

We recognise that virtually all the activities of an organisation or an individual have some impact on the environment. Our aim is to reduce the impact of our own organisation through a programme of continuous improvement.

Working towards a better environment



J Sainsbury plc

Environment report 2000

1	Introduction from Sir Peter Davis
2	J Sainsbury plc at a glance
2	Scope of the report
3	Group environment policy
4	Food
6	Non-food
8	Energy
10	Transport
12	Waste
14	Property and store operations
16	Verification statement
	Inside back cover: Glossary

Front cover photograph shows wind turbines and solar panels at Sainsbury's Supermarkets' Greenwich Peninsula store. These generate enough renewable energy to power the store signs at night.

Introduction from Sir Peter Davis



Welcome to J Sainsbury's Environment Report 2000. This is my first environment report since I rejoined Sainsbury's in March 2000 but it is the fifth year the Company has reported on its record of reducing its environmental impacts.

During that time our programme has been refined to concentrate on our three priority areas - responsible product sourcing, reducing CO₂ emissions from energy and transport use and minimising our waste. This improved focus is now contributing to our business effectiveness and efficiency as well as engaging with our customers' concerns on issues that affect their quality of life.

If I had to give examples of how our environmental policy is being brought to life in our business, I would include our commitment to working with our suppliers on reducing our reliance on pesticides, as featured in a recent Jamie Oliver TV advertisement. In addition, our award-winning Greenwich store amply demonstrates that supermarket design can minimise environmental impact as well as create a store that is an enjoyable place to work and shop in. Our drive to reduce our waste levels is bearing fruit with Sainsbury's Supermarkets reducing its waste to landfill by more than 10 per cent last year and Shaw's stepping up its recycling programme.

It is essential that we build on this good work. In this report we publish challenging new targets which will maintain the pace of our environmental performance and advance our environmental management programme in terms of sustainability. We are investigating using more renewable energy in our business and we will increase our use and sale of cleaner, alternative fuels. We want to further reduce the resources used in packaging and increase our sourcing of products certified by groups such as the

Forest Stewardship Council who are concerned with protecting the long-term viability of ecosystems.

It is important to measure our progress and provide reliable data so we are publishing for the first time our own Key Performance Indicators which show, for example, that we have reduced CO₂ emissions and waste from three years ago. Once again, we have appointed external auditors, PricewaterhouseCoopers, to review this report and the quality of our data and information gathering systems. You can read the verification statement on page 16.

This year we have extended our programme to include Sainsbury's Bank and Shaw's, our US supermarkets business, who have now fully adopted the Group environment policy; we publish their targets for the first time.

We are keen to maintain our leadership in environmental performance in our industry and were delighted to be named the leading food retailer in last year's Index of Corporate Environmental Engagement and Performance published by Business in the Environment.

In 2000, J Sainsbury became one of the first companies in the UK to make a specific public commitment to continue improving its environmental performance as part of the UK Government's Making a Corporate Commitment campaign. This commitment reflects two of our three priorities, those of reducing CO₂ emissions from stores and minimising waste; we welcome the fact

that the Department of the Environment, Transport and the Regions (DETR) will report on our performance and show it on their website.

Our report is slightly shorter than in previous years as it is a high-level overview publication. We will be publishing further details of our technical data and case histories on our website: www.j-sainsbury.co.uk in June 2001.

Finally, I would like to thank all those colleagues who recognise the importance of environmental management and who have worked so hard to achieve the environmental targets recorded in this report. Despite the challenging business climate we are firm in our commitment to improve our environmental performance. Overall I think we have done well and look forward to reporting continuing improvement in our environmental performance and even greater progress in the integration of more sustainable principles into our environmental management programme.

Sir Peter Davis
Group Chief Executive

J Sainsbury plc at a glance

J Sainsbury plc is one of the world's leading retailers, playing a part in the lives of over 13 million customers a week. From the freshest food to the widest choice of products for the home to the best service and value in banking.

Sainsbury's

Turnover (£m)	13,267
Profit (£m)	522
Stores	432
Colleagues	138,000
Customers (per week)	9 million

Sainsbury's Bank

Turnover (£m)	136
Profit (£m)	3
Call centres	8
In-store outlets	12
Colleagues	110
Customers	1.2 million

shaw's

Turnover (\$m)	3,857
Profit (\$m)	129
Stores	168
Associates	28,000
Customers (per week)	4 million

Scope of the report

This report covers the environmental performance for the financial year 1999/2000 of the UK Retail businesses, namely Sainsbury's Supermarkets Limited and Homebase Limited. For the first time we have included performance targets for Sainsbury's Bank and Shaw's, our US supermarkets business. The environmental performance of these two operating companies will be reported in 2001 when verified data will be included in our Key Performance Indicator charts, data and text. These represent the major businesses in J Sainsbury plc.

On 21 December, 2000 J Sainsbury plc announced its agreement to sell its existing Homebase DIY business to Schroder Ventures. For this reason the prominence of Homebase in this report has been reduced. We have, however, shown key data in our Key Performance Indicator charts and targets because for the financial year under review

Homebase was part of the Group. Homebase key facts: turnover: £1,428 million; profit: £57 million; stores: 297; colleagues: 17,000; customers (per week): 1.5 million.

All figures presented in this report refer to the financial year from 3 April 1999 to 1 April 2000 unless otherwise stated in the text. Measurements are shown in metric for the UK Retail businesses but imperial for the US business.

Websites:

This document is intended as an overview of J Sainsbury's environmental programme. More information will be available on our website: www.j-sainsbury.co.uk in June 2001.

As well as environmental issues, we recognise the importance of social and other issues. Further information on our approach to socially-responsible trading, genetically-modified food, food safety, nutrition, animal

welfare and testing policies are available from our Customer Careline 0800 636262 or on our websites: www.j-sainsbury.co.uk and www.sainsburys.co.uk

Conversion factors

We have used a range of recognised conversion factors for data in this report. They are stated adjacent to the relevant Key Performance Indicator chart.

Legal compliance

We had no prosecutions on environmental issues in 1999/2000.

Abbreviations and glossary

To save space we have used acronyms and abbreviations throughout this report. For a fuller explanation of many of the terms used, please refer to the glossary which appears on the inside back cover.

Group environment policy

We recognise that virtually all the activities of an organisation or an individual have some impact on the environment. Our aim is to reduce the impact of our own organisation through a programme of continuous improvement.

In this respect our policy is to:

- **Quantify** and monitor all environmental impacts of the business, including new projects, and set specific targets;
- **Comply** with current legislation and, where practical, seek to meet future legislative requirements ahead of relevant deadlines;
- **Integrate** environmental objectives into relevant business decisions in a cost-efficient manner;
- **Require** all colleagues to address environmental responsibilities within the framework of normal operating procedures;
- **Minimise** waste, seek to recover as much as is economically practical and ensure the remainder is disposed of responsibly;
- **Develop** appropriate emergency response plans for major incidents in order to minimise their environmental impact;
- **Influence** suppliers of services and own-brand goods to reduce their impact on the environment;
- **Enhance** awareness of relevant issues among customers, colleagues and others who have an interest in our business;
- **Publish** information on environmental performance.

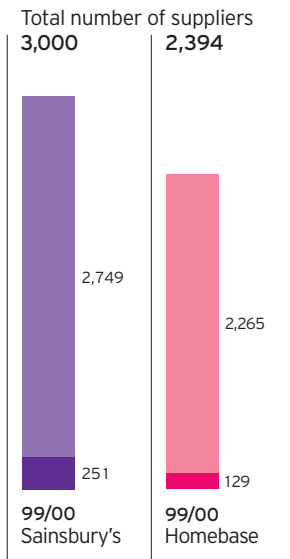
Revised September 1998.

Policy applies to Sainsbury's Supermarkets Limited, Sainsbury's Bank, Shaw's and Homebase.

Products and suppliers: Food

Influence our suppliers to reduce their direct environmental impacts and improve the environmental quality of own-brand products through more sustainable sourcing.

Key Performance Indicator: Number of Sainsbury's and Homebase suppliers engaged in ICM, MSC and FSC initiatives



- Sainsbury's: Suppliers currently not engaged in ICM, MSC or FSC initiatives
- Sainsbury's: Number of suppliers supporting initiatives
- Homebase: Suppliers currently not engaged in ICM, MSC or FSC initiatives
- Homebase: Number of suppliers supporting initiatives

■ Some of the data may not be accurate to the time period 3 April 1999 to 1 April 2000, as a live database was used to obtain that data outside the Environment report reporting period.

■ Sainsbury's: The number of suppliers engaged in ICM, MSC and FSC initiatives are those own-brand suppliers Sainsbury's has communicated their policy to, and sought commitment from, on these environmental programmes.

■ Sainsbury's: Total number of suppliers includes proprietary brands as well as own-brand. Approximately 1,220 are own-brand.

■ Homebase: The number of suppliers engaged in FSC are those own-brand and proprietary suppliers Homebase has communicated their policy to, and sought commitment from, on this environmental programme.

■ Homebase: Total number of suppliers includes proprietary as well as own-brand. Approximately 352 are own-brand.

■ Very few suppliers supply both Sainsbury's and Homebase. These are counted separately because these suppliers supply each company independently.

■ The chart includes non-food as well as food suppliers.

■ **Working with suppliers:** 23 suppliers are currently trialling an environmental management guide before Sainsbury's Supermarkets launches it to over 1,200 own-brand suppliers in 2001. The guide is based on Business in the Environment's Index of Corporate Environmental Engagement and also incorporates the principles of The Natural Step. The guide is intended to help suppliers develop their own plans for environmental improvement. This will be the first step in a process that will result in Sainsbury's incorporating own-brand supplier environment requirements into its management and audit process. Shaw's also plans to survey its suppliers to ensure they are reducing their environmental impacts.

■ **Pesticide reduction:** Sainsbury's now has Integrated Crop Management (ICM) protocols for all UK fresh and frozen fruit and vegetables and it is currently verifying these under the Assured Produce Scheme. In 1999, Sainsbury's launched the EUREP GAP standard to all its overseas growers of fresh and frozen produce. Sainsbury's plans

that all overseas suppliers should be independently verified to these standards by 2003.

■ **Wildlife conservation:** Sainsbury's programme of encouraging wildlife conservation continues. In addition to those horticultural suppliers already implementing Farm Biodiversity Action Plans (FBAP), all farms supplying Sainsbury's premium range should have plans by 2006.

■ **Sustainable seafood:** Sainsbury's launched the world's first seafood - Thames Herring and Australian Rock Lobster - sourced from fisheries certified as sustainable by the Marine Stewardship Council (MSC) in 2000. In 2001, both Sainsbury's and Shaw's will be selling Alaskan Salmon from the first certified US fishery.

■ **Organic standards:** Sainsbury's is committed to specifying stringent organic standards. It is currently working towards certifying all own-brand organic products

under the uniform standard of organic quality by the International Federation of Organic Agricultural Movements (IFOAM) accredited bodies by 2003. The number of organic products Shaw's sells has grown from just 10 five years ago to nearly 100 different types of organic fruits and vegetables today. The majority of organic produce comes from the State of California, which has some of the strictest production standards in the US, where certification and standards are currently organised on a state-by-state basis.

1999 targets

Progress

2000/2001 targets

Sainsbury's suppliers		
1. By March 2002, determine and incorporate own-brand supplier environmental requirements into management and audit mechanisms. Implement a periodic risk assessment of own-brand product's manufacture and lifecycle.	Progressing Piloting environmental requirements with 23 suppliers.	By March 2002, determine and incorporate own-brand supplier environmental requirements into management and audit mechanisms.
3. Enable customers to make informed choices regarding the environmental impacts of their shopping. By March 2004, ensure all existing and new own-brand product lines comply with the Green Claims Code on environmental labelling.	Progressing 592 out of 1,077 product labels that need correction have been addressed.	No change

Sainsbury's products

2. By March 2002, develop a periodic risk assessment to identify and prioritise environmentally-conscious own-brand products and how we promote them to our customers.

Sainsbury's products sub targets

a) By April 2001 to offer customers ultra low sulphur petrol in all Sainsbury's Petrol Filling Stations and by March 2002 have Autogas in 25 Petrol Filling Stations.

b) By December 2003, all overseas suppliers of fresh and frozen produce should be independently verified to EUREP GAP standards.

c) By March 2006, all livestock farms supplying into the premium meat range should have FBAP in operation. (For beef cattle this will only apply to finishing farms). By March 2001, to achieve a total of 108 farms with FBAP.

d) By January 2003, to have all Sainsbury's own label organic foods sourced from suppliers who have been certified by inspection bodies accredited by the International Organic Accreditation Service to IFOAM Basic Standards and accreditation criteria. To complete the introduction of biodegradable packaging on all appropriate organic produce lines by the end of 2001.

e) By December 2003, to source all own-brand wood products from sources certified under the FSC scheme and to offer customers the choice of an FSC certified product on all ranges of own-brand paper products.

f) By March 2001, to source all own-brand canned and fresh Alaskan Pacific Salmon from sources certified under the MSC scheme and to have investigated options for the introduction of MSC certified products to other species by December 2001.

Shaw's products

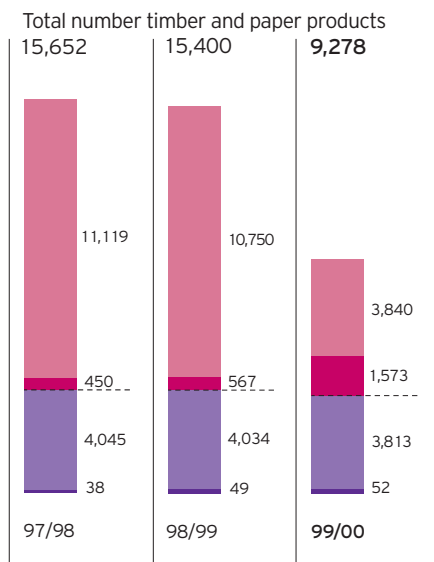
1. By March 2002, survey all suppliers to ensure they are reducing their environmental impacts through a programme of continuous improvement, and increase the number of environmentally-conscious products offered for sale.

2. Enable customers to make informed choices about reducing their impact on the environment and provide independently certified products, wherever possible.

Products and suppliers: Non-food

Influence our suppliers to reduce their direct environmental impacts and improve the environmental quality of own-brand products through more sustainable sourcing.

Key Performance Indicator: Number of FSC certified timber and paper product lines on offer in Sainsbury's and Homebase stores



Homebase:	97/98	98/99	99/00
Total number of timber and paper products	11,569	11,317	5,413
Sainsbury's:	97/98	98/99	99/00
Total number of timber and paper products	4,083	4,083	3,865

■ Some of the data may not be accurate to the time period 3 April 1999 to 1 April 2000, as a live database was used to obtain that data outside the Environment report reporting period.

■ Savacentre products are included in Sainsbury's totals.

■ Products include own-brand and proprietary brands.

- Homebase: Number of non-FSC timber and paper products
- Homebase: Number of FSC certified products
- Sainsbury's: Number of non-FSC timber and paper products
- Sainsbury's: Number of FSC certified products

■ **Sustainable packaging:** Sainsbury's is developing its organic food range by using biodegradable packaging. The material is being used for trays for its organic fruits and vegetables and is due on shelf in 2001. The trays should fully biodegrade in a compost bin in about 14 days. Even the label is produced without a coating so that is also biodegradable. The packaging uses an innovative method, baking dried potato starch mixed with water and cellulose fibres. Even the plastic laminate used to protect the inside of the trays is made from a polyester-based material which is degradable.

■ **Selling cleaner fuels:** Sainsbury's is continuing to offer car drivers alternative and conventional fuels which have a lower impact on the environment. Sainsbury's intends to increase the number of petrol stations selling Liquefied Petroleum Gas (LPG) from currently four to 25 by March 2002. It also intends to extend the sale of ultra low sulphur petrol beyond the M25 area to all its petrol stations by April 2001.

■ **Sustainable timber:** Sainsbury's now stocks 52 products which carry the Forest Stewardship Council (FSC) logo including paper tissue products, housewares and pencils.

■ **Biodegradable content:** Sainsbury's is the first UK supermarket to offer disposable nappies, *Nature Boy & Girl*, made from a higher proportion of biodegradable materials than leading brands. The nappies contain 70% biodegradable materials, compared to 20%-30% for leading brands. They also have the environmental benefits of reducing the amount of non-biodegradable super absorbents found in all nappies by 50%.

■ **Buy Recycled:** Sainsbury's now sells 15 products which carry the Buy Recycled logo which means they contain a proportion of post-consumer waste. Sainsbury's also sells five paper products that contain both recycled post-consumer waste and Forest Stewardship Council certified pulp.

■ **Low environmental impact cleaners:** Shaw's launched a range of eight cleaning products under the *SafeScience* brand. These products contain no chemical colourants, fragrances, alcohols, bleaching agents or antimicrobials thus supporting their claim that they have a lower impact on the environment.

■ **Improving green claims:** Sainsbury's is implementing the Government's Green Claims Code and has improved on-pack claims on more than 500 of its own-brand products to ensure they comply.

1999 targets

Progress

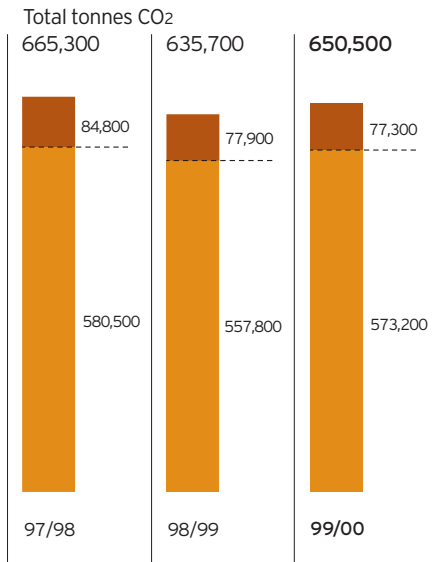
2000/2001 targets

Homebase products and suppliers		
<p>1. By March 2006, incorporate own-brand supplier environmental requirements into audit processes. Ensure high-risk suppliers have at least one process review and products are regularly reviewed so that high-risk areas have an initiative to reduce environmental impacts from manufacture and lifecycle.</p> <p><i>Product objectives include:</i></p> <ul style="list-style-type: none"> - Offering a wider range of Forest Stewardship Council-certified timber and paper products - Continuing to offer a comprehensive range of peat-free growing media - Offering pesticides which are less persistent in the environment. 	On target	No change
<p>2. By March 2004, ensure all existing and new own-brand product lines comply with the Green Claims Code on environmental labelling.</p>	On target	No change
Sainsbury's Bank products		
		<p>1. By March 2002, develop and implement a strategy to reduce the environmental impacts, where feasible, of leaflets and their production.</p>
		<p>2. By March 2001, produce a Sainsbury's Bank policy statement on the environment, that includes the adoption of the principles of both J Sainsbury plc and Bank of Scotland Environmental Policies, and ensure this is available to customers.</p>
		<p>5. By March 2001, ensure that environmental issues are taken into account, wherever feasible, when purchasing items for direct use.</p>

Energy

In our own operations, reduce CO₂ emissions from energy for building services through responsible energy sourcing, minimising demand and efficient consumption.

Key Performance Indicator: **Carbon dioxide emissions associated with energy use at Sainsbury's and Homebase stores** (tonnes CO₂)



■ Homebase
■ Sainsbury's

■ Energy consumption data were based on audited accounts, and where data was missing, estimates were made.

■ Due to organisational restructuring the data for 1997/98 and 1998/99 has been amended to be consistent with the data collecting methodology used in 1999/2000.

■ The conversion factors used in this report are based on the DETR Environment Reporting Guidelines (1999):

- Electricity 0.44kg CO₂/UK kWh
- Natural Gas 0.19kg CO₂/UK kWh

Different conversion factors were used in our previous Environment Reports.

■ Conversion factors have also been changed to use those from the DETR for all three years.

■ Sales area has been taken from J Sainsbury plc Annual Report and Accounts 2000.

■ Sainsbury's: Efficiency has improved from 521kg CO₂/m² in 1997/98 to 472kg CO₂/m² in 1999/2000. However total CO₂ has increased as more stores with more refrigeration have opened for longer.

■ Homebase: Efficiency has improved from 81kg CO₂/m² in 1997/98 to 73kg CO₂/m² in 1999/2000, and total CO₂ has also reduced. Ten stores have been closed.

■ Savacentre is included in Sainsbury's figures.

■ **Energy efficiency:** Sainsbury's and Homebase's store operations emitted 650,500 tonnes of CO₂ during 1999/2000, which was only slightly above 1998/99 levels despite adding 27 Sainsbury's and nine Homebase stores to the estate, adding some extensions and increasing trading hours. This was achieved through a number of efficiency measures which have reduced kg CO₂/m² by approximately nine per cent over the three years between 1997/98 and 1999/2000. The main contributor to this reduction has been RealMT, an on-line energy monitoring and targeting system, now in all Sainsbury's stores and 180 Homebases. This enabled the companies to avoid £400,000 worth of energy costs as well as save CO₂ in 1999/2000. Sainsbury's and Homebase plan energy efficiency training programmes for store colleagues who manage energy use.

■ **Shaw's eco-efficiency:** Shaw's also introduced SMART, an energy monitoring system, in 103 locations; this aims to reduce energy consumption and reduce CO₂ emissions per square metre. Energy efficient lights were installed at 57 sites to reduce emissions further. In January 2000, Shaw's

joined Climate Wise, a programme based in the state of Maine, which works with organisations to promote emissions reduction. Climate Wise is providing the software which will be used to report emission reductions achieved throughout the business.

■ **Sustainable energy:** Sainsbury's is committed to taking part in a feasibility study carried out by Energy for Sustainable Development and Forum for the Future on how Sainsbury's can source 10 per cent of the energy it uses from renewable energy.

■ **Wind power:** Sainsbury's distribution depot at East Kilbride, Scotland plans to switch almost a third of its electricity supply to Ecotricity, electricity generated by an on-site wind turbine, owned and operated by Next Generation. The project aims to demonstrate the economic viability of wind power and Sainsbury's will be paying no more for the renewable energy than it currently does for conventional electricity.

■ **Low-energy Greenwich:** Sainsbury's is monitoring energy consumption at its

Greenwich store. It has already identified a reduction in energy consumption over a standard store. A full report will be available in 2001.

1999 targets

Progress

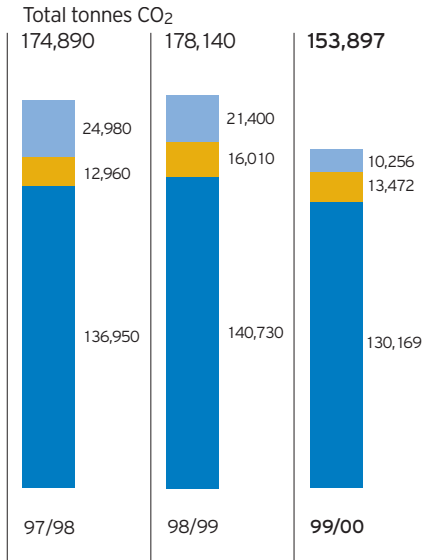
2000/2001 targets

Sainsbury's energy		
6. Evaluate innovative building designs, particularly the Greenwich Peninsula low energy supermarket and, by March 2001, identify measures that can be adopted at other stores.	Progressing Still assessing, but thermal mass insulation, bore hole system and CHP being considered for further trial. CHP already in Richmond and Cromwell Road stores in London.	No change
7. By March 2000, develop and implement a strategy to reduce CO ₂ /m ² by 10 per cent (from a baseline of 1997/1998) by March 2005.	Achieved Progress: 9.4 per cent reduction achieved to date (from a baseline of 1997/98).	Reduce CO ₂ /m ² by 10 per cent (from a baseline of 1997/1998) by March 2005.
Homebase energy		
Energy use at Homebase will be addressed through the Group management of energy.	9.9 per cent reduction achieved to date (from a baseline of 1997/98).	No change
		Shaw's energy
		5. 5 per cent of energy used to be from renewable resources by 2005, and 10 per cent by 2010, providing feasible sources are available.
		6. Build new stores designed with reduced ceiling heights to reduce the cube of the facility and to reduce seismic requirements.
		7. By March 2000, develop and implement a strategy to reduce CO ₂ /ft ² by an additional 5 per cent through 2005 from a baseline of 1996.
		Sainsbury's Bank energy
		6. By March 2001, ensure good management in day to day practices to reduce energy use at the call centres.

Transport

Increase the efficiency of transporting our products, and address employee and customer travel, with the aim of reducing CO₂ emissions while achieving customer satisfaction and business growth.

Key Performance Indicator: **Carbon dioxide emissions from Sainsbury's and Homebase transport** (tonnes CO₂)



- CO₂ from Sainsbury's and Homebase contracted company car mileage (business and private use).
- CO₂ from refrigeration units for HGVs and from shunters at depots (Sainsbury's and contractors; and Homebase for 1999/2000).
- CO₂ from HGV deliveries (Sainsbury's and Homebase's owned and contractor fleets in distribution systems operating mainly between depot and store).

- Conversion factors: 1997/1998 and 1998/1999:
 - HGVs: Standard diesel 2.82kg CO₂/litre [Source: Freight Transport Association]
 - HGVs: Sainsbury's ultra low sulphur City Diesel 2.57kg CO₂/litre [Source: Greenergy]
 - Cars: Petrol with catalytic converter 319g CO₂/km [Source: AA]
 - Cars: Diesel 270g CO₂/km [Source: AA]
- Conversion factors 1999/2000 from the DETR Environment Reporting Guidelines (1999):
 - Diesel (including ultra low sulphur) 2.68kg CO₂/litre
 - Petrol 2.31kg CO₂/litre
 - Liquefied Petroleum Gas (LPG) 1.65kg CO₂/litre
- Calculations take into account a combination of conversion factors in the same year owing to different fuel types.

- Sainsbury's HGV CO₂ for 1999/2000 has been calculated from litres derived from distance travelled and mpg. Where data is incomplete, researched assumptions have been made.
- HGV CO₂ decreased this year from Sainsbury's fleet due to a combination of factors: a new conversion factor was used and different data sources were also used due to company restructuring, improved efficiencies in vehicle fill and distances travelled/case of product.
- Company cars have reduced from 2,198 in 1998/1999 to 2,019 in 1999/2000. The Company is currently trialling four LPG cars.
- Data for company cars was based on recorded data from staff fuel cards as not all drivers have fuel cards and therefore the total tonnage of CO₂ may be underestimated. However recorded mileage may include private mileage.

■ **Cutting road kilometres:** Sainsbury's has eliminated an estimated 3.27 million kilometres from its supply chain operations since April 1997 - reducing its CO₂ emissions by an estimated 3,286 tonnes. This reduction is the result of Sainsbury's bringing together its own and suppliers' delivery systems to ensure lorries travel fuller for shorter distances. Some of Sainsbury's own fleet may travel further as a result but journeys previously made by suppliers are eliminated thereby giving a net saving across the supply chain. In addition, vehicle fill increased from 82 per cent in April 1999 to 84 per cent in April 2000.

■ **Efficient US transport:** Shaw's initiatives to reduce road kilometres travelled include increased backhauling and use of Manugistics, a system that calculates store delivery routes. Fuel efficiency has been improved with the aid of technology such as electronic engine controls as well as a company enforced speed limit.

■ **Raising standards at depots:** Sainsbury's distribution centre at Basingstoke became the first of its type

in the UK to achieve registration under the Eco-Management and Audit Scheme (EMAS) as part of a trial to test how the scheme could be applied to non-manufacturing sectors. The depot made environmental improvements on lighting, recycling, temperature control and water consumption as well as potential cost savings to the tune of £45,000 per annum. In addition, Sainsbury's depot at Charlton achieved registration to ISO 14001 building on its existing ISO 9000 standard.

■ **Road to rail:** Sainsbury's has had to halt its programme of switching products from road to rail because of limitations in the rail infrastructure, its reliability and feasibility for efficient freight deliveries.

■ **Alternative fuels:** Sainsbury's is testing a Compressed Natural Gas-powered delivery lorry. Sainsbury's to You home delivery service runs its fleet on Liquefied Petroleum Gas. Sainsbury's has more than 120 LPG-fuelled vans delivering to homes from picking centres and some stores and plans that its entire fleet will eventually use the fuel.

■ **Solar power:** Sainsbury's is extending commercial trials on two second generation solar-powered refrigerated trailers. These carry a tailored refrigeration system which gives rise to no harmful emissions, reduces noise and has lower maintenance costs than conventional diesel-powered units.

■ **Green travel plans:** Sainsbury's store colleagues are reducing their environmental impact through their travel choices. One store implemented a Green Travel plan in 1999 and 12 more are due to launch in 2001. Sainsbury's also plans to offer LPG/petrol bi-fuel cars on its company car list.

■ **Customer travel:** Customers can leave their cars at home and walk, cycle or take the bus to Sainsbury's stores. Secure BikeAway cycle cabinets are at all new and refurbished stores and 103 free bus services carry 400,000 customers to 38 stores every year. Sainsbury's is encouraging people to walk more by sponsoring 20 walking buses at schools.

1999 targets

Progress

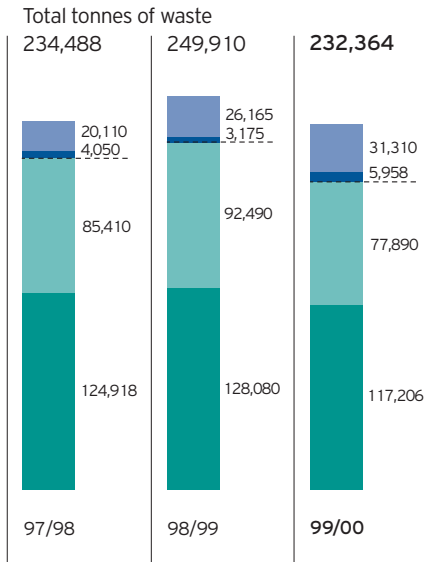
2000/2001 targets

Sainsbury's transport		
4. By March 2001, eliminate miles each year from the supply chain and improve vehicle fill, while achieving the required product availability.	Progressing 3.27m km eliminated since 1997/1998. Vehicle fill increased from 82 per cent in April 1999 to 84 per cent in April 2000.	By March 2002, reduce kilometres travelled in secondary distribution by 5 per cent (from a baseline of 1999/2000), while achieving required product availability.
5. By March 2000, require all contractor secondary distribution vehicles to run on ultra low sulphur diesel. Trial and evaluate at least one lower carbon fuel or new technology by March 2001, and move more products from road to rail when feasible, while achieving the required product availability.	Achieved (first part) All contractor fleets using ultra low sulphur fuel. Progressing (second part) Compressed Natural Gas vehicle on trial. 2.56m km moved from road to rail since 1997/1998; further progress limited by rail infrastructure, reliability and feasibility.	By March 2002, develop and implement a strategy to reduce CO ₂ and other emissions per kilometre, in Sainsbury's transport system.
Homebase transport		
3. By March 2001, eliminate miles each year from the supply chain and improve vehicle fill, while achieving the required product availability.	On target	No change
4. Extend the use of City Diesel for deliveries, and by March 2000 require all dedicated contractor vehicles to run on City Diesel or similar ultra low sulphur diesel.	Achieved	Monitor and assess the on-going trial of Compressed Natural Gas powered vehicles and trailers, and by March 2001, determine our future strategy for use of low emissions fuels within our contractor fleet.
Shaw's transport		
		3. Reduce miles by up to 10 per cent (1.8m miles) by March 2001, while achieving required product availability.
		4. Continually improve the fuel efficiency of trucks year on year, and reduce emissions, while achieving required product availability.

Waste

Reduce the waste we produce from our operations, recover as much as is practical ensuring the remainder is disposed of responsibly. Encourage our customers to recycle where appropriate.

Key Performance Indicator: Waste generated at Sainsbury's and Homebase stores (tonnes)



- Homebase disposal
- Homebase diversion
- Sainsbury's disposal
- Sainsbury's diversion

Homebase: 99/00 tonnes	
Diverted:	
Paint donated	100
Paint recycled	41
Cardboard recycled	5,817
3rd party disposal:	
General waste (landfill)	31,303
Special waste	7
Sainsbury's: 99/00 tonnes	
Diverted:	
Donated	1,633
Composted	166
Cardboard recycled	111,607
Polythene recycled	3,800
3rd party disposal:	
Landfill	77,890

- Sainsbury's data includes Savacentre and is for solid waste only. No records could be obtained for special waste. In some instances, where data is incomplete, some assumptions have been made.
- Sainsbury's donation consists of approximately 729 tonnes from 62 stores to Crisis FareShare; 729 tonnes from 50 stores to other charities; 175 tonnes from 12 stores to animal sanctuaries. The tonnages are currently based on best estimates, and we are trying to improve accuracy.
- Sainsbury's cardboard recycling figures decreased compared to last year. Whilst Sainsbury's have improved their data gathering processes, some figures may be understated as some data were missing. The data were from 413 stores.
- Sainsbury's composting trial does not include all stores for a whole year.
- Homebase has increased recycling compared to 1998/1999, but general waste to landfill has increased due to increased turnover and better data collection.

■ **Reducing landfill:** In 1999/2000 Sainsbury's sent 77,890 tonnes of waste to landfill, a reduction of more than 10 per cent on the previous year.

■ **More donation:** Sainsbury's expanded its food donation programme during 1999/2000 to cover 112 stores working with Crisis FareShare and other charities, and three distribution depots working with Grocery Aid. Shaw's also donates food. It is a founding member of the Greater Boston Food Bank and is active in six other food banks throughout New England. The donated food is redistributed to over 3,000 programmes providing food to 1.3 million people each month.

■ **Composting trials:** Sainsbury's is testing composting to find the best way of dealing with food waste that cannot be donated. Twenty one stores are taking part in a trial to make compost for use on an organic farm. A further 20 stores in South East London are taking part in the UK's first urban composting trial. The trial has four stores which both donate and send waste for composting. One of these is the Greenwich

store which has reduced the frequency of its skip collection from weekly to once every two or three weeks.

■ **Recycling for customers:** Sainsbury's has increased the number of recycling bins at stores from 3,339 to 3,353 during the year. In the Royal Borough of Kensington and Chelsea, Sainsbury's launched a specially-printed carrier bag which can be used for kerbside recycling. It is also working in partnership with the charity RECOUP to promote post-consumer plastic milk bottle recycling.

■ **Cutting carrier bag use:** Sainsbury's launched a reusable Bag for Life in 1999. Nearly ten million bags have been sold to date. Sainsbury's gave back £765,000, saving 76.6 million bags, under its Penny Back scheme which gives the customer one penny for every carrier bag reused.

■ **Packaging reduction:** A major review of packaging used on Sainsbury's own-brand products has identified potential savings and these are reflected in a new target to save five per cent by weight relative to turnover by

2005. Particular successes already achieved include saving 66 tonnes of cardboard by removing the outer packaging on own-brand dried pulses and 14.7 tonnes of plastic saved by removing the tray on own-brand soya mince. Following a complete review of the size of every pack, and the configuration of cases per pallet, Sainsbury's removed 98 tonnes of packaging from its own-brand breakfast cereal range.

■ **Shaw's recycling boost:** Shaw's increased its cardboard recycling levels. Cardboard balers have been installed in all former Star Markets stores and staff are being trained. Shaw's installed new, more efficient, bottle machines in 28 former Star Market stores.

1999 targets

Progress

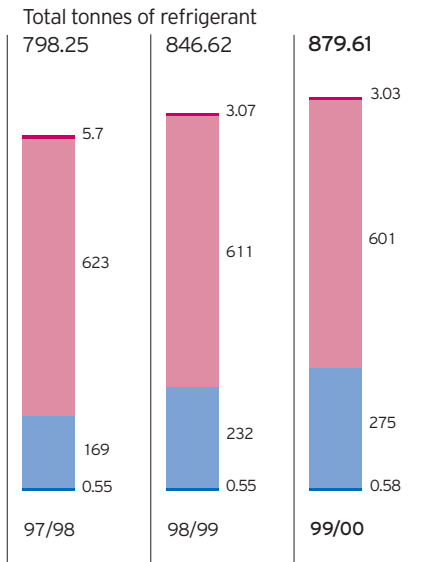
2000/2001 targets

Sainsbury's waste and packaging		
8. By March 2001, reduce product wastage through better ordering, packaging and handling by 15 per cent.	Progressing Sainsbury's waste decreased from 86,465 tonnes in 1998/1999 (92,490 tonnes if Savacentre included) to 77,890 tonnes in 1999/2000.	By March 2002, develop and implement a strategy to reduce the amount of waste sent to landfill by 10 per cent (from a baseline of 1999/2000) and increase the amount of recycling relative to turnover.
9. By March 2003, reduce the amount of packaging we use in own-brand products and increase the recycled content where feasible, relative to turnover year on year; pilot new projects to design for recycling.	Progressing Saved 98 tonnes of cardboard from cereal packaging. 15 Buy Recycled products were supplemented by five FSC/recycled paper products in the <i>Soft</i> range.	By March 2002, develop and implement a strategy to reduce packaging by 2005, by 5 per cent relative to turnover (from a baseline of 1999/2000) without increasing packaging related wastage.
By March 2000, for the remaining significant waste types, develop new schemes to divert waste from landfill where practical. By March 2003, where a feasible company recycling scheme exists, ensure no recyclable material goes to landfill. Increase recycling relative to turnover.	Achieved (first part) Composting trials in progress and donating food from 112 stores and all depots. Progressing (second part) Plastic recycling increased from 3,300 to 3,800 tonnes. An estimated 1,713 tonnes of food donated to charity (from stores and depots).	Subsumed into target number 8.
Homebase waste and packaging		
5. By March 2003, reduce the amount of packaging we use in own-brand products and increase the recycled content where feasible, relative to turnover year-on-year; pilot new projects to design for recycling each year.	Progressing	No change
6. By March 2000, for the remaining significant waste types, develop new schemes to divert waste from landfill where practical. By March 2003, where a feasible company recycling scheme exists, ensure no recyclable material goes to landfill. Increase recycling relative to turnover.	Achieved (first part) On target (second part)	By March 2003, where a feasible company recycling scheme exists, ensure no recyclable material goes to landfill. Increase recycling relative to turnover.
Shaw's waste and packaging		
		8. By March 2001, reduce waste and damaged product from the top five offending vendors by 10 per cent.
		9. Reduce packaging and the use of cardboard and ensure optimum use of recycled material, by March 2002.
		10. Increase the recycling rate in Star Markets to the level of Shaw's by March 2001.
Sainsbury's Bank waste and packaging		
		3. By March 2001, ensure good management to minimise waste, and maximum utilisation of recycling facilities where available, at all Call Centres.
		4. By March 2001, ensure all leaflets are recycled when they become obsolete.

Property and store operations

Develop, design and operate our stores and distribution centres to reduce their environmental impact while achieving customer satisfaction and business growth.

Key Performance Indicator: **Refrigerant volume held in Sainsbury's stores** (tonnes)



- CFC: R12, R502
- HCFC: R22, R408a, R409a, R403b, R401a, R401b
- HFC: R134a, R404a, R407a, R407c
- Ozone and global warming benign: Ammonia, HC Propane (R290)

■ Homebase is not included as its refrigerant use (0.423t HCFC R22 in 1999/2000) constitutes only 0.48 per cent of the total.

■ CFCs are shown separately from Ammonia and Propane as these substances are totally different in their effect on the environment.

■ An error in previous years' categorisation and calculations has been corrected, but this does not affect the total for each year.

■ Sainsbury's data includes Savacentre and is for "entrained volume", i.e. the amount held in the store refrigeration system.

■ **Refrigerant use:** While Sainsbury's is increasing the amount of refrigerant it holds in its store refrigeration systems it is moving to ozone-benign HFCs from HCFCs. However, in the light of the UK Government's recent request to consider alternatives to HFCs because of their effect on global warming, Sainsbury's is investigating alternative coolants with reduced environmental impact. Trials at its Kirkcaldy store using ammonia have been supplemented at its Greenwich store using propane. If these trials prove successful Sainsbury's will consider using alternative refrigerants in new stores. In the US, 98 per cent of Shaw's stores' refrigerants have been converted to HFC to date and the process will be complete by March 2002. In the Shaw's transport fleet, 27 trailer units which used CFC as a coolant were replaced by new units using HFCs.

■ **Sustainable design:** Design features trialled at Sainsbury's Greenwich store are now being introduced into some new and refurbished stores. Stores at Richmond and Cromwell Road in London have Combined Heat and Power plants. Sainsbury's is also considering using thermal mass, natural lighting and borehole water in several new stores being built in 2000/2001.

■ **Previously contaminated land:** Sainsbury's introduced Trackrecord™, a web-based information system, to enable it to identify risks and plan remedial work for previously contaminated land.

■ **Location:** Nearly 60 per cent of Sainsbury's stores are in town-centre or edge-of-centre locations; many of these are built on brown-field sites. With the formation of Sainsbury's Property Company in September 2000, environmental and social awareness will be combined in developing some of the UK's most innovative, new shopping, housing and leisure schemes. Typical of Sainsbury's intention is the new retail development in Tooting in South West

London where a supermarket is surmounted by a two-storey technical college and a car park is shared by shoppers and a neighbouring bingo hall. The store, which includes elements pioneered at Sainsbury's Greenwich store, was one of the first to be fully developed according to the DETR's planning policy guidance (PPG6) on town centres and retail developments, which favours town centre sites over edge-of-town and out-of-town sites.

1999 targets

Progress

2000/2001 targets

Sainsbury's property		
10. Achieve targeted reductions in the emissions to air from ozone depleting substances through a programme of continuous improvement.	Achieved Significant achievements made over the last three years.	Achieve year on year reductions in the emissions to air of ozone depleting substances.
11. Reduce the environmental impact of the water released to foul sewer, water courses or groundwater through a programme of appropriate drainage and control measures, and complete this in all stores by March 2001.	Progressing 246 stores' drainage retrospectively addressed to date.	Reduce the environmental impact of the water released to foul sewer, water courses or groundwater through a programme of appropriate drainage and control measures, and complete this in all stores by March 2003.
12. Manage the environmental impact of the land, develop policies in conjunction with statutory authorities and reduce further liability through site selection and remediation. By March 2000, complete outstanding action planning for trading properties, and identify the potential risks at non-trading sites, prior to producing action plans.	Achieved (first part) Develop policies in consultation with authorities and have site selection which includes remediation where appropriate. Deadline missed (second part) All trading properties documented. Database being set up for non-trading sites.	By March 2001, identify the potential risks at non-trading sites prior to producing action plans.
Homebase property		
7. Reduce the environmental impact of the water released to foul sewer, water courses or groundwater through a programme of control measures, and complete this in all stores by March 2001.	On target	No change
Shaw's property		
		11. By March 2002 eliminate CFCs from stores and the distribution fleet, and install refrigerant management systems in stores where not currently available.

Verification statement



To J Sainsbury plc

The 2000 Environment Report ("the Report") covers the majority of the J Sainsbury plc Group: J Sainsbury plc UK Retail businesses (Sainsbury's Supermarkets and Homebase), Sainsbury's Bank and Shaw's, the US supermarket business. The Directors of J Sainsbury plc are responsible for the content of the Report, including the reliability of the information presented, and for making available to us information necessary to carry out our responsibilities as verifiers. We were engaged to verify the Report to provide the directors with:

(a) an opinion on whether the information in the Report is fairly presented and not materially mis-stated; and

(b) comment on the current status of environmental management and reporting at J Sainsbury plc.

Basis of our opinion

Our work was planned and conducted to obtain reasonable assurance on the reliability of the information tested. It should be noted that there are no common standards for verification of environmental performance information and that environmental data are subject to a number of inherent limitations compared to financial data, due to both their nature and the methods used in determining or estimating the data.

Our opinion is based on the following work:

- a review of the balance and consistency of the information in the Report;
- a review of the internal controls at Group level related to information collected for the Report, to establish what reliance we could place on them;
- examination, on a sample basis, of evidence that supports the information in the Report; and
- examination of the aggregation and derivation of, and underlying evidence for, the Key Performance Indicator graphs and data included in the Report on pages 4, 6, 8, 10, 12 and 14.

Our work did not include visits to supermarkets or stores but was carried out at Group Head Office and through appropriate dialogue with J Sainsbury plc colleagues.

Our opinion

In our opinion, on the basis set out above, the information presented in the J Sainsbury plc 2000 Environment Report is fairly presented and not materially mis-stated.

Comments

During the verification process, we made a number of observations and recommendations on the reporting process and the wider development of environmental management at J Sainsbury plc, which we reported to management. The key comments made were:

- J Sainsbury plc has made significant progress in its development of environmental management since our verification of the 1998 Environment Report. In particular, as identified in the 1998 verification statement, environmental management for priority areas of impact has been integrated into wider business processes and target setting systems have been strengthened. Also, Group commitment to the Environmental Policy now extends beyond the UK Retail Business to include Sainsbury's Bank and Shaw's, the US supermarket business.

- There remain challenges for the Group to address in building on the progress made. In particular, further work is necessary to develop a more systematic and consistent data measurement and reporting process for internal and external reporting, and to formalise and document the roles and procedures supporting environmental management.

- Accepted good practice is moving towards the integration of environmental reporting with reporting on corporate social responsibility and sustainable development. J Sainsbury plc should consider building upon their existing initiatives to develop a more integrated approach to reporting.

PricewaterhouseCoopers
January 2001

Glossary

Bag for Life

A reusable strong plastic carrier bag, launched in June 1999, to encourage Sainsbury's customers to reduce carrier bag use and thereby the use of non-renewable oil-based resources. When their Bag for Life is worn out customers can return it to the store and receive a free replacement.

BiE: Business in the Environment

Set up in 1989 to promote the key role of sustainable development as a strategic, competitive issue for business. BiE is a business-led campaign for environmental responsibility, which operates under the auspices of Business in the Community.

Biodiversity

The variability among living organisms from all sources, i.e. terrestrial, marine, and other aquatic ecosystems and the ecological complexes of which they are part. This includes diversity within species, between species and of ecosystems.

Buy Recycled

A logo and campaign, launched by the Local Authority Recycling Advisory Committee (LARAC) in 1998 to close the recycling loop by increasing consumer awareness of, and demand for, products containing recycled material.

City Diesel

A low sulphur diesel fuel sold at Sainsbury's, developed to produce fewer pollutant emissions. City Petrol is a low sulphur petrol also sold at Sainsbury's.

CFC: Chlorofluorocarbons

A class of chemical compounds commonly used as solvents, aerosols and refrigerants. The gases are chemically inert but on entry to the upper atmosphere can decompose and attack (deplete) ozone.

EMAS: Eco-Management and Audit Scheme

A voluntary scheme for individual industrial sites introduced in April 1995. The scheme is established in both European and UK law. It is designed to provide recognition for those companies, which have established a programme of positive action to protect the environment, and who seek to continuously improve their performance in this respect.

EMS: Environmental Management System.

A systematic approach to managing and reducing an organisation's environmental impacts through a process of continuous improvement. Requiring: inventories of releases to the environment; inventories of legislative and regulatory requirements; assessment of environmental effects; target and objective setting for improvements; management plans; audits; verification and training.

EUREP GAP: The European Retailer Produce Working Group

Representing leading European food retailers, EUREP is a technical working party aimed at promoting and encouraging best agricultural

practice in the fruit and vegetable industry. Its GAP Protocol sets out a framework for Good Agricultural Practice on Farms and is a means of incorporating Integrated Crop Management practices within the framework of commercial agricultural production. EUREP has a commitment to independent verification to ensure consumer confidence in fresh produce is maintained.

FBAP: Farm Biodiversity Action Plan

A new approach to conservation for the whole farm. It embraces the needs of endangered and more common species in the context of overall habitat conservation and restoration. It enables the farmer to encourage and protect rare and threatened species as well as reduce the environmental impact of their farming operations.

FSC: Forest Stewardship Council

An alliance of environmentalists, industry, foresters, and indigenous peoples groups who defined general principles of good forest management. The trademark of the FSC indicates that the wood has been independently certified as coming from well managed forests.

Genetically Modified Organisms

Products or ingredients obtained from plants with artificially interchanged DNA sections, either from individuals of the same species or from different species.

Halons

Inert gases that are used primarily for fire extinguishing. Ozone damage potential relative to CFCs is 3 to 10 times greater.

HCFC: Hydrochlorofluorocarbons

Used as a replacement for CFCs in refrigeration. Ozone depleting potential is 10 to 50 times less than CFCs. Recognised as having a potential global warming effect.

HFC: Hydrofluorocarbons

A non-ozone-depleting chemical used as a CFC replacement. Recognised as having a potential global warming effect.

ICM: Integrated Crop Management

The use of biological and natural methods for the selective control of pests and diseases. In addition, ICM employs forecasting and monitoring techniques, crop rotation, disease and pest resistant varieties and staff training to minimise the use of pesticides. Pesticides are used only when necessary and are treated against specific pests or diseases with localised treatments where possible.

KPI

Indicators which are the specific measures of an individual aspect that can be used to track and demonstrate performance. Key Performance Indicators used in environmental management generally indicate progress in reducing the most significant environmental impacts of an organisation while measuring progress towards a more sustainable future.

MSC: Marine Stewardship Council

A non-governmental organisation that is developing an independent means of assessing fisheries against social, economic and environmental criteria. This will ultimately lead to third party, independently certified fisheries and fish products.

Organic food

Organic food is produced to clearly defined agricultural standards. The official principles of organic production encompass: working with natural systems rather than seeking to dominate them; the encouragement of biological cycles involving micro-organisms; soil flora and fauna, plants and animals; careful attention to animal welfare considerations; the avoidance of pollution; consideration for the wider social and ecological impact of the farming system.

RealMT: Realtime Monitoring and Targeting

RealMT is an on-line energy monitoring and targeting tool installed in Sainsbury stores. RealMT produces next-day reports on any abnormalities in energy use and communicates these to store management via e-mail. This allows them to rectify the fault quickly thus avoiding unnecessary energy use. Developed by Sainsbury's, it was the first system of its kind in the UK.

RECOUP: RECYcling Of Used Plastic Containers

The UK's household plastic container recycling organisation which was set up in 1989 to promote and facilitate post-consumer plastic container recycling in the UK and to overcome technical and economic barriers to growth.

SSSI: Site of Special Scientific Interest

SSSIs are the best examples of our natural heritage of wildlife habitats, geological features and landforms. An SSSI is an area that has been notified as being of special interest under the Wildlife and Countryside Act 1981. Powers to strengthen the protection of these areas are included in the Countryside and Rights of Way Bill currently before Parliament.

Sustainable Development

Development which meets the needs of the present generation without compromising the ability future generations to meet their own needs.

TNS: The Natural Step

The Natural Step is an international organisation with a vision of the socially and ecologically sustainable society. It aims to develop a planning methodology known as The Natural Step Framework, support its implementation in organisations and provide a forum for dialogue.

VOC: Volatile Organic Compound

Organic compounds, which evaporate readily and contribute to air pollution directly or through chemical or photochemical reactions to produce secondary air pollutants, e.g. ozone.

Useful contacts

If you have any comments or questions regarding this report please contact:

Alison Austin OBE
Senior Manager
Environmental Management Department
Sainsbury's Supermarkets
Stamford House
Stamford Street
London SE1 9LL

E-mail: Alison.Austin@tao.sainsburys.co.uk

Further copies of this report, our Annual Report and Accounts 2000 and our Interim Report 2000 are available by calling freephone: 0800 387504

Information about the Group may be found on the Internet at:

www.j-sainsbury.co.uk



J Sainsbury plc · Stamford House · Stamford Street · London SE1 9LL