benefits of a co-owned business. Our ownership structure enables us to offer a comprehensive reward package including pay, Partner discounts, subsidised dining and leisure facilities, career development and a non-contributory final salary pension scheme. Partners also have a direct say in how the business is run. The Partnership is currently engaged in discussions with the Partnership Council on the level and form of future provision of pension benefits to Partners. More information on the review of pension benefits can be found on page 31.

In return, we ask Partners to show responsibility for the Partnership's ongoing success by giving us their very best performance – from adaptive, innovative thinking and excellent customer service to a significant contribution to continuous improvement.

In focus

To help increase the Partner advantage, we have introduced a Partnership-wide appraisal system called My Performance. Its core purpose is to show Partners how they are performing against consistent, business-wide criteria. In early 2014, we introduced a Partnership-wide Pay for Performance approach to clearly demonstrate how greater contribution can be rewarded.

Pay for Performance is our new Partnership pay framework, implemented in March 2014. Aligning with My Performance, it aims to link performance and pay more closely and consistently for Partners – no matter where they work. It does this by measuring a Partner's annual performance rating against their position in the pay range to determine their percentage pay increase for the year.

Meaningful work and careers



As the employment landscape changes and work practices shift, we need to develop the capabilities required to keep our competitive edge. We already have Partners from across four generations, and 59% of Partners have less than five years' service. With the percentage of younger Partners expected to grow, we need to offer training that allows Partners of all ages and abilities to stay up to date with technological advances and new ways of doing business. By providing opportunities, we're encouraging Partners to learn new skills – whatever stage they're at in their working lives.

In focus

This year, Waitrose introduced a new product specialist role in Fruit, Vegetables & Flowers, with an accredited Level 3 qualification from City & Guilds. 500 Partners completed the learning for the new specialist role. John Lewis offered Level 2 (the equivalent of a GCSE) Functional Skills qualifications in Maths, English and ICT for those Partners who wanted to brush up on literacy, numeracy and IT skills. To date, more than 300 Partners have taken advantage of this programme.

Across the business, more than 2,000 Partners completed vocational qualifications ranging from accountancy to procurement. We offered 95 apprenticeships and nearly 900 Partners took part in IPAR (Inspiring Performance, Achieving Results), our Partnership line management training programme.

74%

OF PARTNERS SAY:

“My job satisfies me.”



“Pay for Performance looks great in theory, and my managers have grasped it quickly but the test will be in calibration. There will be particular challenges in areas where there are currently a lot of existing pay models.”

says **Nikki Donaldson**, Partnership Councillor



Chris Coburn, Partnership Councillor and Chair of the Partner Group, explains,

“Pay for Performance is fairer because it rewards consistent performance. It is better than previous approaches because the annual Partner performance discussion will now just be about performance.”

OUR PARTNERS *CONTINUED*

Inclusive and vibrant communities



We strive to be a welcoming and diverse business that recognises and values difference. This goes to the heart of our ultimate goal of being a successful co-owned enterprise that benefits all of our Partners.

This aim is supported by our Diversity and Inclusion Policy. The policy is there to help us create a vibrant Partner community, with a varied range of skills, talents, experiences and backgrounds, within a fair environment free of discrimination and harassment.

Our ethnic mix of Partners has not changed significantly over the last decade. Our white Partner demographic continues to reflect the UK population as a whole at 84% of our population, but at senior management levels, white Partners account for 92% of the population. As a Partnership, we want to do more to foster a culture of inclusion at all levels, and we took clear steps to do this in 2013/14.

In focus

In September 2013, a number of our senior leaders, including Heads of Branch at John Lewis and Heads of Retail Operations at Waitrose, attended a seminar on unconscious bias. This helped understand how our unconscious personal preferences affect our behaviour.

Tony Wheeler, Managing Director at Peter Jones, says,

“The unconscious bias seminar was very enlightening. It deepened my understanding of the ever-changing face of society and our marketplace and demonstrated how leaders need to be more agile and adaptable. I am certainly a more commercial leader as a result.”

In November, we also launched a dedicated intranet page for our LGBT (Lesbian, Gay, Bisexual and Transgender) networking group, Pride in the Partnership.

In 2014, we will continue to drive this culture of inclusivity. We will be rolling out online e-learning diversity training to all 91,000 Partners, emphasising the value of understanding and embracing cultural differences. We will also be setting up a mentoring network for those managers from under-represented ethnic minorities and providing funding and support for Partner-generated diversity groups and networks.



Abby Chicken, Chair of the LGBT networking group and Food Hall Manager at John Lewis Oxford Street, says,

“It’s fantastic to finally have an official point of contact for LGBT Partners across all divisions. We hope to be a real resource for Partners and managers to access if they are looking for guidance or support on LGBT issues.”

Thanks to our Diversity and Inclusion scorecard, we are able to monitor and measure the impact and effectiveness of our activities to improve performance in this area. This scorecard will be presented to the Partnership Board each year.

73%

OF PARTNERS SAY:

“We build relationships powered by our principles.”

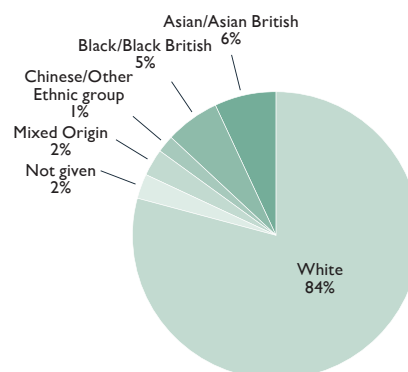
In terms of gender breakdown, the position at the end of the financial year for the following populations is:

GENDER DIVERSITY

Male	Female
Directors and Management Board members	
67%	33%
Senior managers*	
57%	43%
All other Partners**	
43%	57%

* Other than Directors and Management Board members
** Other than Directors, Management Board members and senior managers

PARTNER ETHNICITY



Modern ways of working



In order to adapt to a fast-paced business environment with ongoing technological change, Partners are increasingly working together across both roles and divisions. Although the majority of Partners feel empowered at work, we still have more to do as a business to fully realise and release their potential.

In focus

2013/14 has been the year that continuous improvement has begun to take hold within the Partnership, thanks to cross-divisional sharing of knowledge and skills. Many areas of the Partnership have been involved in this initiative, from our contact centres to our branches, distribution facilities, head offices and shared service centre. Two examples of the power of Partner engagement in 2013/14 come from work conducted at our Hamilton Contact Centre in Glasgow and a number of locations within Waitrose.

Our Hamilton team has developed a method of continuous improvement they call IMPACT (Improving My Partnership and Changing Together). It follows a structured approach to rapidly improve performance, with ideas coming from Partners who are at the heart of the operation.

Sue Troughton, Customer Service Advisor, says,

“I undertook IMPACT training at Hamilton and it has significantly changed my view of the role I have within John Lewis. It has enabled me to understand that every Partner has the ability to effect change within the business, and we are all in control of driving not only our own success, but the success of the business as a whole.”

At Waitrose, Andi Macauley, Branch Manager at Caversham, has been sharing the knowledge he gained while undertaking his Master’s Degree at Warwick Business School. He is collaborating with his PartnerVoice (the local forum for Partner opinion) representatives to identify opportunities for improving their day-to-day working environment. The group has implemented a number of ideas, including improving the organisation of consumables around checkouts and ordering packaging materials in smaller quantities to reduce the amount of stock held in branch.

Tina Bates, Partner at Waitrose Caversham, says,

“Personally, I feel my ability to influence what’s happening outside of the branch is limited, but through the good suggestion scheme and talking with my managers, I really feel I can add value in my immediate working environment.”

76%

OF PARTNERS SAY:

“We create real influence over our working lives.”



68%

OF PARTNERS SAY:

“We take responsibility for our business success.”

OUR SUSTAINABILITY HIGHLIGHTS

We're proud of our achievements over the past 12 months. They're testament to our Partners' dedication – inside and outside the business.

The Partnership Constitution provides a set of guidelines about how we do business – about the relationships we hold with our customers, our suppliers, our communities and Partners. The work we are doing to protect our environment is testament to our values.

2013/14 has been another year of collaborative effort in successfully addressing sustainability across the Partnership.

There is still more to do as the scale of global challenges we face becomes more evident. For 2014/15, we are introducing a sustainability materiality assessment across the Partnership that will help us to identify and prioritise the issues our business is facing. Then we can better set out our priorities and plan and invest accordingly.

Our suppliers



What do we mean?

- Responsibly sourcing raw materials and goods
- Improving supply chain working practices
- Nurturing supplier and Partner development to support responsible sourcing practices
- Ensuring food quality and safety
- Sourcing locally

Key achievements

- John Lewis joined the Better Cotton Initiative
- Waitrose was highly praised by WWF in its 'Palm Oil Buyers Scorecard'
- John Lewis initiated a pilot to bring financial literacy training and access to bank savings accounts to factory workers in Delhi



AWARDS

Best Supermarket – Soil Association Organic Food Awards

BITC Big Tick – Award Ensuring a Sustainable Price for Pig Farmers



Our customers



- Helping our customers to make informed choices
- Providing clear and better advice
- Encouraging sustainable behaviour
- Encouraging better nutrition and healthy lifestyles

Our environment



- Conserving natural resources
- Managing our estate with minimal environmental impact
- Recognising good environmental practice in our supply chain

Our communities



- Acting locally to respond to community needs
- Building trust in the local community
- Developing our Partners through community involvement
- Contributing to social and economic growth where we operate

- Through our dedicated programmes – ‘the Waitrose way’ and John Lewis’ ‘Bringing Quality to Life’ – we are encouraging our customers to lead more sustainable lives
- Waitrose teamed up with Start – a charitable initiative set up by HRH The Prince of Wales to inspire and encourage people to live more sustainably
- John Lewis is trialling an Energy Efficiency Service to help customers save energy at home

The Waitrose way



Bringing Quality to Life



CO₂e EMISSIONS AGAINST REVENUE

-5.0%

WASTE DIVERTED FROM LANDFILL

96.1%

DISTRIBUTION MILEAGE

-5.3%

AWARDS

Waitrose and John Lewis Ipswich won Retail Project of the Year at the 2013 Lux Lighting Awards.



VOLUNTEER HOURS GIVEN

136,000

PRE-TAX PROFITS TO CHARITABLE AND COMMUNITY ACTIVITIES

4.3%

AMOUNT DONATED TO GOOD CAUSES THROUGH COMMUNITY MATTERS

£4m+

NET NEW JOBS CREATED

6,300

THE BIGGER PICTURE

Our business was founded on strong principles. These still guide how we do business today.

In today's uncertain world it's increasingly important that we not only stay true to these principles, but also ensure they evolve with the changing landscape. Sustainability was integral to John Spedan Lewis' vision and is central to the Partnership's plans for the future.



Tracey Killen,
Director of Personnel

The Constitution and sustainability

We are one of the few companies in the UK to be governed by a principles-based constitution. It is very clear about our responsibilities regarding the wellbeing of the communities in which we operate, as well as how we deal with suppliers and the way we impact the environment. Throughout its history, the Partnership has recognised the value of corporate citizenship. Indeed, our founder, John Spedan Lewis, was a noted environmentalist of his time, with a deep interest in the natural world, so good stewardship has always been part of our culture.

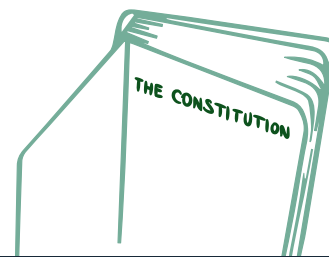
That said, there is no doubt that issues of environmental sustainability and social stability are becoming ever more important to our sales and profit, whether we are facing increasingly volatile commodity prices or ensuring we continue to recruit the best Partners. These are issues that will affect our long-term ability to generate profit. How we respond couldn't be more vital.

The biggest challenges

Clearly, the challenges in our supply chain are extremely important to us. We supply a vast range of goods and services to our customers. We have almost 400,000 separate product lines listed across John Lewis and Waitrose – and each one has some form of environmental or social impact. To meet our customers' expectations in the future, we know we have to increase our purchase of sustainably and ethically sourced products, including those certified and accredited as such.

In addition to this emerging challenge, climate change and managing our operational footprint has long been a priority. We've had a robust carbon plan in place for a number of years and we are seeing tangible returns from the investment we have put in. However, there are other hurdles ahead as, in recent years, the growth of our business has far exceeded all our expectations. This means we will have to look very carefully at how we meet the ambitious carbon targets we have in place.

“We've had a robust carbon plan in place for a number of years and we are seeing tangible returns from the investment we have put in.”



GOVERNED BY A CONSTITUTION

Our Constitution is very clear on our responsibilities regarding our communities, our suppliers and the environment.

PRINCIPLE 7:

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

The continuing increase in the number of middle-class consumers in India and China is of huge significance. There will be many more companies around the world competing for the same products and that could have a profound effect on what we are able to offer consumers. Naturally, this growth in demand presents many commercial opportunities, but we will need to continue to innovate and act quickly with our supply chains if we are to capture them. Greater connectivity between the consumer, business and beyond is fundamentally changing the way people shop.

Planning to ensure an appropriate response

Of course, like any business, we have to prioritise. Crucially, we need to know where we can pioneer and lead the rest of the retail sector. We need to concentrate on the areas that are of greatest threat to our business and on those that offer the most commercial opportunity.

We already prioritise a number of areas – for example, for many years, Waitrose has been sustainably sourcing British produce; while John Lewis has been putting considerable effort into helping customers to choose more sustainable products and to live more sustainably – but we can always be more ambitious.

For 2014/15, we are introducing a sustainability materiality assessment process to update our views of the issues that are most material to our business, so that we can better set our priorities and then plan and invest accordingly. This materiality review will involve interviews with senior management across the Partnership, as well as our key stakeholders, to understand what matters most to them, to the business and to wider society.

Given the importance of these issues, we have also brought our Annual Report and Accounts into closer alignment with our Sustainability Review. This year, we are publishing them at the same time, with more shared content than ever before, to promote “integrated thinking” within the Partnership. Next year, to advance this, we will combine the two documents. After that, our ambition is to produce a fully integrated report – to demonstrate that the Partnership’s performance story and our sustainability story are the same. This will provide everyone interested in the Partnership’s future – Partners, suppliers, customers, non-governmental organisations, financiers, communities and the media – with an engaging report that will show how we are meeting the goals set out by John Spedan Lewis all those years ago.

PRINCIPLE 6:

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



FACING GREAT CHALLENGES

The business landscape looks very different today to the time when John Spedan Lewis wrote the Constitution. It will be as different again in the future.

“For 2014/15, we are introducing a sustainability materiality assessment across the Partnership that will help us to identify and prioritise the issues our business and our customers are facing.”

OUR SUSTAINABILITY PERFORMANCE

We're committed to operating more sustainably. Our performance this year reflects that – and shows the power of our Partnership in action.

What's inside?

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OUR PRODUCTS AND SUPPLIERS

Apply integrity, fairness and respect to our supply chain



29

OUR CUSTOMERS

Helping our customers reduce their food waste



32

OUR ENVIRONMENT

Creating buildings that are a great asset to our business and the wider community



40

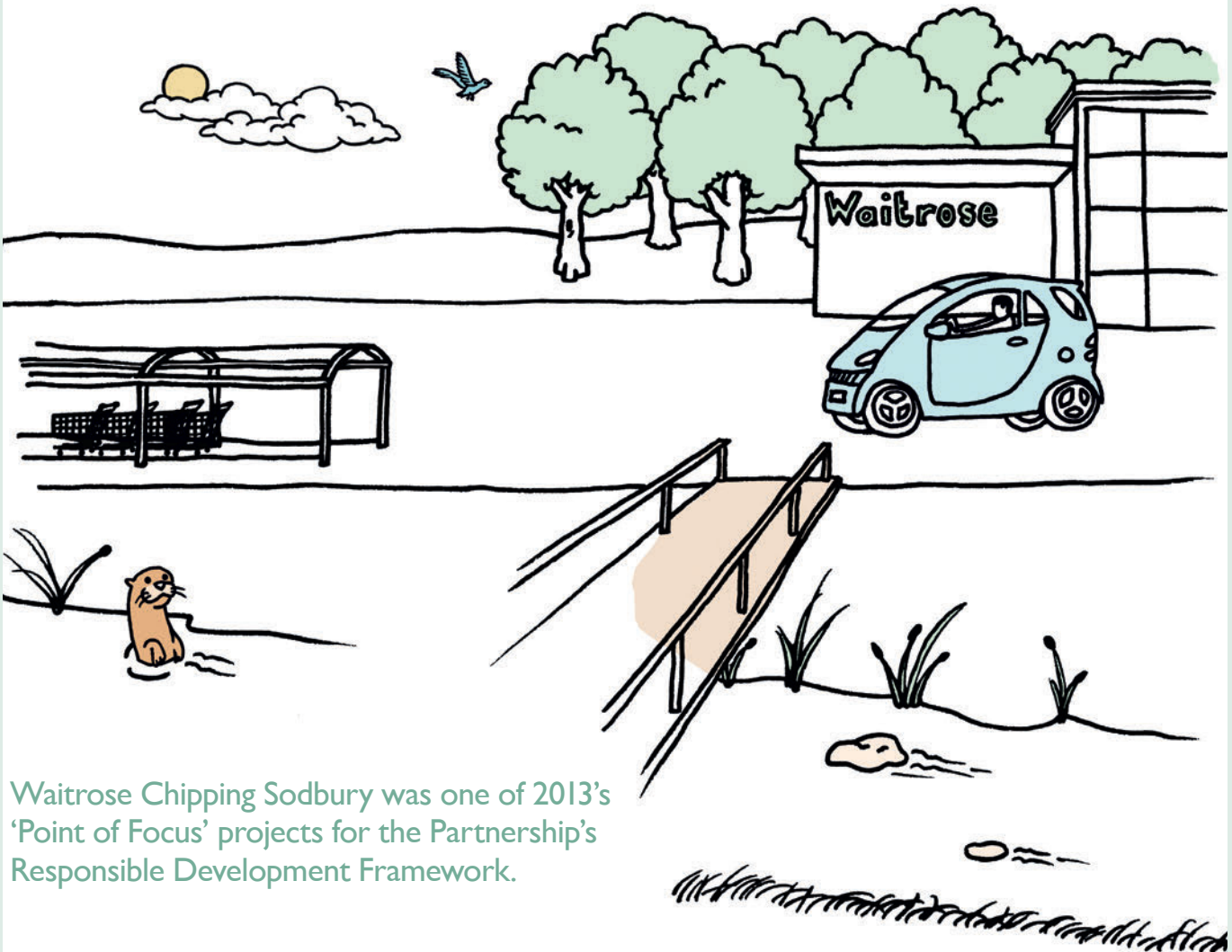
OUR COMMUNITIES

Developing a money management programme for local schools



35

A SHOWCASE FOR RESPONSIBLE DEVELOPMENT



OUR PRODUCTS AND SUPPLIERS

Provenance and honesty are central to our trading relationships. Which means customers can continue to trust our products and our business.



Why it's important

- The Partnership Constitution states, 'The Partnership's relationships with its suppliers must be based, as with its customers, on honesty, fairness, courtesy and promptness. It looks for a similar attitude throughout its supply chains. In particular, the Partnership expects its suppliers to obey the law and to respect the wellbeing of their employees, their local communities and the environment'.
- We source our products from around the world and we pride ourselves on the long-term, mutually dependent relationships we hold with our many suppliers. Traceability and provenance are central to our brands and vital to upholding our customers' trust in us.

Challenges

- We recognise that there is much more to do to take advantage of our reach and to widen the influence we have on important supply chain issues such as improving workers' lives, conserving natural resources and adapting to the impacts of climate change.
- In a business of our size, we impact thousands of suppliers, directly and indirectly. It's a challenge, therefore, to create universal, meaningful, long-term change everywhere we trade.
- Our Partnership-wide materiality process, which we'll work on in 2014, will need to involve a wide range of stakeholders – including suppliers – to make sure we focus our efforts in key areas of risk, as well as opportunity.

“To us, quality and sourcing responsibly are one and the same. We expect our suppliers to apply the same principles of integrity, fairness and respect in their operations as we do in ours.”

Ian Ellis, Buyer, Toys and Books, John Lewis



OUR PRODUCTS AND SUPPLIERS *CONTINUED*

Improving workers' lives

We believe in people before profit. This belief is at the heart of our business. Our supplier policies, partnerships and commitment to fairness help us live up to it.

KEY FACTS

Number of countries our products are sourced from

70

STRONGER TOGETHER



tackling hidden labour exploitation

Waitrose backed the 'Stronger Together' initiative to tackle exploitation in the food and drink sector.

PARTNERSHIP WITH GEOSANSAR



John Lewis initiated a pilot to bring financial literacy training and access to bank savings accounts to factory workers in Delhi.

Our standards

In sourcing our products, our aim is to uphold internationally agreed standards of labour, in particular those set by the International Labour Organisation. We expect our suppliers to treat workers fairly, honestly and with respect for their human rights and wellbeing. We have robust supplier policies and procedures that are enshrined in the Partnership's supplier Code of Practice on Responsible Sourcing. Adherence to the Code is monitored through regular inspections of supplier sites by third parties and our own Partners. Where problems occur, we work with suppliers to identify the root causes and support them to make long-term improvements.

This year, at Waitrose and John Lewis, we developed tools and guidance for suppliers to address workplace issues and provided face-to-face training to promote continuous improvement. In addition, we continued to train buying Partners in responsible purchasing practices and ran awareness-raising workshops to help them understand the importance of responsible sourcing. We are also developing E-learning modules to complement our existing training sessions, which we will launch in 2014.

Collaboration for improvement

We believe that partnering with like-minded organisations is vital to the creation of permanent social change. Through our membership of the Ethical Trading Initiative, we have continued to be actively involved in working groups to uncover and overcome issues in specific supply chains. These include the Moroccan Better Strawberry, Vietnamese Wooden Furniture and Southern India Garments programmes.

This year Waitrose supported Stronger Together alongside four other retailers. This initiative is about equipping UK employers with the knowledge and resources to recognise the signs of exploitation and to tackle it in the food and agriculture industries. It was developed by the Association of Labour Providers (ALP), the Gangmasters Licensing Authority (GLA) and the charity Migrant Help. The aim is to engage more than 1,000 farms, food producers and labour providers, who in turn will reach more than 100,000 workers.

We also support outreach programmes in countries where we source products. For example, in partnership with Geosansar in India, John Lewis initiated a pilot to bring financial literacy training and access to bank savings accounts to factory workers in Delhi. Beyond empowering workers to save money safely, thereby allowing some level of financial security, the scheme has broader provisions, such as an identification card that enables access to a range of services and benefits. We plan to roll this out to additional factories in India in 2014.

While we do not source from the factories affected by recent high-profile events in Bangladesh, we recognise the urgent need for systemic change in the garment sector in that country. In July 2013, John Lewis signed the Accord on Fire and Building Safety in Bangladesh's Garment Industry. The Bangladesh Accord is a multi-stakeholder group of more than 100 apparel brands and retailers and trade unions. Its aim is to ensure sustainable improvements to working conditions in the Bangladesh garment industry.

Supporting home-grown industry

With increasing attention on supply chain practice, local sourcing and traceability, supporting industries close to home is central to our approach. At both Waitrose and John Lewis, we run programmes that make the most of UK supply.



KEY FACTS

Waitrose British farmers and growers

2,400+

UK sites that make John Lewis products

200

PROGRESS AGAINST TARGETS

At John Lewis, in support of UK manufacturing, we will increase the sales of UK-made products by 15% based on a 2011/2012 baseline by year-end 2015/16.



Achieved



Not achieved



Ongoing

WAITROSE FARMING PARTNERSHIP



Waitrose supports British farmers through the Waitrose Farming Partnership – the umbrella under which all our farmer-focussed initiatives fall.

Waitrose – ‘Championing British’

Waitrose has long been committed to supporting British farmers and growers and we believe that home-grown food and drink is among the best in the world. Our fresh beef, pork, chicken, hen eggs and milk are 100% British – an example of how we champion UK-produced food and drink all year round.

With the opening of a new frozen beef production site in Yorkshire, Waitrose can now claim one of the shortest supply chains for beef of any UK supermarket. The dedicated, state-of-the-art operation is fully integrated, so that the entire beef production process is managed by one supplier – Dovecote Park – from cattle right through to the consumer packaging that is directly distributed to Waitrose.

The best of seasonal British food was promoted this year by our newly appointed brand ambassador, Alan Titchmarsh. Among other promotions, Alan highlighted the 50 varieties of British apples through a multi-channel marketing campaign.

Waitrose was one of the lead supporters for Open Farm Sunday this year. For the fifth year we opened up our own farm – Leckford in Hampshire – to help reconnect the general public with British farming. Leckford’s new farm shop showcases the wide variety of food produced on the estate and from producers in the local area.

The Waitrose Farming Partnership also continued in its efforts to research UK-grown alternatives to global commodity plant proteins for animal feed, in order to help reduce farmers’ reliance on overseas sources. Feed trials are currently underway to evaluate their suitability.

John Lewis – ‘Made in UK’

At John Lewis, our target is that by the end of 2015/16, in support of UK manufacturing, we will increase the sales of UK-made products by 15% based on a 2011/2012 baseline. Sales of UK-made products increased this year by 5% and by 12% against the 2011/12 baseline.

We began working with StartUp Britain in 2012 to launch PitchUp, the first in a series of events designed to offer British start-ups a unique opportunity to pitch their products to John Lewis buyers and receive mentoring to help refine their products and services for market. To date, John Lewis’s PitchUp events have attracted more than 1,000 applications and resulted in 37 finalists.

“Getting an opportunity to pitch to a retailer like John Lewis is incredible for any small business, and will give them a real insight into what they need to do to prepare their business for scaling up.”

Emma Jones,
Co-founder, StartUp Britain

Two recent successes from these PitchUp events in 2013 are Jollie’s Socks, where for every pair of socks sold, a pair of socks is donated to a local homeless shelter, and the Toddle Bike, which helps toddlers gain the balance needed to walk. The StartUp Britain campaign is backed by Government, but operates as a fully private sector-supported venture. Its role is to inspire, accelerate and celebrate entrepreneurship.

OUR PRODUCTS AND SUPPLIERS *CONTINUED*

Sustainable agriculture

Waitrose aims to be a restorative retailer, putting back more than we take from the environment where we can. We believe we have a role to play in ensuring commercial farming is sustainable in the long term. This is supported by our long tradition of working with suppliers and growers who share our values.



AWARDS

Retailer of the Year, the British Free Range Egg Producers Association



Best Supermarket – Soil Association Organic Food Awards

Sustainable Supply Chain Award, Big Tick, 2013 – Ensuring a sustainable price for pig farmers

WAITROSE FARM RISK ASSESSMENT



The Waitrose Farm Risk Assessment helps us to understand the key challenges our growers face on the key issues of food safety, sustainability and quality.

Raising farm standards

The Fifth Annual Waitrose Farming conference, held in November 2013, focussed on key issues that contribute to a resilient future for Waitrose's long-established supply chains. 240 farmers, growers and processors, along with teams from Waitrose, participated in this interactive day, which enabled the development of ideas about how to link the business supply chain strategy with long-term sustainability.

Following the Foresight Report on The Future of Food and Farming in 2011, Waitrose launched the Farm Risk Assessment to understand the fundamental challenges our growers face and how continuous improvement is being implemented on the key issues of food safety, sustainability and quality. Almost 1,000 fresh produce growers in 43 countries are participating in this long-term assessment, the results of which will be used to raise the profile of the issues of food security and sustainability and enable the delivery of practical changes in the food sector.

This year, following concerns about the effects of neonicotinoids on bees, butterflies and other important pollinators, Waitrose asked suppliers of fruit, vegetables and flowers to avoid using selected formulations of these pesticides on crops destined for our shops. Under a 'Seven Point Plan for Pollinators', farmers supplying Waitrose are to stop using three systemic formulations of neonicotinoids by the end of 2014 at the latest.

Duchy Originals, founded by HRH The Prince of Wales to promote organic food and farming and to help protect and sustain Britain's countryside and wildlife, celebrated its 21st anniversary this year. Its Future Farming Programme, established in April 2012, now has more than 1,500 organic and non-organic farmers involved in research to boost innovation in organic and other low-input farming methods, while improving productivity and enhancing the environment. Our Duchy Originals range, all of which is organic and British, comprises more than 230 products, and Waitrose now has a 23% share of the organic food market amongst grocery multiples*.

Celebrating success

The Waitrose Way Awards recognise and celebrate suppliers' outstanding initiatives to enhance the sustainability of their businesses and ultimately, the food sold at Waitrose. This was the second year of the Waitrose Way awards and four new awards were introduced for suppliers who support the design, construction and operation of Waitrose property, recognising their contribution to the responsible development and sustainable innovation of our estate. *For more information about how we are designing, constructing and operating our property responsibly, see page 34.*

* Nielsen 21/12/13

Sustainable products

We strive to look at every aspect of a product – provenance, raw materials, welfare and working standards. This helps us source and make products that are both ethical and sustainable.



PROGRESS AGAINST TARGETS

Continue to only stock fish that are responsibly sourced from wild capture fisheries and farmed aquaculture operations and work towards 100% third-party verification by year-end 2016/17.	
By year-end 2015/16, 100% of the soya in own-brand Waitrose products to come from certified sustainable sources, including RTRS Certified soya and Pro Terra Certified soya.	
By year-end 2015/16, all John Lewis own-brand wooden products to come from recycled or certified sustainable sources.	
By year-end 2014/15, all John Lewis own-brand paper based products to be made from recycled or certified sustainable sources.	
By year-end 2015/16, 25% of cotton (by volume) used in John Lewis own-brand products to be from sustainable sources, and 50% by the end of 2020.	

Achieved
 Not achieved
 Ongoing

Sourcing raw materials

As a leading retailer, we aim to carefully source raw materials from long-term sustainable supply chains. We understand that the sourcing of raw materials can have a significant impact on people, environments and ecosystems, if not managed considerately. We are committed to understanding and maintaining control over the provenance of the raw materials that we use and the welfare standards within our supply chain. Having the processes in place to allow us to increase the traceability and transparency of our supply chains is of utmost importance, and we aim to use independently verified certification schemes wherever possible.

Fish

Waitrose only stocks responsibly caught or farmed fish that passes our own rigorous checklist. We source from more than 140 wild fisheries and farming systems, 56 (39%) of which are third-party verified.

Waitrose sponsored the Marine Conservation Society's 'Good Fish' app for mobile phones to help consumers make the right choice about the seafood they eat, at the same time as commissioning research that shows people are still confused about the source of the seafood they are eating.

Soya

At Waitrose, we have set ourselves the ambitious target of ensuring 100% of the soya in own-brand products comes from certified sustainable sources by year-end 2015/16.

Some certified segregated soya-based food ingredients are now becoming available. For example, our own-brand soya milk supply chain is now Pro Terra-certified. For all other ingredients, we purchase Round Table on Responsible Soy (RTRS) trade certificates to offset annual usage. We will use this interim arrangement until supply chains become fully operational with segregated and/or mass balance-certified material.

We are active members of the Retailers' Soy Group and we are engaging the Agricultural Industries Confederation to enable access to certified soya for animal feed. The requirement to source RTRS – or equivalent-certified sustainable soya, where available, is specified in our supplier food and feed ingredient sourcing policies. Our chicken supply chain has secured Pro Terra-certified Brazilian soya bean meal. At a time when many retailers have moved their non-organic feed to include GM material, we have maintained our non-GM soya feed policy for our own-label fresh chicken and eggs.

Palm Oil

Last year, we reported that at Waitrose we had achieved our target of reaching 100% certified sustainable palm oil (CSPO) in our own-brand ingredients. We continue to find ways to source segregated CSPO rather than relying on book and claim certificates and mass balance supply. Because of this, this year we were highly praised by WWF in its 'Palm Oil Buyers Scorecard' for our leading efforts. Of all retailers and food service companies in the scorecard, Waitrose was rated highest for the proportion of palm oil ingredients from segregated sources (68%).

PALM OIL BUYERS SCORECARD



Waitrose was highly praised by WWF in its 'Palm Oil Buyers Scorecard' for our leading efforts.

"The supply of fully traceable, responsible seafood is critical to the Waitrose business. In today's climate of rising consumer demand, and diminishing wild fish stocks, traceability from catch to consumer is of vital importance."

Jeremy Ryland-Langley,
Fish Buyer, Waitrose

OUR PRODUCTS AND SUPPLIERS *CONTINUED*

Sustainable products *continued*



“Our timber database is a valuable tool in enabling transparency throughout all stages of our supply chains and, working closely with our suppliers, allows us to identify opportunities for accessing more sustainable sources of timber and paper.”

Julie Cowling,
Assistant Buyer, Living and Dining Furniture

THE BETTER COTTON INITIATIVE



John Lewis has become a member of the Better Cotton Initiative.

Timber and Paper

In 2012, at John Lewis and Waitrose, we updated our timber and paper sourcing policy to include a sustainability-rating table and introduced a new timber database, so that our buying teams could work with suppliers to evaluate performance and identify opportunities for improvement.

All suppliers are required to complete a questionnaire providing detailed information about their timber sources to ensure legality under the EU Timber Regulations.

At John Lewis, our target is for 100% of our own-brand wooden products to come from certified sustainable or recycled sources by year-end 2015/16 and by year-end 2014/15 for paper products. Over the past two years we continued to train buyers internally and have worked externally with our supply base to help suppliers continuously improve and help remove any barriers upstream to sourcing from certified and recycled sources. Our focus for 2014 will be to identify any gaps in our supply chains and continue to offer guidance in support of our targets.

Cotton and Textiles

John Lewis is a signatory of the Sustainable Clothing Action Plan led by waste-reduction agency WRAP, who will measure and report the environmental ‘footprint’ of clothing throughout its life, and work with signatories to take action to reduce the impact.

Baseline data across the sector has been collected which will not only enable the signatories to identify and agree targets for carbon, water and waste, but also to identify initiatives to support them, such as the use of lower-impact textiles, recovering material at the end of life and extending the life of clothing. We aim to incorporate these findings into our own action plan to reduce the environmental impact of our clothing.

“Being members of the Better Cotton Initiative means being part of a collective movement that promotes better cotton farming practices, and will enable us to access the market for more sustainable cotton.”

Martyn White,
Manager, Sustainable Living, John Lewis

We have a target to source 25% of cotton from more sustainable sources by the end of 2015/16 and 50% by the end of 2020/21 against a 2012/13 baseline. We are developing a sustainable fibre guide to define what we mean by ‘sustainable sources’ and help buyers identify opportunities to source more responsibly. In addition, we have become members of the Better Cotton Initiative (BCI), with a view to switching more of our cotton over to these sources.

OUR CUSTOMERS

We value our position as a trusted brand and aim to secure customers' loyalty through outstanding service and choice. It's key to our success.



Why it's important

- The Partnership Constitution states: 'The Partnership aims to deal honestly with its customers and secure their loyalty and trust by providing outstanding choice, value and service'.
- As a trusted brand, we see ourselves as advocates for encouraging positive, long-term behaviour change in society and we see the role of our Partners as ambassadors for this. Our actions every day and programmes supporting healthier, more sustainable lives help us fulfil this role and continue to earn our customers' loyalty and trust.

Challenges

- We aim to help customers through clear information and labelling about the sustainability and health benefits of the products they buy. Measuring and understanding customers' reactions and the resulting impact on behaviour change is something we're striving to do, so we can fully assess the benefits of different types of customer engagement.

“We have worked hard to reduce our food waste and are proud that none of this goes to landfill. We want to help our customers reduce their food waste too and that is why we fully support the Love Food Hate Waste Campaign. Together, we can tackle it.”

Laura Strangeway, Manager, Sustainability and Ethical Sourcing, Waitrose



OUR CUSTOMERS CONTINUED

Helping customers live more sustainable lives

We want the best for our customers. As well as providing high quality products and excellent service, we're making it easier for them to live more sustainably every day.

FOOD BANKS



Our customers are given the opportunity to donate goods at our shops to support their local community through our partnership with the Trussell Trust.

ENERGY EFFICIENCY SERVICE



John Lewis has launched an Energy Efficiency Service to help customers save energy at home.

John Lewis

At John Lewis, it is our aim, through Bringing Quality to Life, to help our customers live more sustainable lives. We do this by providing information that enables them to make informed choices about our products. We have developed our Sustainable Product Identifier to do this, and it now features on almost 3,000 products.

The way we run our homes is changing: rising energy prices, increasing subsidies and legislation, and the arrival of technology are all having an impact. In response, we have introduced the Energy Efficiency Service, where customers can find helpful information and advice. On a trial basis we are now selling heating systems and insulation, solar panels and home control devices and systems. We also offer an Energy Efficiency Calculator online to help customers find out how they can achieve lower energy bills.

In addition, we are participating in a trial with the Department for Energy and Climate Change (DECC) to give customers information on the lifetime electricity running costs of large laundry appliances, in order to understand the impact on customers' purchasing behaviour. We plan to report our findings and recommendations, in partnership with DECC, in mid-2014.

Waitrose

The Waitrose Way captures our philosophy and defines our focus, helping us to share our Waitrose sustainability vision and goals with key audiences.

In May, Waitrose continued its work with Start – a charitable initiative set up by HRH the Prince of Wales to inspire and encourage people to live more sustainably. We ran a variety of programmes, launched under our Waitrose Way pillars – Treading Lightly, Treating People Fairly, Living Well and Championing British – to encourage customers to make small changes in the way they shop and live.

One such programme we continue to run is to help customers reduce the 4.2 million tonnes of food and drink thrown away from our homes every year. We are actively supporting WRAP's Love Food, Hate Waste campaign by providing practical tools in store, on products and online, as well as reducing food waste from store operations.

Useful tips are available on the website and Waitrose TV, such as making sure food is kept in the right conditions for longevity and inspirational recipes for using leftovers. Customers can also seek advice on specific products, including best consumption date information, through our customer service line. On-pack date codes have been made clearer to help inform customers and to assist with stock rotation in store – in fact, we are phasing out the 'display until' label where appropriate to prevent food being discarded unnecessarily.

Our customers are also given the opportunity to donate goods outside our shops to support their local community through our partnership with The Trussell Trust. 2013 saw more than 700 food collections at Waitrose shops resulting in the equivalent of more than 260,000 meals for families in need.

Living well

We take our responsibilities as a leading retailer seriously. We're tackling issues like poor diet, making nutritional improvements to our range and supporting healthier lifestyles.



KEY FACTS

Sales of 'LOVE life you count' ready meals

+30%

SPECIAL DIETS AND LIFESTYLES



Waitrose has launched six easy to use 'shopping lists' to help customers with special diets or who have lifestyle changes that require alternative dietary requirements.



"Our drive for nutritional improvements is helped by strong relationships with suppliers. When added together, it is the small, incremental changes that can really make a difference to our customers in the long term."

Moira Howie,
Nutrition Manager, Waitrose

Our commitment

At Waitrose, we believe that all supermarkets have a role to play in helping to tackle societal problems associated with poor diet and lifestyle, such as obesity and diabetes.

As part of our Waitrose Way commitments, we also believe that eating and living well should be enjoyable. We aim to make our good food even better with careful selection of ingredients to create healthier alternatives where possible, and by providing a wide range of delicious and nutritious choices to inspire our customers to eat more healthily.

We have signed up to a number of food pledges under the **Government Responsibility Deal** to help support improvements in public health. These include calorie reduction, promoting fruit and vegetable intake, salt targets, out-of-home calorie labelling and front-of-pack labelling. Our progress will be reported publicly via the Department of Health website in April 2014

Improving our range

In addition, and in line with our nutrition strategy, we are committed to making continuous improvements across our range. This year, our focus – through new product development – has been on our ready meals.

We refreshed the look and feel of LOVE Life You Count for January 2014 – with so many people actively managing their weight, this range is particularly important, and this year, showed a 30% growth in sales.

Supporting healthier lifestyles

Our goal is to help our customers make the best choices they can to improve the nutritional value of their shopping basket. Our 'ask the nutritionist' service on Waitrose.com is available for customers who have a specific nutrition or diet question or who simply need some advice on eating a healthier diet. We reach out to customers through Waitrose Weekend, Waitrose Kitchen and through our Waitrose TV health channel with hints, tips and inspiration for adopting a healthier and happier lifestyle.

This year, we launched six easy to use 'shopping lists' to help customers managing special nutritional needs, from diabetic, gluten-free and low-cholesterol diets to those who are vegetarian, pregnant, or seeking balanced nutrition in later years. These are available as tear-off shopping lists from our welcome desks in branch or to download.

We have achieved:

SATURATED FAT REDUCTION

-10%

A 10% saturated fat reduction across 18 vegetable accompaniment dishes within the ready-meal category

AVERAGE CALORIE REDUCTION

-15%

A 15% average calorie reduction in 51 chilled soups

CALORIE CONTENT

-19%

A 19% reduction in the calorie content of our Italian ready meals

REDUCTION IN SATURATED FAT

-27%

A 27% reduction in saturated fat across 24 ready meal lines

OUR ENVIRONMENT

We're doing everything we can to minimise our environmental impact and promote good practice. Innovation, partnerships, and commitment are helping us make a difference.

Why it's important

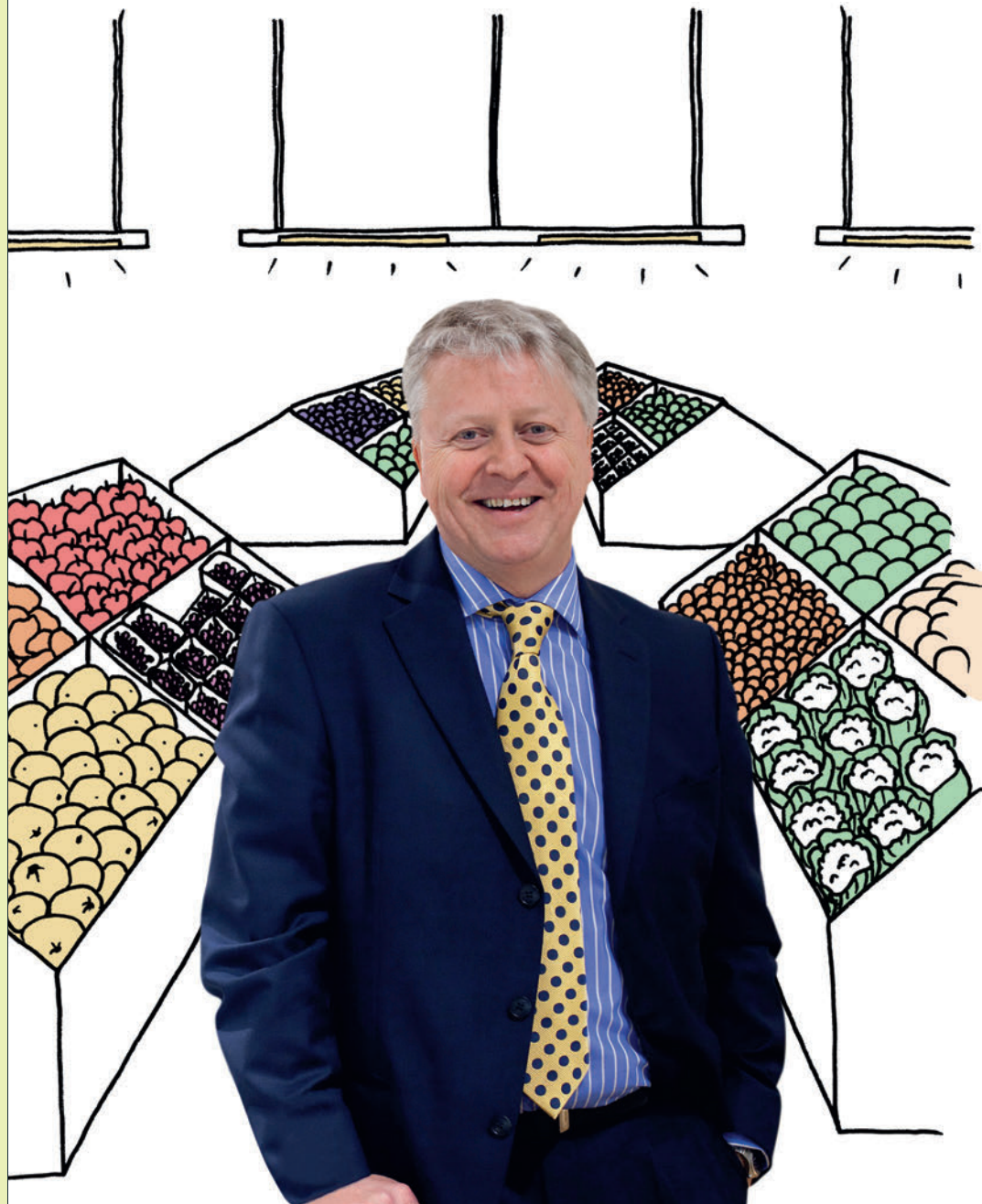
- The Partnership is bound by the Constitution to 'take all reasonable steps to minimise any detrimental effect its operations may have on the environment, and to promote good environmental practice'. We recognise the importance of this more than ever as our business grows.
- The Partnership's environmental impacts span all stages of the value chain – from the direct impacts of our estate to the indirect impacts of our suppliers and customers. Our materiality assessment, which we'll work on in 2014, will help us determine where we should focus our efforts in the long term.

Challenges

- Navigating a complex legislative landscape is challenging. As is making long-term decisions and investments against a shorter-term policy background.
- Financial incentives can be highly effective at supporting emerging environmental technologies and play a critical role in ensuring a return on investment. However, uncertainty around the longevity of incentives makes planning investment difficult.
- We recognise there is much more work to do up and down the value chain – with our supply chain partners, our communities and our customers – to widen our circle of influence and create bigger change through collaboration. We also recognise the longer-term risks around supply chain resilience to climate change impacts.

“Being a responsible operator within the communities in which we trade is a vital part of our heritage. 2013 has seen us continue to push the boundaries in creating buildings that are a great asset to our business and the wider community.”

Tony Jacob, Head of Construction, Environment and Engineering



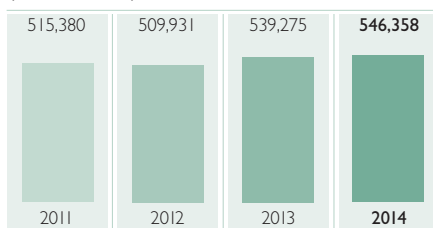
Climate change and energy

We need to protect our environment – and our business. So, we're reducing our carbon footprint and finding smarter ways to power the Partnership.

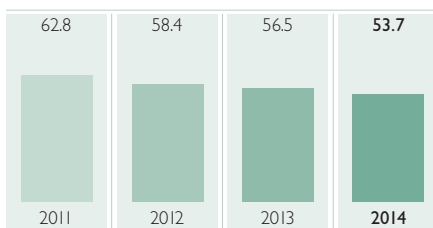


PERFORMANCE

Absolute Partnership emissions (tonnes CO₂e)



Partnership emissions (tonnes CO₂e per £m sales)



All years relate to our trading year. Our carbon footprint has been restated for all years in order to account for material changes to the conversion factors provided by Defra for company reporting purposes.

PROGRESS AGAINST TARGETS

Deliver a 15% absolute reduction in operational carbon dioxide equivalent (CO₂e) emissions by year-end 2020/21 against a 2010/11 baseline.

Achieved
 Not achieved
 Ongoing

LUX LIGHTING AWARD



Waitrose and John Lewis Ipswich won **Retail Project of the Year at the 2013 Lux Lighting Awards**. The judges described the project as a glimpse of 'the future of LEDs without the slightest compromise to the lit environment'.

Climate change and our business

We recognise the need to adapt and future-proof our business against the impact of climate change and minimise our contribution to it. The biggest contributor to our operational carbon footprint by far is the energy we use in our estate. Rising electricity, gas and oil prices have an impact on the cost of running our shops. The ways we procure, use and generate energy present opportunities for us to contribute to the UK Government's carbon reduction target and our own carbon plan and to ensure long-term energy security for our business.

Our carbon plan

The underpinning theme for our carbon plan is the need for solutions that are sustainable – socially, environmentally and economically. We are working to reduce absolute operational CO₂ equivalent (CO₂e) emissions by 15% by 2020/21 against our 2010/11 baseline. This is a challenging target that necessitates the development of a range of solutions, but we have identified significant opportunities to bring emissions down while growing our business. Our target is the driving force behind innovation and the development of creative solutions – from the energy that powers our shops to the way we refrigerate food and our encouragement of Partners to play their part.

“The strength of our Carbon Plan lies in the fact that it is driving the right behaviours that will deliver long-term change in how we do business.”

Naomi Wells,
Head of Future Planning and Sustainable Development

Improving our estate

Across our estate, we have continued to install LED lighting as standard, introduced the next generation of our low-carbon,

water-cooled refrigeration system and improved building management systems to drive down energy consumption and improve working and shopping environments for our Partners and customers. As a result of refurbishments in 2013/14 at a number of Waitrose shops, we anticipate a reduction in carbon emissions of between 30 and 60% compared to existing equivalent buildings. *Find out more about our achievements and aspirations for our estate on page 34.*

We test and trial improvements in our building design, construction, fit-out and operation that will help achieve our target. Successful trials are then incorporated into our standards and specifications.

Looking forward

In 2014, we will continue in our efforts to drive down our carbon emissions against the backdrop of rising utility costs and taxes. This includes continuing to innovate and trial new technology.

Developing low carbon energy generation solutions that are cost effective, given business reliance on incentives, is a challenge. However, we aim to maximise our use of low carbon sources and see these technologies as a vital component in our carbon reduction plans. We also recognise the contribution that good environmental behaviour makes, and so will continue to engage Partners in the need to reduce energy consumption.

Our new electricity contract will provide greater transparency on the sources of the energy we procure. We have signed a new energy supply deal, which will support renewable generation projects owned by communities, farmers and small businesses across the UK. The agreement will see SmartestEnergy, which buys electricity from hundreds of independent generation projects, supply more than 380 Waitrose and John Lewis sites with 100% renewable electricity.

OUR ENVIRONMENT *CONTINUED*

Responsible development

New approaches, careful planning and considerate building are helping us develop our business responsibly. We've achieved brilliant standards this year – and set our sights high for the future.

KEY FACTS

New build projects

17

PROGRESS AGAINST TARGETS

By 2015, undertake a high-level biodiversity assessment covering our existing Partnership estate to identify biodiversity assets and risks, and adopt a Biodiversity Action Plan for the estate.



By 2015, develop a sustainable materials strategy for the Partnership estate.



Achieved
 Not achieved
 Ongoing

POINT OF FOCUS



Our new Waitrose at Chipping Sodbury and John Lewis at York, due to open Spring 2014, were this year's 'Point of Focus' shops.

Our Responsible Development Framework

Our Responsible Development Framework sets out our aspiration to design, operate and manage our estate in a way that meets the needs of our customers, Partners and the wider community, while creating minimal impact on the environment during construction, operation and disposal.

Trialling new approaches

A key feature of the Framework is our commitment to trialling new technologies and ways of working in 'Point of Focus' projects. Successful methods are then applied where relevant across our estate in all future building activity – an approach we believe is sustainable and drives value. A successful 'Point of Focus' project – Waitrose Chipping Sodbury – opened in October 2013.

Meanwhile, John Lewis York, due to open in spring 2014, is set to be the lowest-carbon branch in the John Lewis estate and is on target to achieve a Building Research Establishment Environmental Assessment Method (BREEAM) 'Outstanding' for internal fit-out – a first for a John Lewis shop. Our aim in 2014 is to measure the success of these projects, both financially and environmentally, and transfer findings into business as usual, while at the same time trialling new methods, materials and technology through further 'Point of Focus' projects.

Planning and building considerately

Our major projects are measured and certified to recognised sustainability standards. Our current standards are BREEAM 'Excellent' for new construction and BREEAM 'Very Good' for major refurbishments*. Our aim is also to achieve

exemplary level Considerate Constructors Scheme performance (a score of 40 or more) in every project. Two major builds this year – Waitrose Chipping Sodbury and John Lewis at home Ashford achieved 'beyond compliance' certification, with scores of 43 and 40 out of 50 respectively.

We are now analysing our current activity, with plans for developing a sustainable materials strategy for the Partnership estate by 2015. This will be an area of increasing focus over the next two years.

Our long-term aim is for no net biodiversity loss on our estate as a result of development. We are working with our suppliers to build understanding and capability, and to minimise impacts while positively contributing to biodiversity in our supply chains. Our efforts will support the Government's objective to halt biodiversity losses in the UK by 2020.

This year, as well as trialling biodiversity initiatives at 'Point of Focus' shops, we have undertaken biodiversity assessments across our estate to identify assets and risks. The results will inform the development of a Biodiversity Action Plan for the estate.

At John Lewis York, we are working closely with City of York ecologists and the York Wildlife Trust to develop an effective biodiversity plan for the site. We are exploring options such as creating habitats for a variety of species and reviewing the landscape planting to encourage biodiversity. We view active engagement with customers and Partners in our biodiversity initiatives as one positive outcome of our plans.

Find out more about our Responsible Development Framework at www.responsibledevelopment.co.uk

* Excluding any previously agreed developer deals and Waitrose Convenience.

A showcase for responsible development

Waitrose Chipping Sodbury was one of 2013's 'Point of Focus' projects for the Partnership's Responsible Development Framework.



“I am delighted to be managing such a trail-blazing shop. You can see the quality and investment that has gone into it and it feels special to be trialling a range of new features that lower our environmental impact.”

Richard Clare, Manager, Waitrose Chipping Sodbury

The focus areas for this new build shop – the Gloucestershire town's first major supermarket – were to reduce the carbon intensity of the facility compared to equivalent existing branches, enhance local biodiversity, connect with the local community, trial the use of new types of sustainable materials and improve amenities for Partners.

This 21,000 sq. ft. shop, certified as BREEAM Excellent, included a number of engineering initiatives – such as high efficiency plant, the installation of LED lighting throughout and water cooled refrigeration, making it 40% more carbon efficient than the equivalent existing shop. Recycled plastic was used to manufacture covered trolley bays, kerbs and benches, and biodiversity, involving local conservation groups, was a key focus – our aim being to maintain and enhance habitats in the vicinity of the site.

SUSTAINABLE PROJECT OF THE YEAR

Waitrose Chipping Sodbury has been shortlisted for 'Sustainable Project of the Year' at the 2014 Building Awards.



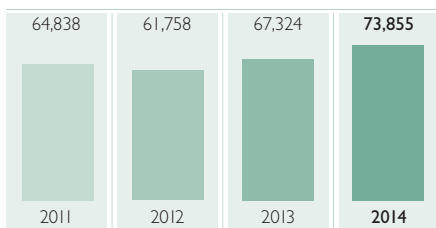
OUR ENVIRONMENT CONTINUED

Refrigeration and Water

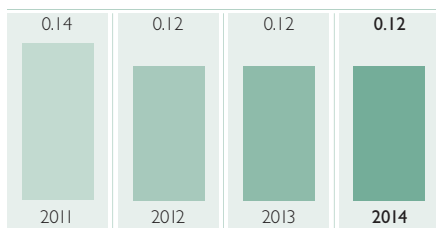
Climate change and water scarcity are growing challenges. We're focussing on reducing the emissions from refrigeration and using water carefully throughout the Partnership.

PERFORMANCE

Waitrose refrigeration and cooling direct emissions (tonnes CO₂e)



Shop water consumed per square ft trading floor area (cubic metres)



All years relate to our trading year.

PROGRESS AGAINST TARGETS

- By 2015, reduce leakage of refrigerant to no more than 10% of entrained volume.**
- Reduce shop water use by 20% per square foot of trading floor area by year-end 2013/14 against a 2010/11 baseline.**

Achieved
 Not achieved
 Ongoing

LOW CARBON REFRIGERATION



In 2013/14, we installed low-carbon natural refrigeration into all Waitrose new and refurbished shops.

Refrigeration

Refrigeration and cooling generate direct CO₂ equivalent (CO₂e) emissions through leaked refrigerant gases. Reducing the volume and impact of leaks is vital for us to achieve our carbon plan, and is crucial as we grow our business.

We have set a target to contain the existing refrigerant gases within our estate to a leakage rate of no more than 10% of the entrained volume by 2015. To aid delivery of this target in 2013/14, we have continued to ensure our systems are fitted with leak detection equipment, used independent audit engineers to carry out leak detection and focussed our maintenance and refit programme on refitting shops with the greatest opportunity for improvement.

From 2013/14, we committed to only using refrigerant gases that have a global-warming potential (GWP) of less than 10 when installing new and replacement refrigeration systems where technically viable. In 2013/14, we installed low-carbon natural refrigeration into all Waitrose new and refurbished shops to achieve this aim. We continue to pioneer water-cooled refrigeration. In addition, we maximise the re-use of waste energy by capturing cold air spill and redistributing it to replace air conditioning and using rejected heat from the refrigeration process to reduce our natural gas consumption.

Monitoring and measuring the performance of our second generation water-cooled refrigeration – as currently being trialled at Waitrose Chipping Sodbury – is an ongoing project, and if successful we intend to roll this out as the enhanced standard for new builds and refurbishments.

For transport refrigeration, this year we have built six refrigerated articulated trailers that can be run without a dedicated fridge engine, getting their power instead from the more efficient truck engine, as well as being plugged into the mains when stationary. These complement six heavy rigid trucks that operate in the same way.

Water

We are committed to managing our water use carefully because we recognise the growing challenge of water scarcity.

Our target was to reduce water consumption per square foot of trading floor area in our shops by 20% by the end of 2013/14, against a 2010/11 baseline. In support of this, we have continued to install low-flush cisterns and waterless urinals in new and refurbished buildings and measured and monitored water usage. However, we did not meet our target and have set an additional target to reduce water consumption per m² of our entire estate by 20% by 2020/21 (against a 2010/11 baseline).

In 2014, we will develop a new strategy for our operational water footprint to ensure we make efficient and effective use of water resources. This will address challenges such as building the business case for water reduction when carbon impact and cost remain low. In developing this new strategy, we will take into account the infrastructure, procedural and behavioural change that will deliver reductions. We will establish a roadmap of achievement to ensure our approach is fully linked to our broader environmental aspirations and be responsive to the future legislative changes and amendments to the water market.

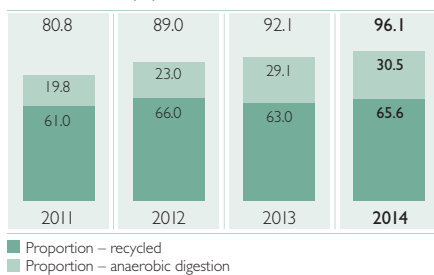
Waste and Packaging

We're committed to stopping waste. We're diverting it from landfill, increasing the amount that is recycled, and working with our supply chain to reduce it altogether.



PERFORMANCE

Proportion of Partnership waste diverted from landfill (%)



All years relate to our trading year.
Data for 2011 – 2013 includes operational trade waste and partial John Lewis head office data. 2014 data includes operational trade, waste and all Head Office data. Please see data download for detail on the scope of our waste reporting.

PROGRESS AGAINST TARGETS

- 95% of waste to be diverted from landfill by year-end 2013/14.**
- 98% of waste to be diverted from landfill by year-end 2015/16.**
- 85% of total operational trade waste to be processed through materials recycling plus recovery of energy from food waste by year-end 2015/16.**

Achieved
 Not achieved
 Ongoing

PLASTIC WASTE



Stephen Tuddenham, Department Manager Retail Support, Waitrose Chipping Sodbury with the covered trolley bay made from recycled mixed plastics.

Waste

The Partnership has an overriding aim to stop waste, and we view the mix of waste materials we generate as valuable resources. We are committed to working with our supply chain to reduce waste and explore opportunities for closing the loop on our waste material. We are pleased to have exceeded our target of diverting 95% of waste from landfill by 2013/14.

Our target now is for 85% of total operational trade waste to be processed through materials recycling plus recovery of energy from food waste by year-end 2015/16 and to divert 98% of waste from landfill by 2015/16. We are on track to meet both.

Our policy is, wherever possible, to reduce waste, divert waste from landfill and recycle in the UK. In 2013/14, our mixed plastic waste contractors reprocessed nearly 3,000 tonnes of our waste plastic material and we are working with them to turn this into usable products for our building projects.

We work closely with our specialist waste contractors to minimise the amount of mixed waste that we have been unable to separate for recycling. In support of our waste targets, we use materials recovery facilities to extract recyclable material from our mixed waste. The residual waste is then increasingly being used as a fuel in waste-to-energy incineration plants, rather than being sent to landfill.

For unavoidable food waste, we have extended our anaerobic digestion solution to include John Lewis as well as Waitrose, so food waste from all our shops and head offices will be diverted away from landfill in 2014. In addition, we expect a reduction in food waste at Waitrose as our food donations network increases. We actively encourage charities to approach our shops to set up donation schemes.

In 2014, we will develop and integrate our waste strategy and align it with our broader environmental goals. This will address specific challenges we face, such as understanding the full range of our waste resources when data is not readily available.

In 2014, we will rollout our successful previously trialled carpet recycling initiative, with carpet offcuts from our floor covering service reused for new carpet underlay. We will also continue to find ways to give new life to products when customers no longer have a use for them – such as building on the success of our sofa reuse scheme.

OUR ENVIRONMENT *CONTINUED*

Waste and Packaging *continued*

PROGRESS AGAINST TARGETS

Reduce our food packaging consumption by 50% by 2016, based on our like-for-like usage since 2005.



Achieved



Not achieved



Ongoing

JOHN LEWIS



We have successfully extended the use of our own recycled waste material from carton transit packaging into our own-brand John Lewis packaging.

WAITROSE



We have reduced food packaging by 40% since 2005.

Packaging

Our aim is clear: to use the smallest amount of the most appropriate packaging material in every case, while ensuring it remains robust and fit-for-purpose.

John Lewis

At John Lewis, multichannel deliveries pose a number of challenges for us as we strive to ensure safe delivery from the factory to the customer, with up to 13 touch points in between. We have been working closely with suppliers and the supply chain on packing appropriately for the product, rather than adding more packaging. This year, we have focussed on lighting, with frames and wall decorations targeted for 2014.

We are also rolling out solutions to minimise the environmental impact of the packaging itself. This year, we have successfully extended the use of our own recycled waste material from carton transit packaging to our own-brand duvet and Made in UK packaging. Our branded 'jiffy' bag is now in production and being used to eliminate double bagging in deliveries where possible.

Waitrose

At Waitrose, we are signatories to the Courtald Commitment for improving resource efficiency and reducing waste within the UK grocery sector. Our target is to reduce our food packaging consumption by 50% by 2016 against 2005, on a like-for-like usage. As of May 2013, we have reduced food packaging by 40% against our baseline. This was supported by new sustainable packaging solutions – for example, we introduced an eco-refill pack of teabags, reducing the packaging by 90%, and moved to a lightweight 4-pint milk bottle, resulting in a 15% reduction.

We are also working to rollout our On-Pack Recyclability Labelling (OPRL) to all own-brand products where space permits. In the six months to December 2013, this applied to 88% of packaging.

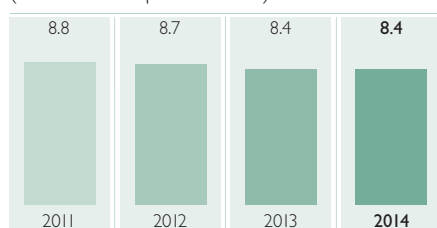


Transport

We're tackling transport emissions to increase efficiency and reduce our carbon footprint. Energy-efficient trucks, reduced mileage and clear targets are helping us distribute and deliver responsibly.

PERFORMANCE

Transport emissions
(tonnes CO₂e per £m sales)



All years relate to our trading year.

PROGRESS AGAINST TARGETS

Secure a 15% reduction in energy-related transport CO₂e emissions from deliveries by year-end 2013/14 relative to £million sales against a 2005/06 baseline.



Reduce absolute CO₂e emissions from transport by 15% by 2020/21 against a 2010/11 baseline.



Achieved
 Not achieved
 Ongoing

DUAL-FUEL TRUCKS



We have increased our fleet of gas dual-fuel trucks from 8 to 34 this year.

Our aim

Carbon emissions from distribution contribute to 16% of our total carbon footprint. We set ourselves the target of delivering a 15% reduction in energy-related transport CO₂e emissions from deliveries by year-end 2013/14 relative to £million sales (2005/06 baseline), which we have not met – we are currently at a 10% reduction. Our new target is to reduce absolute CO₂e emissions from transport by 15% by 2020/21 against a 2010/11 baseline, and we continue to focus on a number of key areas to support this aim. This is particularly critical as we grow our multichannel service offering, with the accompanying growth in deliveries across our network.

Improving our fleet

We have increased our fleet of gas dual-fuel trucks from 8 to 34 this year. These articulated vehicles run on a mixture of gas and diesel. Currently, they mostly run on gas from the grid, which provides a modest carbon saving, but we are aiming to run them all on biomethane – fuel derived from organic matter that makes it a renewable source of energy – which we anticipate will result in a reduction of around 35% per vehicle. Working with Imperial College Biofuels Department, we are seeking supplies of biomethane from sustainable sources to power these vehicles, and working with Government to allow the benefit of using biomethane to be reflected in carbon reporting.

We have built six 'Ultra Low-Carbon Demonstrator' vehicles. These are also articulated tractor-trailer combinations, designed to combine the results of our work on aerodynamics with Cambridge University Engineering Department with a refrigeration unit on the trailer that can be operated without a separate engine to achieve a carbon reduction of up to 50% per vehicle. This is one of two projects in which we are involved, part-funded by the Department for Transport, to test low-carbon vehicle technology. These vehicles will be used in our mainstream operation, but will also be subject to an extensive testing programme to verify the benefits and accurately measure all emissions.

On smaller vehicles, we are developing a new high-productivity home delivery van for Waitrose. Through improved working methods and extra refrigeration, these vehicles will be able to make more deliveries per day, reducing overall distance driven, and hence carbon emissions.

For further information on refrigeration in transport see page 36.

Reducing mileage

Work continues across all Partnership vehicles to minimise fleet mileage by making sure we use as much of the available load space as possible. In addition, we minimise empty running by using return journeys to deliver suppliers' goods into our warehouses. By doing this, we have saved almost 3 million miles this year.

OUR COMMUNITIES

Community wellbeing is written into our Constitution. It's as important to us today as ever. We create employment, provide training, and invest time and money – at home and abroad.

Why it's important

- Principle 7 of our Constitution states, 'The Partnership aims to obey the spirit as well as the letter of the law and to contribute to the wellbeing of the communities where it operates'. As our company grows and we enter new channels and markets and different ways of working, we are determined to keep our business at the heart of the local communities it serves and to find valuable ways to do that.
- Our investment is more than just financial. We invest Partner time through volunteering; we welcome local community groups in our shops by giving them a place to meet and network; and we support supplier communities overseas through our Foundations. We see these steps as mutually beneficial – for the Partnership and the communities we operate in.
- Community investment is a core element of engaging Partners with our business. It provides opportunities for them to learn new skills through volunteering and interacting with community groups.

Challenges

- Developing effective ways to capture the Partnership's total community investment contribution remains a key focus – as does measuring and evaluating its impact.
- Ensuring a consistent and unified Partnership approach to our community activities, while balancing this with the principles of our locally-led model is a key priority. It means all who benefit – including communities and Partners – are clear on what we stand for and the difference we want to make.

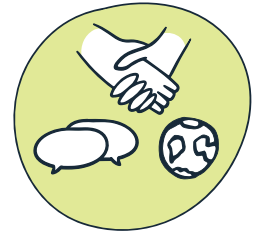
“The Milton Keynes Money Lifeline was dealing with lots of young people who had got themselves into financial trouble. During my placement I developed a money management programme for local schools – I feel I have made a real difference to the students as they are now much more money savvy.”

Paula Prince, Financial Assistance Specialist and Golden Jubilee Trust Volunteer



Community investment

Both Partners and customers play a part in supporting our communities. Together, through volunteering, charity schemes, and initiatives in schools, we're making a difference.

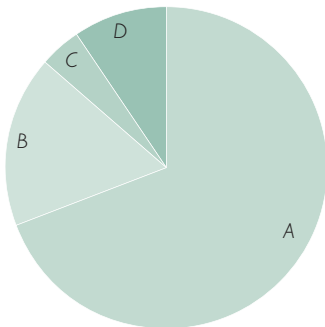


PERFORMANCE

Pre-tax profits to charitable and community activities

4.3%

Partnership contribution to charities and community groups* (%)



- A. Total value of cash contributions made to charities and community groups £9,888,842.42 (69.3%)†
- B. Total value of time contributions made to charities and community groups £2,439,761.61 (17.1%)
- C. Total value of in-kind contributions made to charities and community groups £614,722.25 (4.3%)
- D. Total value of management cost contributions made to charities and community groups £1,320,744.96 (9.3%)

* As defined by the London Benchmarking Group model.
 † This figure includes a total of £2,948,687 generated for The Prince of Wales's Charitable Foundation through royalties paid from the sale of Duchy Originals.

CHRISTMAS ISOLATION CAMPAIGN



Waitrose supported Christmas lunch events for nearly 40,000 elderly, homeless and vulnerable people across the UK as part of its Christmas Isolation campaign to tackle loneliness.

Volunteering

When Partners volunteer their time, it enables them to develop their skills while giving something back, and we have countless opportunities for Partners to support charities and community groups.

The Golden Jubilee Trust, our flagship volunteering programme, was created in 2000 to allow Partners to apply for a full or part-time volunteering secondment with a UK-registered charity for up to six months. Since the Trust was founded, more than 260,000 hours have been dedicated to volunteering, with 657 Partners participating in temporary assignments with UK charities. This year, 45 charities were supported through the scheme.

In addition to the opportunities created by the Trust, at John Lewis we increased volunteer hours this year by almost 60%, thanks to clear new guidelines designed to help branch managers effectively manage their volunteering programmes. With the launch of our 'Bringing Skills to Life' programme (see page 42), we have also encouraged Community Liaison Co-ordinators within our shops to recruit Partners to volunteer and deliver workshops in schools.

Among a number of volunteering initiatives across the country, Waitrose shops took part in Business in the Community's Give and Gain global volunteering day in May. Partners spent the day in local primary schools running activities that included fun tastings of healthy food and quizzes about healthy eating. Children were also invited to tour our shops to taste some delicious fresh produce and learn about the importance of healthy eating.

Community Matters

Our Community Matters scheme – where John Lewis and Waitrose customers use a green token at the end of their shop to vote for how much we donate to particular local charities – reached its fifth anniversary, this year donating more than £4m of our profit to supporting good causes in our communities. We see this as a simple example of democratic giving at its best. Shoppers on Waitrose.com are also given an opportunity to vote at checkout. This year also saw the first full year of Community Matters Partner volunteering activity, which enables time as well as money to be allocated to local causes.

Our schools programmes

Grow and Sell

We believe Waitrose has a role to ensure learning about food comes to life – we can best do that through our own Partners and their passion for the way we select and sell our food. This year, we launched our newest initiative, aimed at encouraging 7–11 year olds in schools local to all our shops to grow their own produce and sell it outside our shops. We provide information to help them plan their garden, prepare and plant, grow and sell. Through the scheme, Partners teach children to identify where food comes from, the importance of seasonality and the fragility of producing food. Children are also able to develop entrepreneurial skills by selling their produce to our customers.

OUR COMMUNITIES *CONTINUED***Community investment** *continued*

For us, investment is about more than money. We reinvest Partner skills into the community which in turn supports Partner development. We also develop supplier communities overseas.

COMMUNITY MATTERS



Our Community Matters scheme reached its fifth anniversary, this year donating more than £4 million of our profit to supporting good causes in our communities.

SAVE THE CHILDREN



John Lewis raised £165,000 for Save the Children through proceeds from the sales of merchandise, including the popular Bear and the Hare book.

Bringing Skills to Life

In September 2013, John Lewis launched its primary school education programme, 'Bringing Skills to Life'. Through this programme, we aim to inspire children and develop their imagination and practical skills. The programme launched with three themes – Design and Make; Cook and Share and Storytelling, providing schools and parents with free resources across all primary age groups in the form of lesson plans and supporting activity cards. Schools local to a John Lewis shop can also request that a Partner run one of the programme's three workshops. We launched with the ambition of having 1,000 schools registered in the first year. More than 1,500 schools are now actively involved in the scheme.

"The National Literacy Trust is delighted to support John Lewis's pioneering new community programme, it's fantastic that John Lewis is leading the way with the rollout of a practical skills programme that will help improve literacy at the same time."

Jonathan Douglas,
Director of the National Literacy Trust

In celebration of our 2013 Christmas campaign – The Bear and The Hare – we developed three additional activity cards and added an online gallery, where schools and parents could upload their pupils' or children's work. In 2014, we will add a fourth theme – Technology and Innovation – as well as content to celebrate John Lewis's 150th anniversary.

Our Foundations

The Waitrose Foundation, established in 2005, and the John Lewis Foundation, set up in 2010, provide financial and practical support for a wide range of projects in supplier communities.

Operating in South Africa, Ghana and Kenya, the Waitrose Foundation supply chain initiative supports educational, social and healthcare projects. In 2014, a Department for International Development match-funded project will increase employment prospects for 500 unemployed and seasonally employed 18–28 year olds in the South African agricultural sector through dedicated theoretical and practical training.

The John Lewis Foundation is working with Cotton Connect on a 'more sustainable cotton' programme in Gujarat, India over a three-year period. The programme aims to educate farmers and build fibre capacity among smallholder cotton farmers in India, through economically viable, environmentally sustainable and socially acceptable production principles. Since the programme began in 2011, we have worked with approximately 1,500 farmers, bringing almost 9,000 metric tonnes of cotton to the market. We have successfully incorporated fibre from this project into a range of bath mats, and are looking at opportunities to roll this out into other product areas.

Employment and training

In an economy still emerging from recession, providing skills and jobs is vital. So, we're inspiring young people and creating thousands of jobs around the UK each year.



KEY FACTS

Net new jobs created

6,300

Apprentices joined the business

125

PARTNER PERSPECTIVE



"I knew an apprenticeship programme at John Lewis was a once in a lifetime opportunity, and since starting in September, I've already learnt so much, from working in the fitting rooms to helping customers buy new shoes. Although I enjoyed school, I really wanted to get out into the 'real world', and the programme has given me a kick start in getting a career."

Elliot Racz (16),
Selling Assistant, Menswear,
John Lewis Cardiff

Inspiring young people

Almost a million young people are struggling to find a job across the UK*. We see a role for the Partnership in society to develop the skills of young people and give them the confidence and ability to have a fulfilling and successful future.

We are committed to helping young people develop their skills and confidence to prepare them for a fulfilling and successful future, by providing opportunities for them to kick-start their careers. Following a pilot with a smaller group in 2011, in 2012 we launched our first full Partnership apprenticeship programme. Our ambition was to create a market-leading scheme that attracted young people from diverse backgrounds – a scheme that developed behavioural and role-specific skills while providing permanent jobs and qualifications for those who met the standard.

In 2013, 87 retail apprentices joined John Lewis and 30 joined Waitrose. During the year, they will complete a diploma in retail skills and a certificate in retail knowledge. Training in functional skills in Maths and English is also offered where needed. We also recruited eight Technology apprentices to John Lewis and Partnership Services head offices.

In addition, Waitrose recruited 11 Partners into convenience branches following work experience placements supported by Business in the Community's 'Ready for Work' programme.

Creating employment

In a challenging economic environment where unemployment remains high, we are pleased to have been able to create 6,300 new jobs around the country this year through head office, branch openings and by growing our distribution operations.

To support Waitrose's growth in the north of England and Scotland, our distribution centre in Leyland, Lancashire opened in August. The opening has initially created 250 jobs, including specialist and support roles such as warehouse and transport managers, catering and maintenance. This 360,000-square foot warehouse is currently servicing 42 branches and has the capacity to support up to 100 branches in the longer term, which will further drive the growth in employment opportunities in the region.

In 2014, we are opening two additional John Lewis branches in York and Birmingham – in two regions with among the highest unemployment rates in the UK, where we expect to recruit around 400 and 650 additional Partners respectively. We have been actively working with local councils and job centres to highlight the roles and the skills required. In York, we are helping the long-term unemployed to get back into work by guaranteeing a place at our assessment centre to all those who have taken part in pre-employment training programmes.

See page 15 for further detail on career development within the Partnership.

* Youth unemployment statistics, UK Parliament, January 2014^o

INDEPENDENT ASSURANCE STATEMENT

Our scope

John Lewis Partnership plc (the 'Partnership') commissioned DNV Two Tomorrows Limited ('DNV GL') to undertake independent assurance of selected data in its Sustainability Review 2014 (the 'Review') for the financial year 27 January 2013 to 25 January 2014. The assurance covered the Partnership's data for the following areas:

- Greenhouse gas emissions;
- Operational waste; and
- Community investments.

Our approach

We performed our work using DNV GL's assurance methodology which is based on our professional experience and international assurance best practice, including reference to the International Standard on Assurance Engagements 3000 (Revised) – 'Assurance Engagements Other Than Audits and Reviews of Historical Financial Information'. We also used the GRI Quality of Information Principles to evaluate the performance data.

We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance conclusions. We are providing a 'limited level' of assurance. A 'reasonable level' of assurance would have required additional work at Group and site level to gain further evidence to support the basis of our assurance conclusions.

Basis of our opinion

A multi-disciplinary team of sustainability and assurance specialists performed work at Divisional and Group level. Our assurance work included the following:

- Interviewing relevant management responsible for the three areas of focus, to gain an understanding of how these issues are managed and how data is handled at Divisional and Group level;
- Reviewing greenhouse gas emissions by checking emissions factors, any assumptions made in the Partnership's calculations and sample checks of consolidated data;
- Reviewing operational waste data, collection and consolidation process, any assumptions made in the Partnership's calculations and sample checks of consolidated data; and
- Reviewing and sample checking the community data measurement, collection and consolidation process and the application of the LBG Model for categorising community investments.

Responsibilities of the Partnership and of the assurance providers

The Partnership has sole responsibility for the preparation of the Review. In performing our assurance work, our responsibility is to the Partnership; however our statement represents our independent opinion and is intended to inform all of the Partnership's stakeholders including its management. We were not involved in the preparation of any part of the Sustainability Review 2014. However, having reviewed and provided feedback on draft data calculations used in the Review, in a number of instances changes were made to the final version.

We have not been involved in providing the Partnership with any other services during the reporting period.



Our key observations and recommendations

Without affecting our assurance opinion, our key observations and recommendations are summarised below. We have provided a confidential Management Letter containing additional detail on these observations and recommendations to the Partnership's management.

Greenhouse gas emissions:

- The calculation of the Partnership's greenhouse gas emissions from business travel are based upon data from journeys booked via its central travel centre. This process continues to use an uplift factor for any business travel that is not captured centrally. We recommend the Partnership to continue to improve data collection coverage and reduce reliance upon uplifts and estimations wherever possible.
- We observed that the raw data for refrigerants is not always readily accessible. Given that the data consolidation process is largely manual, there exists the possibility for errors. Although any errors are considered unlikely to be material on an individual basis, we recommend a detailed review of the data capture and management processes for refrigerants.

Operational waste:

- In previous reporting periods the Partnership has not considered waste generated at Head Offices to be part of their operational waste. Despite this, we found that for this reporting period, waste from Head Offices had been unintentionally included in the total operational waste figure. Given that Head Offices are integral to the Partnership,

we recommend that operational waste generated from all their buildings is included in the total operational waste.

To avoid confusion, we recommend the Partnership clearly defines the boundaries and scope of its operational waste.

- Our assurance found that the data for recycled glass, wood and cardboard collected by a single waste contractor has been double-counted for 2013/14 resulting in overstatement of the total mixed recycled waste for John Lewis by 1,144 tonnes or 35% of the total mixed recycled waste for John Lewis. This was corrected for the Sustainability Review 2014, nevertheless we recommend that the Partnership develop and publically disclose a waste data calculation methodology which clearly states any data assumptions and estimations across the Partnership's different waste streams and contractors.

Community investment:

- We found double counting and input errors for community investment data entries for three John Lewis branches, and incomplete data entries for five John Lewis branches. These were corrected for the Sustainability Review 2014, nevertheless we recommend the Partnership to establish a formal review process of community investment data to strengthen the branches' data submissions and improve data completeness and accuracy.
- The Partnership only reports its community investment data once a year to senior management. As community investment is such strong area of focus for the Partnership, we recommend reporting these metrics more regularly.

Our conclusions

On the basis of the work undertaken, nothing came to our attention to suggest that the Partnership's greenhouse gas emissions, operational waste or community investment data as published in the Sustainability Review 2014 are materially misstated.

DNV Two Tomorrows Limited

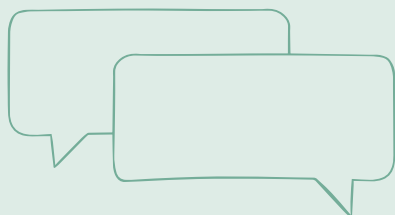
London

10 April 2014

Olivia Bertham
Director

DNV Two Tomorrows Limited is part of DNV GL – Business Assurance, a global provider of certification, verification, assessment and training services, helping customers to build sustainable business performance.

Further information about sustainability
at the John Lewis Partnership is available
online at johnlewispartnership.co.uk



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Look and listen

The John Lewis Partnership believes in sharing information with interested parties. Audiocasts, videos, webcasts and interactive media are available online johnlewispartnership.co.uk/resources/look-and-listen/latest.html