

Responsible retailing



John Lewis

Contents

Welcome	1
Policies and principles	2
The department stores business	4
In the community	5
Responsible sourcing	11
Environmental performance	17
Partnership and Partners	25
Moving forward	32
Performance at a glance	33

Locations

- John Lewis department stores
- ▲ Production units



For audio, large print and Braille versions of this report please complete the feedback card at the rear

Welcome to our first social and environment report



While this is the first time we have publicly reported in this way, social and environmental issues have always been fundamental to our business. That is because, as one of the largest and longest surviving examples of employee co-ownership anywhere, we have clearly defined views on how our business should be run.

Our constitution, first introduced in 1928, helps define not only how we should act as a commercial enterprise, but also how we as 'Partners' should behave towards our customers and suppliers, the wider community, the environment and, not least, one another. I believe the constitution is as relevant for our business today as it has ever been. It provides us with a unique reference point from which to develop and measure our social and environmental performance.

2001 has been a year of accelerated change and growth. We opened our latest shop in Solihull, launched our internet and catalogue business, John Lewis Direct, and continued with our extensive shop refurbishment and expansion programmes. Opening hours have also been extended at many of our shops, with some now switching from five to seven-day trading. Without careful management our environmental impact will increase, and this presents us with a significant challenge.

This report summarises the ways in which, as a responsible retailer, we have responded to this challenge, but also how we have embraced opportunities to make a positive social contribution.

On the whole I am pleased with our progress but I appreciate there is still work to be done. Formalising our management processes and regular reporting will help us improve. So too will your feedback.

Luke Mayhew Managing Director, Department Stores

Policies and principles



Peter Jones, where our democracy began



John Spedan Lewis

The John Lewis Partnership exists today because of the extraordinary vision and ideals of its founder, John Spedan Lewis, who signed away his ownership rights in a growing retail company.

He did this because he felt it unfair that owners of an enterprise should derive so much more benefit than workers, believing strongly that the real advantages of ownership should go to those who give their time and labour to the business rather than those who have supplied the capital.

In 1928 Spedan Lewis created a trust to take over the assets of the company and run it as a co-owned partnership. He developed a written constitution and set out a number of guidelines for managing the business. In a second trust in 1950 he relinquished his controlling interest in a very much expanded business. Since then, there have been no outside shareholders.

Over the years the constitution has been updated to reflect changes in our business. The latest edition published in January 2000 sets out our seven business principles.

The seven principles of the John Lewis Partnership

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

Power Power within the Partnership is shared between three governing authorities – the Central Council, the Central Board and the Chairman.

Profit The Partnership aims to make sufficient profit from its trading operations to sustain its commercial vitality, to finance its continued development, to distribute a share of profits each year to its members, and to enable it to undertake other activities consistent with its ultimate purpose.

Members The Partnership aims to employ 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 members as differences of responsibility permit. The Partnership aims to recognise individual contributions and to reward them fairly.

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

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

The community The Partnership aims to obey the spirit as well as the letter of the law, and to contribute to the well-being of the communities in which it operates.

Social and environmental policy

Our operations affect our customers, suppliers, employees ('Partners'), the local community and the environment. As a responsible retailer and a good neighbour we aim to reduce negative impacts to the minimum practical, and to take opportunities where we can to contribute to the well-being of others and to the environment. We need to combine this with making sufficient profit to ensure the continued health of the business.

Set out here are the principles we follow and the programmes we have developed to focus on the areas where we have significant impact or influence.

Principles

- **Shared responsibility** Environmental responsibility involves everyone. In our own case, the John Lewis Partnership's unique structure means that Partners share the responsibilities of ownership as well as its rewards. We aim to develop and implement social and environmental policies which fit in with our Partners' everyday activities and responsibilities.
- **Honesty and accountability** Democratic ownership means the sharing of profit, knowledge and power. We will communicate our environmental policies, objectives and performance openly and honestly to our Partners and to others with an interest in our activities, including customers and suppliers. We will encourage them to communicate with us and seek their views.
- **Sustainable progress** We are committed to working to improve our performance. We will take into account technical developments, scientific evidence, costs and customer concerns and expectations in the development and implementation of all new social and environmental policies and procedures. We will monitor our performance, set objectives for improvements and report our progress.
- **Demonstrable compliance** As a minimum, we will meet or exceed all relevant legislation. Where no legislation exists we will seek to develop and implement our own appropriate standards.

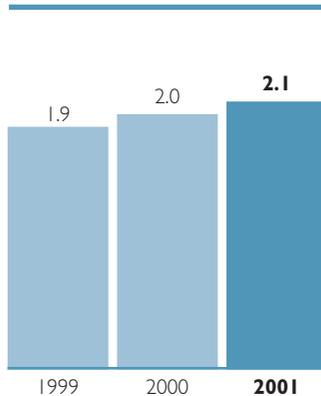
Programmes

- **Environment** To take all reasonable steps to manage our operations so as to minimise our environmental impact and to promote good environmental practice. To review regularly our business practices and performance to identify how we can improve our energy efficiency, minimise packaging and reduce water usage, waste disposal and air emissions.
- **Relationships** To conduct our business relationships with integrity and courtesy and honour our business commitments. To work with our suppliers towards the responsible sourcing and production of our merchandise and high standards of product safety.
- **Communities** To build relationships with our customers, suppliers and the local communities which we serve. To emphasise the importance of value, choice, honesty and service. To encourage Partners to consider the needs of others and to involve themselves in public service. To obtain a wide range of views on our social and environmental policies and performance.
- **Partners** To respect our Partners and encourage their development and training. To promote equality as differences in responsibilities permit. To consider the interests of our Partners including welfare, health and safety, empowerment and communication. To recognise individual contribution and reward our Partners fairly. To have constant regard to the happiness of our members through their work.

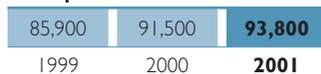


The department stores business

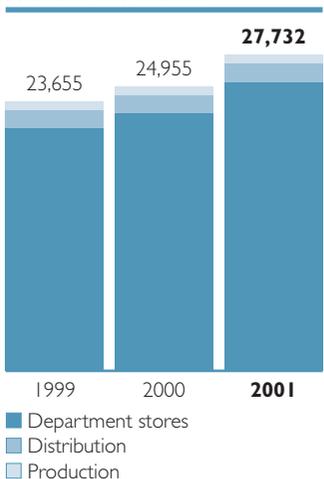
Total sales £bn



Sales per Partner £



Number of Partners



The widest variety of retail goods

John Lewis first started trading in Oxford Street, London, in 1864. We now employ more than 27,000 department store Partners within a network of 26 shops, stretching from Aberdeen to Southampton. With almost one million square metres of floor space we offer a wider variety of goods than any other UK retailer – more than 500,000 product lines.

2001 has been another year of growth for John Lewis department stores. We opened our sixth shop in six years and continued our programme of refurbishment, modernisation and extension at a number of our more established shops including a major project at Peter Jones in London. We introduced our new corporate identity, with many of our shops choosing to rename John Lewis.

Internet shopping made easy

During the same period we extended our retail sales channels, launching internet shopping through johnlewis.com following the acquisition of the UK arm of buy.com. It has made a very encouraging start – and within the first few months of its launch was the eighth most visited UK retail website. We also previewed our first mail order catalogue and extended our Gift List service, now available in 23 shops.

Distribution and warehousing

Our retail operations are supported by our in-house transport and distribution operations. Our distribution centres at Stevenage, Northampton, Blakelands and Park Royal provide goods handling and storage facilities for all our shops. Most shops also have their own local warehouse where goods are received and held before display and sale. Home deliveries are also made from these local warehouses. Our distribution centres picked and distributed over 42 million cases of stock to our shops during 2001, in addition to a small number of products which were delivered by our suppliers directly.

Responsible for maintaining our fleet of more than 1,200 commercial vehicles, our central transport department uses over 60 different types of vehicle to

ensure efficient goods handling. It also looks after the Partnership's fleet of over 700 company cars. Since the department operates across the whole Partnership, here we report its work in providing services to the department stores business.

Textile manufacturing

The division also manages three textile production units – JH Birtwistle, Stead McAlpin and Herbert Parkinson. Weaving, dyeing, fabric printing and making-up are among the activities taking place at these sites, located in Lancashire and Cumbria. Many of the furnishing fabrics sold in our shops are designed, woven and printed by our production units.

Financial performance

In 2001 the division's annual turnover increased to £2,163 million, a rise of 6% on the previous year. The number of customer transactions climbed to a three-year high of just over 74 million. Productivity also rose, with sales per Partner increasing to £93,800.

As co-owners of our business, Partners benefit from our trading successes. Once all our business costs and investments are accounted for, the remaining profit is distributed to Partners as a percentage of pay. In 2001, the Partnership distributed £57.3 million as bonus, the equivalent to 9% of Partners' annual pay. There was, in addition, a £62 million contribution to the Partnership final-salary and non-contributory pension scheme.

The wider Partnership

The Partnership's business interests extend beyond department stores. They include Waitrose (which operates 136 supermarkets and Leckford Farm and Estate), and our four residential clubs. A fourth production unit, Taylor & Penton, ceased trading in July 2001. The social and environmental performance of these are not included within this report.

Waitrose have also produced an environment report. To request a copy, please use the feedback card or write to the address at the back of the report.

In the community

“The Partnership aims to follow the spirit as well as the letter of the law, and to contribute to the well-being of the communities in which it operates.”

Constitution of the John Lewis Partnership

Includes

- Customer service and satisfaction
- Accessibility
- Charitable giving and voluntary activities
- Golden Jubilee Trust
- Participation in the business community



We want to develop strong, long-term relationships with our customers based on fairness and mutual respect



Access Matters 



While our operations, policies and practices influence many community groups, we report in this section on our relationships with customers, neighbours, and the wider business community. Partner and supplier initiatives are discussed in other chapters of this report.

Putting our customers' needs first

In all our dealings with customers, we are guided by our principles of honesty, service, choice and value. To us, honesty and fairness means providing customers with accurate, informed sales advice, and, because our Partners receive no commission on sales, we aim for such advice to be impartial.

We believe that customers should have the confidence to shop with us again and again. It is therefore important that no customer should regret any purchase they make from us. Our after-sales services, guarantees and returns policies are designed to prevent this.

A personal service

It is our intention to meet the needs of each customer individually. All our Partners on the shop floor are trained to establish each customer's requirements before recommending the products which might meet them. In addition we offer specific advisory services for fashion, menswear, furnishings and the nursery.

Making ourselves accessible to all

Treating our customers as individuals also underlies our approach to customers with disabilities. If a disabled person lets us know the help they need, we will do our best to provide it. This includes making any literature available on request in large print, Braille or audio tape, and providing induction loops for the hard of hearing.

Access for disabled people is also a priority. Whilst we can naturally incorporate these needs in new shop design and construction, there are unfortunately still some parts of our older buildings which are inaccessible for wheelchair users. We have been working with a disability consultancy, Access Matters, to help us improve access in our older shops and to fulfil our obligations under the Disability Discrimination Act. While we are working to improve this, we will, where we can, bring goods from an inaccessible department for a customer to view. Partners are always ready to assist with shopping and carrying purchases to the car, and we also offer free local weekday delivery.

We have a strong presence in city centres: 21 of our 26 shops are located in towns or city centres, and all our shops are well served by public transport.

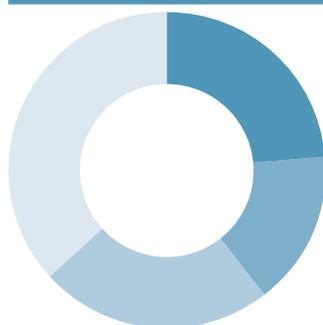
In Cambridge, where we have outgrown our existing shop, we intend to relocate anew within the city centre. At a number of other shops we have committed to expansion and refurbishment programmes, as at Oxford Street and Peter Jones in London, at our Edinburgh shop, and in Nottingham.

A choice of 500,000 products

Our aim is to provide a one-stop shop for a variety of customers. We sell the widest possible range of goods, from computers to buttons. Many items that we stock, for example in haberdashery, are now hard to find elsewhere. Because all these products are under one roof, our customers benefit from the added convenience of not having to travel between locations.

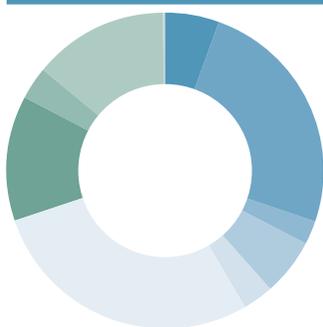
Through our charity committees, our department store Partners supported over 3,000 local charities last year

Charitable giving 2001 £



Chairman	368,000
Management	246,000
Central Council	370,000
Branch Councils (inc. Waitrose)	572,000

Number of local charities supported by type in 2001



Care and housing of the elderly	174
Care of the sick	781
Medical research and training	76
Physically disabled	184
Learning disabilities	99
Youth and children's societies	894
Welfare and counselling	404
Wildlife and conservation	106
Miscellaneous	435
Emergency/overseas relief	7

Never Knowingly Undersold

While many retailers match the lowest price a customer finds locally – for that customer – our pricing policy goes a step further. Once it is brought to our attention that a product we sell is cheaper in another local shop, we lower our shelf price so all our local customers benefit.

Each shop also has a dedicated team whose role it is to make price comparisons with other local shops; and all Partners are encouraged to identify 'undersales', being rewarded with a modest bonus of £2 a time. In practice, we cannot extend every detail of our pricing policy to our John Lewis Direct website and catalogues, but we aim to offer fair and competitive prices there as well.

Inviting customer feedback

Naturally, raising and maintaining standards is an ongoing process. All our Partners are empowered to deal with customers' comments or complaints, and we aim where we can to resolve customer complaints on the spot. In the case of written complaints, our policy is to acknowledge receipt within 24 hours and resolve the complaint as quickly as possible.

We review and monitor our performance continually. Our target is to receive more compliments than complaints. During 2001 we met this target in four of our 26 shops. Overall, we recorded 10,949 complaints which we were unable to resolve there and then, whilst receiving 35% fewer compliments than complaints. To put that into perspective, that's one complaint for every 6,750 customer transactions. Encouraged though we are with our performance, we remain committed to monitoring and improving customer satisfaction.

Making a difference by charitable giving

We recognise that an organisation can make differences to charities in ways that individuals cannot. Like many companies, we encourage Partners to recommend which charities they would like to support, both at local and national level, and to get involved in fundraising activities themselves. Our unique structure of councils and committees enables our Partners – whether based centrally or in the shops, distribution centres or production units, all of which we refer to as branches – to have access to the financial resources necessary to enable them to decide how much to give to the charities they wish to support.

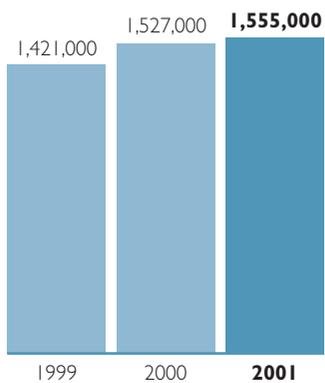
Charitable giving by local Partners

In 2001, £407,000 was given through the department stores' network of branch-based charity committees. With their own charity budgets to use entirely at their discretion, all our branches have a special charities secretary and charities committee, the members elected locally to represent the views of local Partners. Through these committees our department store Partners supported over 3,000 local charities in 2001, representing a wide range of causes from caring for the sick to medical research and wildlife and conservation.

Local branch management also have dedicated funds to support good causes. To take just one small example, our Kingston shop recently contributed to the local parish church's refurbishment fund. Because it is the only Grade I listed building in Kingston and an important venue for hosting local concerts, our local management felt it important to help preserve this site.

We actively encourage staff at all levels to make a contribution to local lives through initiatives intended to forge closer community links

Total council and management giving Partnership-wide £



Charitable giving as a % of profit

Year	Charitable giving as a % of profit
1999	0.73
2000	1.02
2001	1.1



At the Partnership level, our centrally elected charities committee gave £370,000, mainly to national charities, and a further £368,000 was given by the Chairman to music, arts, education and environmental projects. In total, the Partnership gave £1,555,000 to charity, equivalent to 1.1% of the Partnership's profit and an increase of 2% on the previous year's figure. Importantly, we believe, more than 60% of our charitable giving was made through elected councils.

Supporting voluntary activity

In addition to gifts made by our charities committees, many Partners choose to support good causes themselves. Partners at our Milton Keynes branch, for example, devoted 1,473 hours to community service, as well as raising over £5,700 for Cancer Research UK's Race for Life 2001.

Partners also have the opportunity to make tax-efficient charitable donations directly from their pay through the 'Give as you Earn' scheme.

We also respond positively to requests from Partners for time off to take part in public affairs, for example as a local councillor, Justice of the Peace, Special Constable or in the Armed Forces Reserve Service (AFRS), which includes the Territorial Army. Partners attending AFRS training camps or exercises can take up to two weeks' leave over and above their normal holiday entitlement. Partners given leave for public duty receive any difference in pay between the amount they get for public work and their normal Partnership pay.



Milton Keynes Partners participate in UK Race for Life



Branch-based giving, St Joseph's Pastoral Centre

On its own initiative, John Lewis Brent Cross Charities Committee decided to nominate a Charity of the Year, the first of which was St Joseph's Pastoral Centre, a centre for adults with learning difficulties offering courses in art, music, cookery, computers and aromatherapy. The charity was converting an old school, and our contribution helped it refurbish two adjoining rooms to enable carers who travel long distances to stay overnight. Local Partners helped with DIY whilst the charities committee supplied furnishings, including carpets, curtains, beds and light fittings.

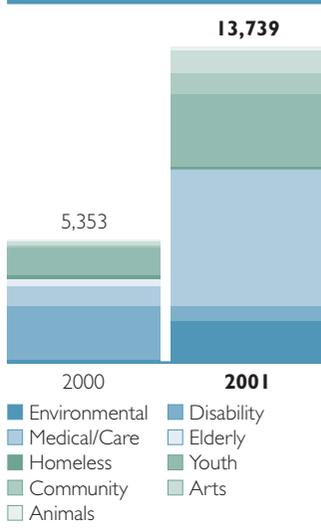
Sarah Bourne, Local Charities Secretary.

"Whilst we have the unique opportunity to support many local charities, it was a pleasure to offer furnishings rather than cash and, together with local Partners, help transform an unused building to carer accommodation".



Thanks to the Golden Jubilee Trust, Partners from 20 department stores were seconded to 33 charities in 2001, with more than 13,739 hours invested in good causes

Golden Jubilee secondments
People hours invested by charity type



Golden Jubilee Trust—a unique opportunity

In September 2000 the Partnership launched a unique initiative designed to support Partners keen to work with UK registered charities. The Golden Jubilee Trust, established to commemorate the transfer to the Partnership of John Spedan Lewis's shares in 1950, draws on income from investments made with a £5m endowment. To allow a Partner volunteer to be seconded to a community project, the Trust pays the salary of the volunteer.



Stead McAlpin Partners working with Eden River Trust

Partners may be seconded either full-time or part-time for up to six months. Since the first round of Trust awards was made in May 2000, 55 department store Partners have been able to put an enormous range of vocational and personal skills at the service of their chosen good causes, without affecting their income, holiday, bonus or pension entitlement.

Applications are invited from Partners at all levels and awards are made on the basis of measurable objectives and benefits to the Partner and the local community. Among initiatives supported to date are the YMCA Homeless Action Programme to design and run a furniture restoration scheme for young people setting up home. Meanwhile, the Eden River Trust's educational programme and project, to restore the natural beauty and ecological integrity of the area, was supported by two Partner volunteers.

In the community



Golden Jubilee secondment, Cheadle Wildlife Pond and Wetlands Project

As well as developing the Cheadle wildlife pond and wetlands area, the project set out to create raised planting beds for disabled allotment holders.

Working two days each week for six months, Norman Jones, Central Stock Control, John Lewis Cheadle, was involved in planting 300 plants in the wetlands and sowing seeds for over 50 species of grasses and wild flowers indigenous to Cheshire. Hedging, coppice work and nesting boxes will further encourage wildlife diversity, and play a valuable educational role for years to come. Besides making an important contribution to local conservation, the work will help prevent further flood damage to nearby allotments.

"None of this would have been possible," says Norman, "without the help of Partners and the allotment holders themselves. In six months we've transformed a small corner of Heald Green, creating a pond and marshland of 300 square metres plus a bank 15 metres long."

Thanking Norman and other Partners for their contribution, Roy Runcorn of the Stockport Metropolitan Allotment Council said: *"We can all see a vast improvement in the area, and this can only be down to your perseverance."*

Although as a Partnership we have no shareholders, we believe we have an important contribution to make within the business community

BRITISH RETAIL CONSORTIUM



Our voice in the business community

At a regional level, many of our branch managing directors play an active role in local business and civic affairs. Andrew Slater, Managing Director, John Lewis Sheffield, is a board member of Sheffield One, for example. The pilot urban regeneration project, formed as a partnership between Sheffield City Council, Yorkshire Forward and English Partnerships, aims to spearhead renewal on behalf of both the city and the region.

At a national level, we play an active role within the British Retail Consortium (BRC), which expresses the views of its retail members and keeps consumers, press, parliamentarians and other opinion formers abreast of issues within the retail sector. The current Chairman of the BRC is the Partnership's Deputy Chairman, David Felwick.

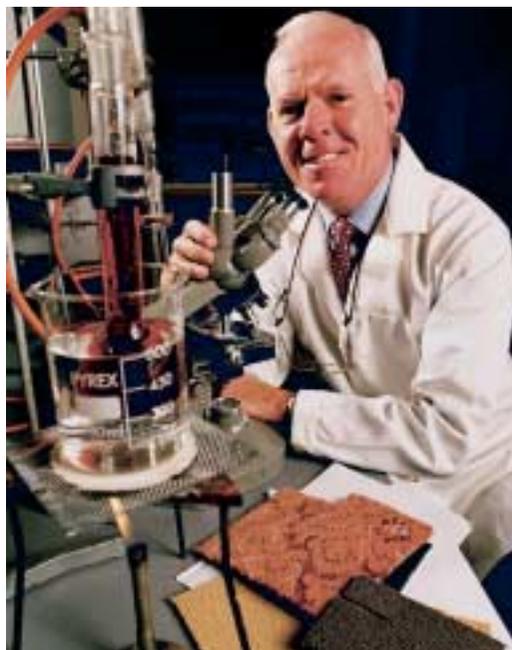
At the BRC, our representation within key working groups helps us stay closely in touch with issues affecting our customers and the community. For example, in his capacity as Chairman of the BRC's

Enforcement Forum, Terry Neville, our Director of Legal Services, addressed London groups of Consumer Support Networks whose aim is to improve access to expert, accurate and timely advice on consumer rights. We also play an active role on both the Corporate Social Responsibility Group (CSR) and the Environment Policy Advisory Group (EPAG), and we contributed to the development of the BRC's sustainability strategy 'Towards Sustainable Retailing'.

Upholding international standards

We also actively support and contribute towards the development of international standards. For example, Frank Moore, our Head of Merchandise Standards, is Chairman of International (ISO/TC38), European (CEN/TC248) and British (TCI/100) standards committees for textiles and apparel.

These committees uphold rigorous performance standards for textiles worldwide. They call for an active commitment to a wide range of programmes with important implications for communities at home and abroad.



Frank Moore, Head of Merchandise Standards

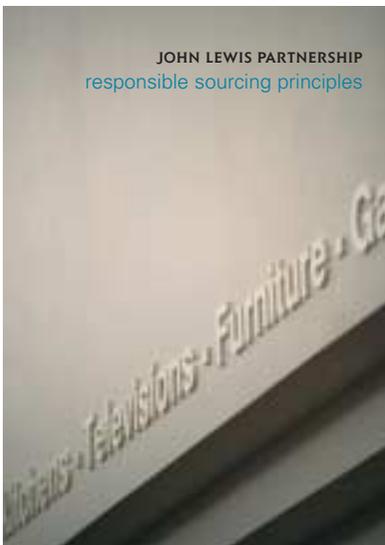
Responsible sourcing

“ For many years we have recognised our responsibility for the well-being of the communities touched by our operations, including our suppliers and their employees. We seek to build lasting relationships with them based on trust and a clear understanding of mutual rights and responsibilities.”

John Lewis Responsible Sourcing Principles

- Includes
- Our Responsible Sourcing Principles
 - Supplier monitoring
 - Timber
 - Chemicals
 - Labelling
 - Product safety

Our relationships with suppliers both at home and abroad are governed by detailed codes of practice and conditions of supply



Respecting the integrity of the societies from which our products come

Our relationships with suppliers, like our relationships with customers, are based on honesty, fairness, courtesy and prompt attention. We expect our suppliers not only to obey the law, but also to respect the rights, interests and well-being of their employees, their communities and the environment. In sourcing products from many different countries, we strive to uphold internationally agreed standards of labour.

Making our expectations known

To help us take a lead within the communities whose lives we touch, the Partnership's Responsible Sourcing Principles set out our expectations of labour standards, safety and environmental management. Having made these clear to all our suppliers and buying agents, we expect them to be observed.

Implementing or applying our sourcing principles is the responsibility of the Partnership's trading divisions, which have each developed detailed codes of practice and conditions of supply. For John Lewis department stores, this is led by our merchandise director.

Responsible sourcing in practice

In our department stores we sell an extensive range of different products, from tiles to televisions, cosmetics to cutlery. We source these products from more than 8,000 suppliers or agents, and from more than 45 different countries.

It is therefore difficult to know for sure that our sourcing principles are always faithfully observed. Despite this we are committed to doing our best at all times. We also recognise the need to balance our expectations with the cultural norms, legal framework, integrity and dignity of the societies from which we source our products.

Besides complying fully with local, national and international laws, regulations and obligations, all our suppliers must share and uphold our sourcing principles in the following areas:

- Pay
- Working hours
- Working conditions
- Health and safety
- Employment of children
- Forced labour
- Employee representation
- Equality of treatment
- The environment
- Animal welfare

Furthermore, we expect our suppliers to ensure that their suppliers adhere to the same standards.

To request a copy of our Responsible Sourcing Principles, please use the feedback card, or write to the address at the back of this report.

Over the last year, more than 200 compliance audits, including initial audits, follow-up audits and health and safety surveys, have been carried out



Our agents inspect a supplier's factory

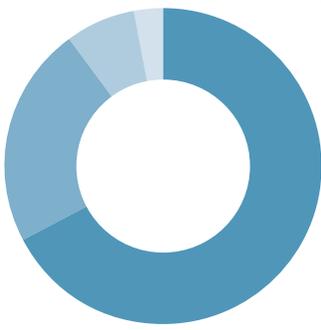
Supplier assurance

We have developed specific guidelines and training for our buyers, technologists and agents, all of whom play an important role in choosing our suppliers. In addition, we monitor observance of these principles and other codes of practice or conditions of supply and we also arrange independent verification of our key suppliers.

Audit results are carefully reviewed and action points prioritised appropriately. For major issues, for example health and safety, our suppliers will be asked to rectify the problem within a few days. The factory will then be inspected again to confirm they have taken action.

As a result of our audits, our relationship with two factories has been terminated because they were unwilling to make the necessary recommended improvements.

Supplier auditing 2001/2
Number of suppliers (Far East only)



Audited	113
Inactive	38
To be audited	12
Below threshold in 2002	5

Monitoring suppliers

Monitoring a very broad supply base is a constant challenge. Our priority is to direct our efforts to where we believe there is the most significant risk that standards may be below acceptable levels, and where we have the best chance of influencing change positively. In practice, this has meant focusing initially on products sourced directly by us from the Far East, but currently excluding India.

Independent scrutiny

The accuracy of our agent's inspection reports is in turn subject to scrutiny by an independent auditor. The global auditor CSCC has been retained to develop a programme of independent factory inspections, and we have asked it to inspect between 10 and 20 factories each year on our behalf, again following a methodology based on international standard SA8000.

In 2001, we implemented a new ethical supplier monitoring programme which we developed in house. Together with our principal overseas buying agent we assess factory conditions, employee welfare and the environmental impact of production processes. It does not, however, cover the sourcing of raw materials. For materials at risk, such as timber, we are now introducing more stringent product assurance programmes.

Following inspection by CSCC, a supplier who fails to meet the required standards is given time to put things right before being inspected again. Our aim is to help good suppliers meet good standards. In the case of unco-operative suppliers, or those unable to meet our requirements, we withdraw our business. If a supplier is found to be using underage or forced labour, our relationship is terminated without further warning.

Most of our direct Far-Eastern purchases are sourced through a single agency with whom we have dealt for over 30 years. For all products exported by our agent, we have co-developed a set of detailed supply standards based on the international accountability standard SA8000. We have instructed our agent to inspect supplier factories, prioritising them according to the value of our business and the degree of risk.

The first year of our Far-Eastern audit programme is now complete. As we continue our annual inspections and independent third-party audits, we intend to apply our regional experience here to other sensitive locations.

Annual monitoring by our agent's specialist team includes inspecting records and premises, plus random, anonymous workplace interviews. By August 2002, 113 formal inspections had been made on our behalf, in seven countries, with all but 12 Far-Eastern suppliers on our priority list inspected.

Where we are unable to secure satisfactory assurance on the source of timber, chain of custody or manufacturing processes, we work with our supplier to find an alternative, ultimately withdrawing the product from sale if necessary



ProForest

Product assurance

Timber

Complementing our supplier inspections and audits is an assurance programme designed specifically to meet concerns about timber and its sourcing. We support the objectives of the British Retail Consortium's policy on the sustainable management of timber sources, and remain committed to making progress towards these shared goals.

We share international concerns about illegal logging and unsustainable forestry practices. Following on from earlier work, we have developed an assurance programme specifically for tropical hardwoods. Although we sell timber products in a number of different departments, the majority are found in our range of furniture where we currently sell 30 different varieties of tropical hardwood, sourced from more than 100 suppliers.

With furniture as an immediate priority, we have, with the advice of experts, categorised those tropical hardwoods according to risk and have asked all our suppliers to provide information on the origin of their timber. Whilst we believe 80% of our timber used in furniture is not at risk, we have initiated a more detailed risk assessment where we are uncertain, requiring suppliers of high-risk timbers to provide verifiable documentation on origin, chain of custody and the sustainability of forestry practices.

Whilst a number of our suppliers have been able to provide assurance through national and international certification schemes such as the Forest Stewardship Council's, a number of products come from regions where no credible certification schemes exist. In these cases, we must ourselves review supplier practices and decide on their acceptability. To help us with this, we are working with independent experts ProForest to develop our own assurance assessment criteria, and we aim in 2002/3 to assess all high-risk suppliers in our furniture directorate.

No more Brazilian mahogany

During 2001, we responded to a Greenpeace enquiry over concerns about a range of furniture sold at our Peter Jones shop made from Brazilian mahogany. Because we were unable to verify that this timber came from a sustainable source, we encouraged the supplier to find an alternative. Rather than immediately withdraw the product which would have severely impacted on the business of a small British supplier, we worked together to find an alternative source in a short space of time. Today, we sell no product which, to the very best of our knowledge, is made of Brazilian mahogany.

Chemicals – progress towards our goals

We are naturally concerned about the use of chemicals in the products we sell or use where there is evidence to suggest that they may be potentially harmful to human health or the environment. Our strategy is to stop using all chemical substances known to be directly hazardous to human health, where safer alternatives are available. If not (e.g. in the case of cleaning materials) we make sure that there are clear instructions on their safe use and disposal.

For products and substances that have been proved to be harmful to the environment, through manufacture, use or disposal, our target is again to identify feasible alternatives, and, where safer substitutes exist, use them accordingly.

For cases where no alternatives exist, we will undertake a detailed risk assessment to determine the level of risk to both the environment and human health, taking account of the conditions of manufacture, and disposal, of each product. Following this we will stop using any product that we consider to be a serious hazard.

Despite our efforts so far, for the retail sector to respond positively to future concerns on chemical usage, consensus on harmful chemicals must be reached by government and supported by industry.

Our suppliers are in no doubt that if our guidelines are breached they will lose our business

Being clearer about labels

Across all our products, avoiding confusion with labels and labelling statements remains a priority. Whilst we are not opposed to the use of environmental labels on products, we do not promote the use of confusing or unsubstantiated statements. Our policy is to provide our customers with all the necessary information to help them choose the product that is right for them. For example, long before the introduction of compulsory energy labelling, we provided estimated annual energy consumption information for all fridges and freezers.

Handmade carpets

We source only from suppliers whom we trust and who fully understand our total opposition to the exploitation of children. Our suppliers are in no doubt that if our guidelines are breached they will lose our business. This message is not only pressed home through the importers with whom we work, but our buyer also visits the countries concerned and discusses the subject directly with our suppliers. Whilst there are a number of different carpet labelling schemes, designed to give customers assurance on labour standards, we are neither

members of such schemes nor users of their labels. The reason is simple. Because we source handmade rugs from many regions not covered by these specific schemes, the labels could only appear on a small proportion of our carpets. Since we are as confident as we can be that all our handmade rugs are made in accordance with our responsible sourcing principles, we would not want our customers to think that unlabelled products were of suspect origin.



Morning school assembly in Ghosia

Respecting cultural norms in India

In parts of rural India, making handmade carpets provides much needed extra income for many families. Many of the rugs we buy are produced by families in their own homes. However, through close links built over many years with our supplier, plus regular buyer visits, we are confident that our suppliers satisfy our responsible sourcing principles.

Recognising the special relationship we have with these local families in Ghosia, India, we were delighted to be invited by our supplier to contribute to funding a school for their children and others locally. With 650 pupils and growing, the new school is extending opportunity for girls up to age 15, who are not traditionally the main beneficiaries of education.

URGENT SAFETY RECALL**Heatwave Microwave Bedwarmer £14.75**

- Did you buy this product from us or receive it as a gift in 1997/1998?
- The rubber deteriorates if overheated, and can cause burns.
- Please return it immediately for a full refund.
- If you have any questions, please ask a manager in Perfumery.

**Making sure products are safe**

We are committed to ensuring every product we sell is safe. Technologists in our buying offices and at our Merchandise Testing Laboratory in London provide expert guidance on consumer legislation and are responsible for ensuring we comply with all our obligations across our own-label ranges.

For our customers, assurance on product safety takes a number of forms. Within Europe, for example, a wide range of consumer goods from electrical and lighting products to toys must display the CE or European Community mark denoting compliance with essential safety and performance requirements.

Where we are the direct importer into Europe of an eligible product, we are the holders of the CE mark, responsible for maintaining technical files and holding valid test certificates. For own-label products such as fashion items, which are not subject to CE marking, we develop our own safety codes and test standards.



Routine testing of toys in our London laboratory

Product recalls

Regrettably, occasions do arise when products on sale fall below our high standards of safety or performance. In such cases, infrequent though they are, we set in motion our product withdrawal and investigation procedure, issuing a recall asking customers to return goods where necessary.

In 2001 we withdrew and recalled 11 products from sale, none of which were own-label products.

Trading standards

Trading Standards Officers exist to monitor standards and offer advice on consumer issues. At John Lewis department stores we work closely with Trading Standards Officers to ensure fairness in all our business dealings. Acting in line with the spirit as well as the letter of the law, we had no prosecutions for breach of consumer legislation in 2001.

Environmental performance

“ The Partnership must take all reasonable steps to minimise any detrimental effect our operations may have on the environment, and to promote good environmental practice.”

Constitution of the John Lewis Partnership

- Includes
- Leadership and co-ordination
 - Local accountability
 - Transport
 - Energy efficiency
 - Water
 - Packaging and waste
 - CO₂ emissions
 - Legal compliance

Individual branches and Partners are encouraged to develop their own initiatives in response to local needs and opportunities



The department stores Environment Working Group

Environmental leadership and co-ordination

Ultimate responsibility for the Partnership's environmental standards and performance rests at board level with the Deputy Chairman and, on the Department Store Management Board, with the Corporate Affairs Director, Nigel Brotherton. Until recently, both the department store division and Waitrose developed their own environmental management systems and procedures separately. From 2002, however, our newly-appointed head of environmental management will co-ordinate the activities of both divisions.

It is our view that effective environmental management cannot be achieved in isolation and that we need the expertise and support of others. The Environment Working Group – with representatives from merchandising, product testing, trading, building and services, safety, transport and corporate communications – meets regularly to discuss environmental initiatives and activities. It has also overseen the preparation of this report.

Ownership and accountability

As a Partnership, we recognise that the management of environmental issues involves everybody. As a retailer, we know our overall performance will reflect the individual performance of our branches. At each branch, our services management team is responsible day to day for building maintenance, resource use and waste management.

Environmental principles and programmes

We acknowledge that many of our operations impact on the environment in one way or another, and strive to keep such impacts to a practical minimum. However, the principal focus of our environmental management programmes falls where we believe we can have the most impact.



Leading by local example

JH Birtwistle of Lancashire, one of three Partnership textile production units, has by its own initiative implemented an environmental management system, achieving independent certification in January 2002 to the internationally recognised standard ISO 14001. The branch opted to pursue this standard having already observed at first hand the benefits of having a certified product quality management system to the ISO 9001:2000 standard. Sam Blackley, Quality Systems Manager at JH Birtwistle, led the project.

"Integrating an environmental management system into our quality control procedures made sound business sense," says Sam. "Not only has it enabled us to demonstrate to customers and Partners that we take our environmental responsibilities seriously, it has also helped us focus our efforts to ensure we continue to improve our environmental performance."

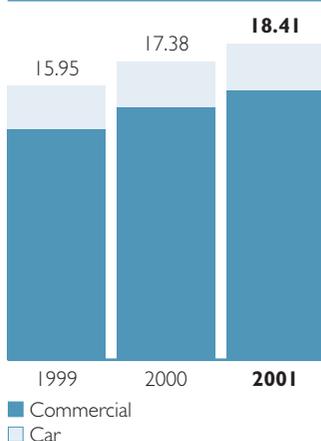
Although, as a Partnership, we have yet to determine whether our retail-based environmental management programmes would benefit from external certification, JH Birtwistle is sharing its experience with another of our production units, Stead McAlpin, which is implementing IPPC (Integrated Pollution Prevention and Control) and has also decided to implement and seek certification for its quality management programme in 2003/4.



Certificate No. EMS 61488

With increased sales and deliveries making added demands on our distribution systems, transport is at the heart of our environmental thinking

Mileage million miles



Sustainable progress in a growing business

During 2001 our business continued to grow. New shop openings and ongoing refurbishment and extensions have increased our floor area by 3% to almost one million square metres.

Other significant changes to our retail operations include the extension of opening hours at 18 of our 26 shops – in certain cases weekly trading hours have risen by as much as a third. During 2001 our total trading hours climbed by 5% over the previous year; a figure we expect to rise to 16% in 2002 by which time new trading patterns will have been in place for a full year.

As expected, longer trading hours have resulted in additional resource use and waste generation at our shops, while increasing the number of goods deliveries. The result has been an inevitable increase in absolute environmental impact. Our strategy has been to focus on improving the environmental efficiency of our operations to ensure the environmental impact of business growth is kept to the minimum.

More miles, less fuel

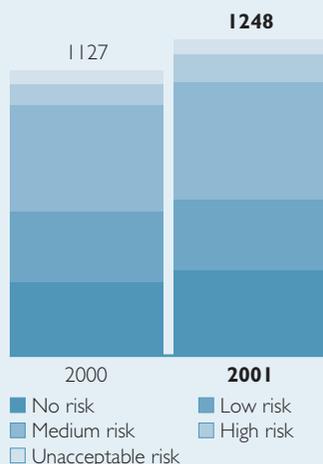
Every day, we deliver to 26 shops and many homes across the country. With more of our shops trading over longer hours, and the introduction of home shopping through johnlewis.com and our newly introduced catalogue, the number of our goods deliveries has increased. Inevitably, our commercial and business mileage is rising.

Over the past year, our commercial mileage has increased by 7% to more than 15.7 million miles per year, while business travel is up by 1% to 2.7 million miles. As our London customers take advantage of a more flexible home delivery service during 2002, we expect home delivery mileage, which accounts for 45% of the total commercial mileage, to rise still further.

The best drivers, the most efficient vehicles

Improving the efficiency of our vehicles also means helping our drivers to do their job as well as possible. Besides developing training courses in economical and defensive driving – which all our commercial drivers attend – we use a unique risk rating system to help us identify and grade drivers by accident frequency and severity.

Number of drivers and risk rating (inc Waitrose)



How we rate driver risk

Designed by our own fleet engineers and introduced in March 1999, our risk rating scheme uses accident statistics to assess the safety performance of the Partnership's 1,200-plus commercial drivers. Drivers are given penalty points for each incident they are involved in, and responsible for. Overall branch performance and individual driver performance are continuously monitored, with the results included in drivers' annual appraisals.

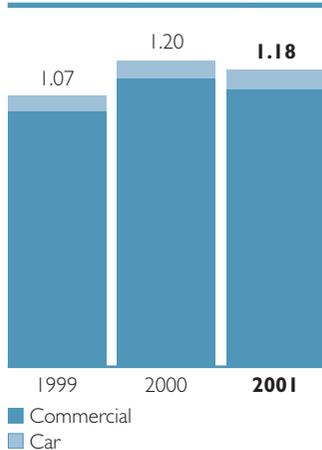
In 2001, 49% of our drivers were considered no or low risk, indicating they were either incident-free or, following investigation, considered free of responsibility. Unacceptable risk applies to drivers responsible for two or more accidents, at which point the incident report forms are formally reviewed and a training programme developed. Since we introduced our risk rating scheme, overall

performance has improved. Whilst the total number of our drivers has risen by 10%, numbers in the no or low-risk category have increased by 16% to 337 while our overall 'risk rating' fell. The number of vehicle accidents also dropped from 766 in 2000 to 706 in 2001, an 8% fall.

transport **action** >

In a growing business requiring more road journeys, greater vehicle efficiency holds a key to environmental gain

Fuel consumption million gallons



Miles Per Gallon (MPG)

	1999	2000	2001
commercial	13.51	13.05	14.26
car	35.88	36.51	36.21



Annual awards for safe driving are also made to members of the Royal Society for the Prevention of Accidents (ROSPA), which all drivers are encouraged to join. Of the 979 Partnership drivers who are members, 826 qualified for awards in 2001, while 14 department store drivers qualified for gold certificates following more than 20 years of incident-free driving. Special recognition went to driver Michael Ure, after 34 years of incident-free driving.

Although we are driving more miles, we believe safer driving means more economical driving and this has helped improve the fuel efficiency of our commercial fleet. In comparison with the previous year, 2001 saw overall fuel consumption fall to 1.18 million gallons, a reduction of 2%, while mileage per gallon rose from 13.05 to 14.26, an increase of 9% during the same period. We will continue to monitor our vehicle efficiency and to look at ways of making further improvements.

Cleaner air through reduced exhaust emissions

We also work hard to ensure our commercial vehicles benefit from the latest, greenest technology – currently Euro 3 engines fitted with a Continuously Regenerating Trap or CRT. By filtering exhaust emissions, CRTs substantially reduce emissions of carbon monoxide, particulate matter and hydrocarbon emissions that reduce air quality. They also cut out emissions of carbon dioxide, the gas which most contributes to global warming. They reduce emissions of particulate matter by 90% to below 1kg per 100,000 miles and avoid 1.47 tonnes of carbon dioxide over the same distance.



Michael Ure, 34 years of incident-free driving

Today, our policy is to fit CRTs to all new commercial vehicles. Of our department stores commercial fleet of 85 tractor units, 41 have so far been fitted with CRTs. This practice also extends to our home delivery fleet – we were the first UK concern to fit CRTs to 7.5 tonne vehicles. We estimate that fitting CRTs alone has reduced annual carbon dioxide emissions by 60 tonnes. We accept a £600 cost for each of the 7.5 tonne vehicles we fit with a CRT, demonstrating this is an environmental rather than a financial objective.

We aim to have our entire commercial fleet from 7.5 tonnes upwards using CRT technology by 2005.

In 2002 we received the Transport Action Cleanup Green Fleet Award in recognition of our commitment to minimising the impact our vehicles have on the environment.

Alternative fuels, environmental benefits

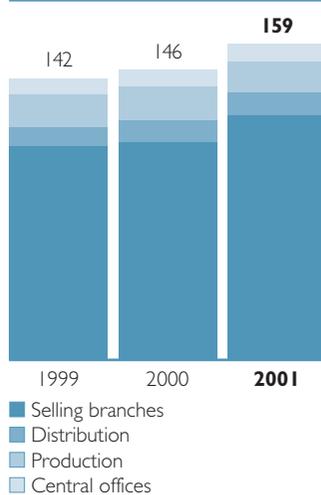
Although our trials have found that Liquid Petroleum Gas (LPG) and Compressed Natural Gas (CNG) are unsuitable for long-range driving in commercial vehicles, we actively pursue the wider use of alternative fuels in our company car fleet. Having introduced our first LPG car in 1999, we have since invested in our own LPG filling station at one of the Partnership's distribution centres.

Today, all our Partnership business drivers can opt for LPG, and the number of LPG vehicles in our fleet has risen to 53. In 2001 our car fleet increased by 26 cars to 734 in total, with 62% of new cars using LPG. During the year 7%, or 900,000, of the Partnership's business miles were undertaken using LPG, compared with 64% diesel and 29% petrol.

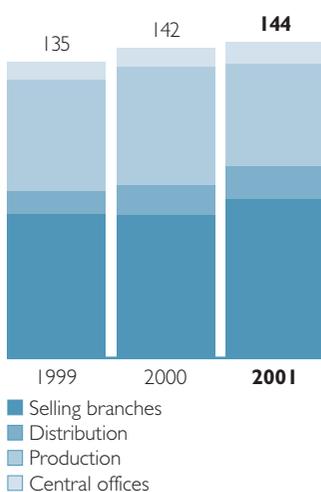
The benefits of LPG to both environment and driver are plain. Air pollution is reduced, with emissions of carbon dioxide, carbon monoxide, hydrocarbons and particulates all lower than for diesel and petrol.



Electricity consumption Gwh



Gas consumption Gwh



Our first multi-deck trailer in 1985

Noise pollution is also cut because LPG engines are 50% quieter than their diesel equivalent. We estimate that our use of LPG has avoided 125 tonnes of carbon dioxide compared with the petrol alternative. The cheaper fuel costs we benefit from are passed on to our drivers through lower personal mileage rates.

Reducing overall vehicle movements

While we continue to examine efficiency from every angle, we also look for ways of keeping the increase in our vehicle movements to the minimum practical.

Among areas we continue to develop are:

- **Multi-deck trailers** Using hydraulics to raise a second internal floor when loaded, multi-deck trailers increase load capacity by on average 80%. In 2001, 109 multi-decks were in service representing 50% of our trailer fleet. However, their use is nothing new. Designed by our own engineers and first used in 1985, our earliest multi-deck trailer retired from service in 2002 after almost 500,000 miles on the road. Although calculating the benefit of using multi-deck trailers is complex, we estimate that in 2001 we avoided more than four million miles.
- **Round scheduling systems** We are using round scheduling systems, which use computers to help optimise route efficiency, and experimenting with satellite navigation technology to help locate customers' homes more easily.
- **Back hauling** Using return journeys from shops to collect products from suppliers, we avoided over 1,900 journeys and some 424,686 miles during 2001, without compromising delivery flexibility. We are committed to increasing back hauling year on year.
- **Consolidation** Where trailer space allows, we consolidate loads from three of our four distribution centres before travelling to our more distant shops. During 2001 we increased the availability of our Gift List service, which is now available in 23 shops. When customers buy wedding gifts, for example, either in person or online, we consolidate delivery, reducing unnecessary home delivery mileage.

Understanding better how we use energy

Accounting for more than 60% of energy consumption at our shops, cooling and heating, lighting and ventilation play a crucial role in our drive towards energy savings. Although achieving reductions within a growing business presents challenges, we have been monitoring our energy consumption for many years and remain committed to improving energy efficiency on as many fronts as possible.

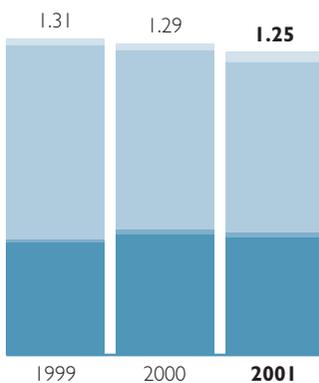
Recent consolidation of our branch-based energy purchasing has enabled us to save £400,000 in the last year alone. Crucially, however, consolidating energy supply has also brought with it greater uniformity of consumption data, and because we can now compare one shop's performance with another, we are far better placed to identify areas for improvement and share best practice.

Promoting best practice via branch initiatives

In each branch, responsibility for energy management is assigned to a specific Partner. This provides a focal point for information on energy consumption. Details of current performance against targets, as well as best-practice guidelines, are circulated to all branches through monthly management reports and regular energy bulletins.

Total water consumption

million cubic metres



Total water consumption

- Selling branches
- Distribution
- Production
- Central offices

Making the most of technology

All our new shops have building management systems. These monitor the environment and energy usage throughout the building to ensure that the environmental conditions are maintained at a comfortable level and energy usage is optimised and monitored.

In 18 shops, we have embarked on a lighting refurbishment programme, which involves replacing halogen display lighting with more efficient ceramic metal halide alternatives. The result will be lamps that last four times longer – a particularly significant benefit for a business where each shop may replace 7,500 lamps each year. Like-for-like energy consumption will also be cut, we estimate, by 60% through reduced lighting wattage.

Measuring and improving performance

Despite our best efforts in 2001, patterns of energy consumption in branches were disappointing. Over the past year, electricity and gas consumption, for example, have both gone up. Electricity consumption has risen by 2% to 159 Gwh and gas consumption by 9% to 144 Gwh. These figures reflect the opening of our new branch in Solihull, changes in trading hours, and extensive refurbishment programmes which, in some cases, have meant night work.

Taking these changes into account and comparing like-for-like sales areas during 2001, our Gwh energy consumption per square foot of sales area has improved slightly by 2%. Our target for 2002 is to achieve a 5% improvement in energy efficiency.

Using water wisely

Although we use water in all our buildings, 680,000 cubic metres or 54% of our water use is at our Stead McAlpin textile production unit. Most of this water is extracted locally and used in wet processes, principally printing, after which it is treated before being discharged to a local sewer. Extraction and discharge volumes and contaminant concentrations are carefully monitored by an external accredited laboratory in accordance with our discharge permit. At no time in 2001 did we exceed our permitted extraction or discharge allowances.

Unfortunately, due to a leak in the supply pipe at Stead McAlpin it was necessary during parts of 2001 to extract more water than we required with an extra 600,000 cubic metres of water returning unused to the river. We have since replaced the pipework concerned and expect extraction volumes to fall accordingly in 2002.



The central atrium at Peter Jones

Peter Jones – retaining our heritage during redevelopment

In 1996, we embarked on one of our most ambitious redevelopment and refurbishment programmes at Peter Jones, in total investing more than £100 million during a four-year construction programme. When constructed in 1936, Peter Jones was the first London building with a permanent canopy, as well as a fully glazed external curtain wall, making it a landmark building. Unlike conventional buildings, Peter Jones' exterior walls and glass panels are hung from the building, rather than supporting it. For this reason the building was protected by Grade 2* status as a Listed Building in 1984.

After 65 years of use as a department store, many alteration projects had modified the selling space, and the buildings' service infrastructure for electrical distribution, fire protection, heating and ventilation had reached the end of its useful life. Without redevelopment, it was

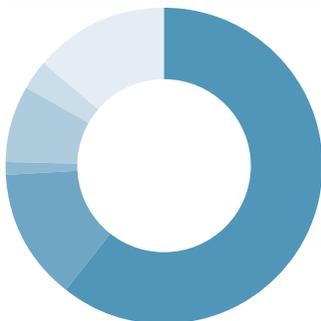
unlikely that we would be able to continue trading at the shop for much longer. Rather than relocate from a building with historical Partnership ties – Peter Jones was the first shop where Spedan Lewis began to implement his vision of Partner democracy and co-ownership – we worked closely with English Heritage to upgrade the building's infrastructure, whilst retaining as far as possible its special features.

We have now completed the first phase of our redevelopment programme, marked by the opening of the new central atrium in June 2002. The new systems provide improved ventilation and temperatures and easier access for customers with disabilities. The unique character of the shop has been preserved with special features such as the pendant lighting at ground floor level and the integration of the original bronze handrail into the design of the new escalator well balustrades.



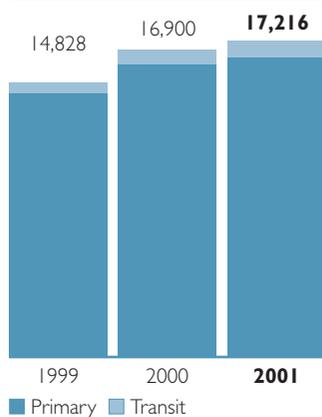
J H Birwistle, one of three Partnership textile production units

Total waste 2001 tonnes

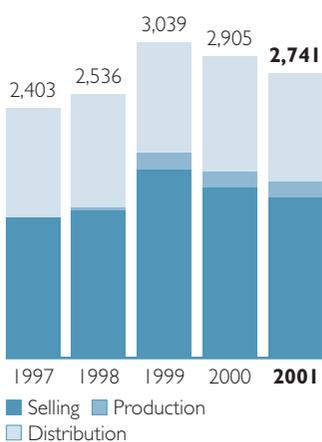


General	12,099
Carpet	2,685
Paper	260
Food	1,564
Glass	608
Cardboard	2,741

Total weight of packaging handled tonnes



Cardboard recycling tonnes



Tracking water usage in our shops

Our shops mainly use water for commercial cleaning, cooking and sanitation. During 2001 we formally monitored and compared our water consumption by shop for the first time. The results indicated we consumed 486,000 cubic metres of water, an estimated reduction of 3% on the previous year. Without compromising the cleanliness and appearance of our shops, we are committed to identifying unnecessary water use and eliminating it where we can – an objective we regard as crucial within a growing business.

We have therefore commissioned a team of external consultants to audit water use at John Lewis Sheffield, in order to provide a snapshot of typical consumption patterns. Early results suggest, encouragingly, there are opportunities to reduce water consumption at this pilot branch. Recommendations are currently being implemented and we will then look to extend these initiatives to other shops wherever possible.

Maximising our resources, minimising our waste

Waste is generated at many stages of our operations. We have a responsibility to minimise the amount we produce ourselves, to recycle as much as possible, and to influence the thinking and practice of Partners, suppliers and customers. In 2001, the majority of our general waste was disposed of to landfill. Cardboard and glass was where possible segregated and recycled.

A shared duty to recycle packaging

While our product wastage is minimal, the packaging materials that protect our products in transit account for the lion's share of the waste we produce. With many other UK organisations we share a duty, set out in the Producer Responsibility Regulations introduced in 1997, to recycle our packaging waste.

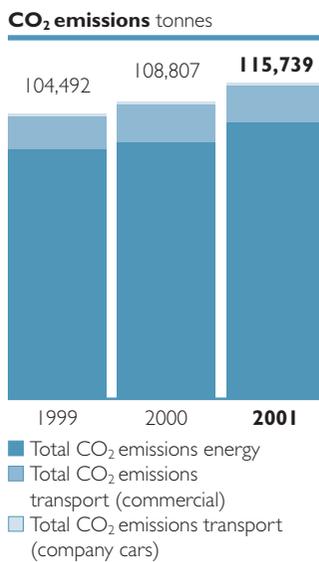
In a single year we sell more than 138 million products. With over 500,000 product lines, and more than 8,000 suppliers to consider, analysing our packaging usage (which we do on a yearly basis) is a considerable challenge in itself. Internal management systems developed in response to the Producer Responsibility Regulations have helped us demonstrate our compliance with them during two Environment Agency audits.

Over the past year, total use of packaging has risen by 2% to 17,216 tonnes against an increase in sales of 6%. No less than 74% of that total was made up of essential product packaging taken home by our customers. Although we cannot practicably recycle packaging entering the waste stream from our customers' homes, we accept our responsibility to share the costs of recycling. In 2001 we had an obligation to recover and recycle 4,200 tonnes of packaging – an obligation we discharged successfully as a member of a national waste compliance scheme.

Cardboard – collecting it, baling it, recycling it

Recycling our cardboard, where we are unable to reuse it, has been our practice since the 1980s. In 1997 we extended our cardboard recycling programme, installing baling technology at most shops and arranging collection by a national recycling contractor. This initiative helped increase annual recycling by 12% to over 3,000 tonnes although, during 2001, the total weight of card we recycled fell to 2,700 tonnes, due in part to our new 'returnable crate' system.

In 2001 we maintained our record of demonstrable legal compliance, with no prosecutions on issues of environmental management



Cutting waste by using returnable crates

Because most of our products are branded goods, our influence on the amount and type of packaging used is limited. For our own-label goods, however, we make a practical distinction where we can between transit and product packaging materials, designing the latter, where feasible, ourselves. In doing so we take environmental considerations into account and aim, as far as we can, to minimise packaging use.

We also use and encourage a returnable crate system to transport as many goods as possible without the need for packaging.

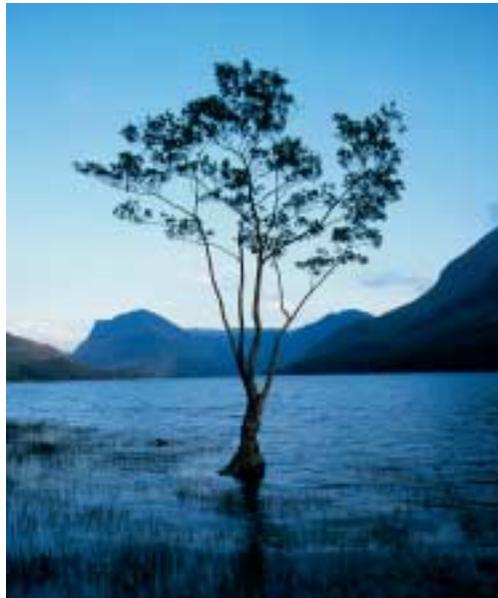
Since 1999, both the numbers of our suppliers using returnable crates and the volume of goods carried has risen steadily. In 2001, more than 71 suppliers

supported the initiative and helped avoid using 180,000 cartons, the equivalent of 107 tonnes of cardboard. Exploring every opportunity to extend the use of returnable crates is a priority.

Playing our part in reducing greenhouse gases

While absolute emissions of carbon dioxide rose by 6% in 2001 to 115,000 tonnes, relative efficiency has improved with emissions against sales falling to a three-year low of 54 tonnes of carbon dioxide per £million sales.

Emissions across the range of our operations stem chiefly from electricity and gas consumption, and from product distribution and business mileage. Following guidance provided by the Department of Environment, Food and Rural Affairs, we monitor emissions and are exploring new opportunities to cut our emissions of carbon dioxide. Introducing branch-based targets, which we plan to do in 2002 once our analysis is complete, will be key to meeting our objectives.



Photograph taken in Buttermere, Cumbria, by Peter Jeffree, Secretary, John Lewis Partnership Photographic Society.



Partnership and Partners

“The Partnership’s ultimate purpose is the happiness of all its members, through their worthwhile and satisfying employment in a successful business.”

Constitution of the John Lewis Partnership

Includes

- Power, knowledge and profit
- Health and safety
- Fairness, equality, diversity
- Support and development

Underpinning accountability and co-ownership is a fundamental commitment to Partner democracy



Central Council

The John Lewis Partnership is the longest surviving and largest worker co-ownership organisation of its kind in the UK. We have no 'shareholders' as such. Instead, each of our 57,000 Partners, of whom more than 27,000 work in the department store division, is a co-owner, and has a say in how we run our business.

Partner participation in our decision-making process is central to the democratic way we operate. Each Partner shares the responsibilities of ownership. Power, knowledge, profit – on these pillars we base our culture of democracy and accountability.

Power – putting democracy to work

Three bodies are responsible for governing the Partnership's business and democracy: the Chairman, Central Board and Central Council. Of these, the Central Council acts at the Partnership's 'parliament'. It consists of 140 Partners, with more than 80% directly elected by their branch peers, and the remainder appointed by the Chairman. Central Council elects five members of the Central Board and can dismiss the Chairman for failing to exercise

the powers of office in a fit way. It plays a key role in deciding how profit is spent in areas such as pensions and discount. It can also make recommendations to management on any topic.

Each department store, distribution centre or manufacturing operation is individually represented by a Branch Council. Regardless of seniority, any Partner can stand for election by colleagues to the Branch Council, a forum for discussing all aspects of branch operations and Partner welfare. Because they also discuss business performance, Branch Councils play an active role in shaping our business at local level. They also provide a route through which ideas, opinions and concerns can be channelled.



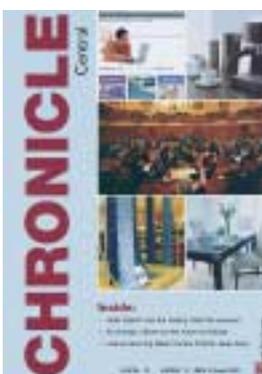
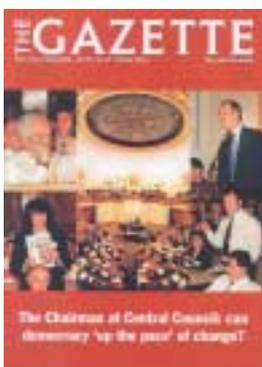
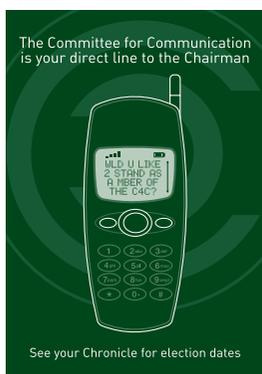
Partners vote in council election

Branch Councils – democracy in action

Geoff Meenan, President of John Lewis Oxford Street Branch Council, and a Partner in the Correspondence department for the past five years, is in no doubt as to the role and significance of the decision-making forum. *"Branch Council is a vital part of the Partnership and its significance extends beyond our own business. In debating recent changes to our trading hours, I just know the outcome would have been very, very different without the democracy."*

“If things aren’t going as they should, the C4C might be the first channel through which the Chairman gets to hear about it.”

Fay Benning, Chairman, Committee for Communication



Knowledge – making communication count

In any large enterprise, effective lines of communication make a vital contribution to staff morale and business success.

Committees for Communication (C4Cs)

Elected by branch colleagues, C4C committee members are non-management Partners who meet regularly to discuss branch-related issues. The emphasis is on clearing lines of communication with senior personnel, and so branch managing directors may be invited to attend C4C meetings to answer queries on the spot. Minutes of C4C discussions are ‘non-attributable’, so Partners speak freely. There is a direct link with the Partnership’s Chairman through his representatives, who chair the meetings.

Staff journals

Besides keeping Partners abreast of business developments, our staff journals play an important social and democratic role.

- **The Gazette** Published by professional journalists, our company-wide weekly magazine focuses on business, decision-making and social news. Through its letters pages, Partners are able to question senior management, anonymously if they wish. Senior managers are required to respond within three weeks to all letters published in *The Gazette*.
- **The Chronicle** Local branches have their own regular staff publication, the *Chronicle*, covering business, social and democratic issues at local level, and including letters answered by local senior management.

Staying informed

Three other initiatives play their part in helping us keep in touch at all levels of our business.

- **DS Forum** The department store Central Councillors meet together to discuss divisional issues and question members of the DS management board on its stewardship of the business.
- **Reports to Central Council** These annual reports, written by principal directors on the Partnership’s business performance, are published in *The Gazette*.
- **Discussion sessions** Each week, Partners gather informally in their departments to discuss aspects of business and decision-making, and exchange information on issues such as health and safety and product knowledge.

Profit – sharing the rewards of Partnership

Bonus

One of the most tangible benefits of co-ownership is the annual distribution of profit among Partners. Once sufficient resources have been set aside to meet contingencies and to finance planned growth, remaining profits are shared, with all Partners receiving the same percentage of their pay. This percentage has varied between 9% and 15% over the last three years. In 2001, £57.3 million was distributed as Partnership bonus.

Discount

After a period of service, all Partners are entitled to a discount card enabling them to buy most of our goods at discounted prices.

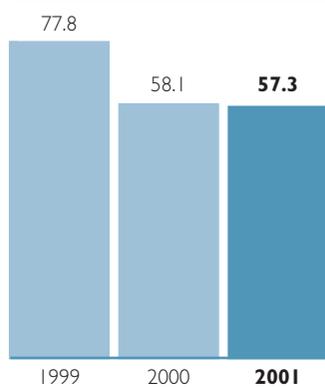
Pension

The John Lewis Partnership remains one of very few retail organisations providing a non-contributory, final-salary pension scheme. In 2001 we invested £62 million of our profits in our Partnership pension scheme. Partners have life assurance equivalent to three times their annual salary.

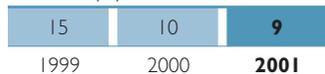


Brownsea Castle, a Partnership holiday centre

Profit distribution £ million



Bonus % pay



Holiday centres, societies and subsidies

Supported by Central Council, the Partnership runs clubs and societies – and our own holiday centres offering Partners affordable breaks at four UK locations. During 2001, £2.9 million was invested in our residential clubs. Beyond these, subsidies are available for 18 different clubs or societies, from pottery to skiing, music to wine. Whether our Partners enjoy pop, art, or visiting stately homes, they can also reclaim 50% of the ticket cost up to the value of £60 per year.

Long leave

Since 1979, a period of paid 'long leave' has been a benefit for every Partner after 25 years' service. Partners are entitled to one week for every full year of service completed before the age of 50 up to a maximum 26 weeks. In 2001, 288 Partners qualified for and took a period of long leave.

Supporting retired Partners

On retirement, Partners who reach a service milestone continue to benefit from the advantages of Partnership life. Of our 13,456 retired Partners, 76% are eligible for Partnership benefits in addition to their pension rights. All our branches have a retirement committee. Allocated £660,000 by Central Council during 2001, these committees enable retired Partners to keep in touch with each other. They also help to relieve financial difficulties. These retired Partners also benefit from continued access to clubs and societies, discount and ticket subsidies.



DAILY MAIL – February 28, 1979

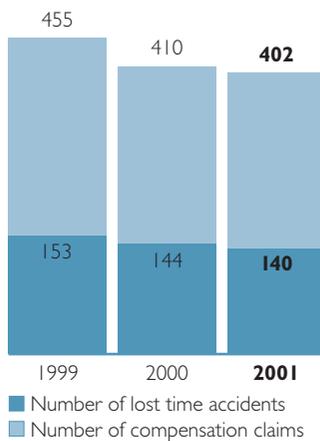
First appeared in the Daily Mail 1979

Tonie Brown, Clerk to the Branch Council and Retirement Secretary,

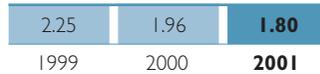
used her long leave to take a two-month trip to New Zealand, Australia and Singapore. Having never travelled that distance before, Tonie arranged to meet up with old friends whom she had not seen for many years. For Tonie it was more than just a holiday abroad:

"It was a simply wonderful experience, one that would not have been possible had the Partnership not given me the time to do it. What did I learn – to try something even if it is outside your experience, to swallow your anxiety and go for it."

Partner accidents



Accident rate per 100 FTE



Health and safety – the shared duty of all

In keeping with the terms of our written health and safety policy, all Partners have a duty to ensure the way in which they work or use equipment is in accordance with any training they have received, and causes no risk to their health and safety or that of others.

Preventing accidents, reducing risks

Preventing accidents to customers, visitors and Partners is of course a priority. Whilst our health and safety policy is developed by corporate safety advisors, the responsibility of implementing and demonstrating compliance with this policy rests with the senior management in our branches.

Regrettably, accidents do happen. Regardless of its nature and severity, each accident is recorded locally. In the event of a more serious incident, which is likely to lead to lost time, our policy is to report the circumstances to our central Risk and Insurance department for fuller investigation.

Accident reporting, accident frequency

In 2001 we recorded 402 reportable accidents with lost time in the department store division, 209 of these meeting RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) requirements and 140 leading to Partner claims for compensation. The number of reportable accidents has fallen by 12% since 1999.

Despite the total number of employees having risen year after year, accident frequency has fallen from 2.25 accidents per 100 Full-Time Equivalent employees (FTE) in 1999 to 1.8 in 2001.

We remain as committed as ever to improving systems and practices in order to sustain this momentum. During 2002/3, our proposed Partnership-wide accident reporting system will harmonise branch procedures, provide more detailed information on the nature and type of injuries and enable us to report accident severity as well as accident frequency rates.

Healthy working, healthy living

At all our branches, locally-based occupational health nurses conduct regular staff health checks, advise on diet, exercise and healthy living, perform manual handling risk assessments and support Partners suffering short-term or long-term illness. Physiotherapy and chiropody services are widely available free or at a small charge. Our aim is to maintain our current low sickness levels of 3.9%.



Partners enjoy a team exercise during management training

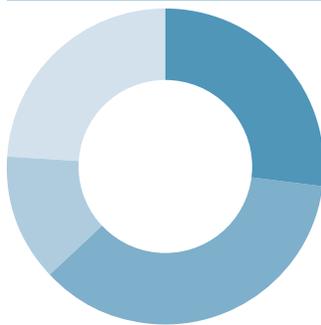
Ethnicity/ethnic group

John Lewis Solihull (JLS), West Midlands (WM)

No. of Partners	JLS%	WM%	
White	558	83.2	85.4
Black Caribbean	4	0.6	2.8
Black Other (eg British)	7	1	0.8
Indian	56	8.4	5.6
Pakistani	27	4	3.5
Bangladeshi	3	0.4	0.7
Chinese	4	0.6	0.2
Other	12	1.8	1.0
All	671	100	100

Figures show the ethnic origin of Partners who started on, or before, Saturday 4 August 2001.

Length of service %



Under 1 year	27
1-4 years	36
5-9 years	13
More than 10 years	24

Building working relationships around mutual respect

Fairness, equality, diversity

Rewarding individual performance and personal contribution is just one way in which we aim to build a fulfilling environment for every Partner.

- **Pay** Our pay policy is to match the local market rate and to offer as much above it as is justified by performance. Each Partner's pay is reviewed annually, and our pay rates and policies are examined by the Pay and Benefits Committee on behalf of Central Council.
- **Equality** Female staff represent 61% of our Partners, 54% of our managers. At senior levels they represent 27% of shop managing directors, 84% of directors of buying and 40% of DS management board directors.
- **Ethnicity** We aim to recruit people who reflect the communities we serve. Whilst we have further work to do in this area, special consideration was given to this issue during the opening of our newest branch in Solihull in the West Midlands. Our goal was to recruit Partners with an ethnic profile broadly mirroring that of the region. In existing branches we are making progress

towards the same goal. We are, however, conscious that Partners from ethnic backgrounds are under-represented at management level.

- **Opportunity and variety** Our commitment to offering Partners a satisfying career and a stimulating work environment is demonstrated, we believe, by our high retention rates for staff. In what is typically a 'high turnover' sector, yearly staff turnover is currently 22%, and 1,300 Partners, or 5% of our total, have 25 years' service or more. Even so, we remain committed to recruiting young people. We regularly visit schools, not only to share our experience of the retail sector, but also to offer helpful tips on attending interviews and filling in application forms. Each year we recruit a small number of graduates from all degree backgrounds.



Getting real about diversity in Solihull

Many of the 900-plus Partners at our newest branch in Solihull were recruited by Jayne Sellers, Assistant Staff Manager, who went into the local community to track down people from a wide range of backgrounds. Says Jayne: "I felt it was important to target regeneration areas, or areas with a high rate of unemployment, in order to help people with something to offer get back into the workplace. I also held coffee mornings to reassure lone parents nervous about returning to work after a long gap."

As part of her recruitment programme, Jayne worked closely with a local learning centre and job shop, 'The Hub'. After completing the initial staff recruitment and training for John Lewis Solihull, Jayne was invited to continue her work in the community by setting up

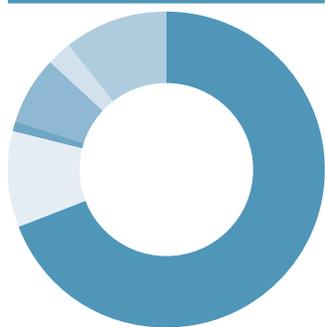
'Route to Work', an employment scheme supported by Job Centre Plus, Solihull College, Advantage West Midlands, and the European Social Fund.

The scheme provides training in essential skills to encourage people to enter employment or return to work. Jayne will be seconded for 12 months. "In my new role," she says, "I can apply many of the skills used as an assistant staff manager, although there's a real difference between managing personnel issues and personal issues. I'm learning a great deal about regeneration zones, community training courses, and the skills needs of people who want to return to work. It's very rewarding to see people benefit from the training and learning skills we make available."

“ I enjoy working on this committee as I am helping others in real need. It makes me feel good knowing I am able to help in a small way to get someone out of a difficult situation.”

Jane Diaper, Committee for Claims, Knight & Lee

Central Council spend 2001 £



■ Amenities	1,899,000
■ Charitable giving	941,000
■ Pensioners	661,000
■ Gifts to active Partners	624,000
■ Expenses	277,000
■ 25 year awards	56,000

Dignity, courtesy and mutual respect

Our expectations of Partner welfare are clearly set out in our Dignity at Work document which states we should always treat each other, and anyone with whom our work brings us into contact, with due courtesy. We do not tolerate harassment or bullying. Our welfare policies and principles are supported at the highest level by senior managers. Currently elected to our board, the Chief Registrar and the Partners' Counsellor share responsibility for employee welfare. While the role of the former is to uphold the integrity of our constitution and principles, the latter acts as ombudsman in cases of dispute.

Personal development

At every branch, a dedicated staff training department co-ordinates the personal and professional development of all our Partners. We prefer wherever possible to promote from within. To help Partners to help themselves almost every branch has a learning centre, equipped with computers, internet access, books and other learning tools, allowing our Partners to develop new skills, whether work-related or not. Further assistance is given by subsidising half the cost of non-vocational courses, and the lion's share of many further education courses, vocational or not.

Registrars – our first line of support

Unique to the John Lewis Partnership is our network of locally-based registrars, a source of independent, confidential advice and support available to all. Any Partner can consult a registrar about any aspect of work or home life. In the case of personal problems, the registrar provides much more than a sympathetic ear, pointing Partners towards a further source of informed advice. In the event of a dispute or misunderstanding between a Partner and manager, the registrar acts as mediator. Part of, but independent from, the senior branch management team, registrars play a key role in the way we work, helping managers to manage better while safeguarding the best interests of Partners.

Committees for Claims – a friend in need

John Spedan Lewis, founder of the John Lewis Partnership, believed any decent family would rally round to help if a family member fell on hard times. Through our democratically-elected branch Committees for Claims, funds are given or loaned to Partners facing unexpected hardship.

Loans are interest free. Because their work is necessarily confidential, we cannot disclose the numbers of Partners they help. In 2001 expenditure by committees for claims totalled £624,000.



Noel Saunders, Managing Director, John Lewis Bluewater, is just one example of a Partner who has experienced a wide variety of career roles at John Lewis. He began his career with John Lewis department stores in 1979 as a cashier in the dining room at Peter Jones. His drive and talent soon meant that he was managing departments as diverse as stationery, linens and electrical. In 1995 he was charged with running his own branch as Managing Director of George Henry Lee (now John Lewis Liverpool).

Noel is currently managing director, John Lewis Bluewater; and states, “*The Partnership is a multifaceted business, providing more than enough scope to develop a rewarding and enjoyable career in retailing across a number of disciplines. The Partnership's training and development of its people is second to none; since joining, I have been fortunate to have been able to put the skills I have learnt about shopkeeping into practice. More than this, however, is the fact that I feel privileged being able to work with truly exceptional people at every level in our business, and we have a lot of fun too!*”

Moving forward



Bluewater Partners comment on our Social and Environment Report, during its development

Completing our first report has given us a clearer picture of our social and environmental performance. Whilst we believe we have made good progress in a number of areas such as reducing driver risk, cleaning exhaust emissions, and improving energy efficiency, we acknowledge there is still room for improvement. We are committed to the following initiatives:

Management structure

At a Partnership level, we are in the process of establishing a Corporate Social Responsibility Committee, chaired by the Deputy Chairman with senior directors from both divisions. Reporting to the Partnership's central board, its aim is to set corporate policy and monitor and report ongoing performance.

At divisional and branch level, we need to consider how best social and environmental issues can be incorporated into the responsibilities of management at all levels; as well as how to formalise communication on these issues between branches and central functions.

Policies and procedures

Where we do not have established policies our approach needs to be more clearly defined. The chemicals used within the products we sell is one area we are currently working on.

Management systems

In some cases, our policy is clear but our efforts are not well enough co-ordinated. Examples here include accident analysis, managing waste, recycling and complaint reporting. We are developing formal management systems in these areas which will enable us to measure and improve our performance.

We expect to implement a new accident reporting and analysis system in early 2003. This will enable us to analyse accident type as well as frequency.

Our analysis of waste management practices will soon be complete, enabling us to implement branch-based improvement targets. We are also developing a new customer complaints reporting system which will make it easier for us to identify and tackle the causes of complaints.

Performance measurement

Where we have sufficiently robust data we have set performance targets. In other areas, such as water consumption, we have only recently begun measuring our performance. Where we do not have historical data or are unable to compare our performance with others, we need first to understand how efficient (or inefficient) we are. As more information becomes available we will set increasingly challenging performance targets.

Sustainable progress

Finally there are those instances where policies and programmes are in place and the next step is to maintain momentum and, where relevant, roll out to new areas. A good example here is our work in monitoring our suppliers' compliance with our responsible sourcing principles. Having completed more than 200 factory audits in 2001/2, we recognise that our efforts will need to be extended to other sensitive regions.

Communication and feedback

A key component of all of this will be feedback from those who are affected by our operations. In this context we have made a commitment to undertake our first staff or 'Partner' satisfaction survey. We do of course welcome your feedback on our performance to date.

Our 2001 performance at a glance

	2001	change since 2000
Economic performance		
Number of department stores	26	▲ 1
Floor area (square metres)	974,228	▲ 3%
Total sales (£ million)	2,160	▲ 6%
Number of customer transactions	74,423,000	▲ 1%
Sales per Partner (£)	93,800	▲ 3%
In the community		
Customer complaints	10,949	n/a
Customer compliments	7,127	n/a
Value of local charitable donations (DS)	407,000	▲ 2%
Number of Partner hours seconded to charities (Golden Jubilee Trust)	13,739	▲ 156%
Total Partnership charitable giving	1,555,000	▲ 2%
Responsible sourcing		
Number of product lines	500,000	no change
Number of suppliers	8,000	no change
Number of Far East supplier inspections	200	n/a
Trading standards prosecutions	0	no change
Number of own-label products recalled	0	▼ 1
Environmental performance		
Miles travelled distributing products	15,716,000	▲ 7%
Average fuel consumption (commercial mpg)	14.26	▲ 9%
Miles avoided by backhauling	424,000	n/a
Average driver risk rating	3.1	▼ 1%
Energy consumption (electricity and gas) Gwh	303	▲ 5%
Weight of waste disposed (tonnes)	19,956	n/a
Water consumption (cubic metres)	1,255,000	▼ 3%
CO2 emissions (tonnes)	115,739	▲ 5%
Partnership and Partners		
Number of Partners in department stores	27,732	▲ 11%
% female Partners	61	n/a
% female managers	54	n/a
Bonus as a proportion of pay	9%	▼ 1%
Reportable accidents	402	▼ 7%
Accident frequency (per 100 full-time equivalent employees)	1.8	▼ 8%
Sickness rate	3.9%	n/a

TCF

ECF



futureforests

Feedback – we welcome your comments

If you have any comments to make regarding this report or would like more information about John Lewis department stores, please contact Nick Monger-Godfrey, Head of Environmental Management, John Lewis Plc, 171 Victoria Street, London, SW1E 5NN.

If you would like more information about Waitrose, or to request a copy of the Waitrose Environment report, please contact Customer Service, Waitrose, Southern Industrial Estate, Bracknell, RG12 8YA.

www.johnlewis.com

Printing

Printed using environmental print technology that eliminates the use of water and industrial alcohol. The printer is accredited to ISO 14001 and EMAS. The printing inks are made from vegetable based oils and 90% of the cleaning solvent is recycled for further use. The printing presses are powered by electricity generated from renewable sources.

Paper

This report is printed on Revive Silk. The paper consists of 75% de-inked post consumer waste and 25% virgin fibre. It is fully recyclable and biodegradable. Recycled pulps used are a combination of Totally Chlorine Free (TCF) and Elemental Chlorine Free (ECF). The mill is certified to environmental management standard ISO 14001.

Carbon Neutral

The greenhouse gas emissions associated with the production and distribution of this report have been made Carbon Neutral® with Future Forests® through the planting of native broadleaf species including birch, alder, rowan and oak which will encourage natural ecosystems in the Environmentally Sensitive Area of Sundhope, Scotland.

The front cover depicts the Liverpool skyline created from John Lewis merchandise. The photograph was originally used in an advertisement to mark the name change of George Henry Lee to John Lewis Liverpool.

