

Sainsbury's ESG Event, 17 June 2021

Presentation

Simon Roberts

CEO

Good morning, everybody, and welcome to today, a welcome to Plan for Better, Sainsbury's ESG event. My name is Simon Roberts, the CEO here at Sainsbury's, and I really want to thank you for joining us here this morning. We've got many people joining us today, I think a real reflection of how important this agenda is for our business, for our shareholders, for our customers and, of course, for all our colleagues here in Sainsbury's.

We feel really bold and determined together about the commitments we're making right across the ESG agenda. We feel determined about what we're going to do, and we feel determined too about really actively collaborating across our sector, the industry and wider society to effect positive change at this point in time. That's one of the key reasons why we're very proud to be part of COP26 as the principal supermarket sponsor.

Well, this morning, we've got an action-packed agenda. We're going to cover already three things. First of all, after my introduction onto our purpose and strategy, we're going to share with you all of our plans and priorities right across our ESG agenda. Later this morning, we'll have an interactive conversation with members of our Board, really answering your questions that come in through this morning, and then of course, after lunch, a breakout session to dig deeper and explore further onto some of the key topics.

A request right up front - we really want to hear from you this morning, so please share your questions, thoughts and comments, and we'll come back to those during the Q&A later this morning. So to start, well, looking ahead, I really want to start here with our purpose, because of course, compelling purpose is the cornerstone of being a successful, sustainable business. To be purpose driven - businesses that are purpose driven have higher market share, grow faster and have higher customer and colleague satisfaction. This is incredibly important to all of us here at Sainsbury's. It's the very fabric, we believe, of why we exist, to have a clear, compelling purpose.

Also, it helps us make bold decisions about what we're going to do, and just as importantly, what we're not going to do. So over the last number of months, we've been reflecting on where we are and what we stand for with our customers, our colleagues and all of our stakeholders. Our purpose is to be driven by a passion for food, but

together, we will serve and help every customer. That means helping everyone make healthier and more sustainable choices that are good for you and good for the planet, too. It means being a really inclusive business, for everyone.

So to start this morning, I'd like to share with you a brief film that really brings alive our purpose.

[Video playing]

So we have a clear purpose, to be driven by a passion for food, together to serve and help every customer. And so building on that purpose, I want to turn now to our strategy and the value creation priorities that we announced last November. Our priorities are food first, brands that deliver, safe to invest, underpinned by being connected to our customers, and Plan for Better is our integrated strategy to really put food back at the heart of Sainsbury's. Together, we're going to cut complexity and drive real focus into our customer offer, to become a stronger, more sustainable business.

As you can see, Plan for Better is our strategic priority that brings together all of our ESG commitments. We're working hard to fully integrate across our strategy and really think about how we create value as a result. Of course, we need to do that now, because we know the world around us faces many challenges. The impact of the food system on the planet is complex and a major contributor to the climate emergency. Clearly, the environmental and social backdrop is very challenging. Global warming is accelerating climate change. The population will grow from around seven billion to around 9.7 billion within the next 30 years.

We know that climate change is a threat to the planet on an unparalleled scale. Of course, demands of the food system and on the food system will continue to grow exponentially. The food industry accounts for 25% of global greenhouse gas emissions, and is by far and away the largest driver also of biodiversity loss and natural resources use, especially water.

So there's a material risk to people, to business and to the planet, and it's escalating rapidly. So as the second-largest UK food retailer with global food supply chains, we've always taken responsibility to be part of the solution. We've a strong track record, but it's clear we need to act now with real focus and with real urgency. That strong track record is shown here. We're proud of our history and our values and of the action we've taken over time.

We've made an important contribution to sustainable development both in the UK and internationally, to land lasting, positive change in the communities we serve and we source from. We were the first retailer to move on a number of very important issues. We were the first to remove plastic bags from produce and baker aisles, the first to introduce traffic light labelling. We've been working to develop co-funding projects supporting smallholder farms, improving working conditions, income and employment for factory workers, and we've introduced new governance to ensure full oversight of the social and sustainable sourcing issues across human rights, sustainable supply chains and in supporting communities and championing diversity and inclusion.

As you can see, we've done a lot over recent time, but now is the time to set higher expectations of ourselves and be bolder in our ambition about the difference we can make. To do that, we're going to listen, and we are listening and adapting more than ever. It's really clear, isn't it, through the COVID last 15 months of the pandemic, we've

learnt so much about the power of listening to all of our stakeholders. As the situation has changed dynamically and quickly, so too we've listened differently to build real agility in our response and to make sure we continue to do the right thing.

Engagement and partnerships are absolutely critical to us, and of course, all of our stakeholders contribute to the economic success of the business. It's really clear that businesses with good and clear ESG strategies are more successful, and the commitment to be transparent and open and learn about the issues we need to work on is absolutely front and centre. A clear purpose and clear ESG commitments also are critical in increasing the engagement with all of our colleagues, and it's clear that leads to improved productivity, and very importantly, attracts more great talent into the business through greater social credibility.

So turning to our customers, well, of course, we face lots of challenges in diet and improving healthy and sustainable eating, and we really want to support our customers in the choices that they make and really make sure that we're delivering. Now, COVID has increased the focus in this area, and of course, customers have been thinking a lot about how they eat and the choices that they make. There's a higher expectation that we're going to trade fairly and ethically, but of course, changing eating behaviour takes time. It's challenging, because for many of us, all of us, we have a limited repertoire of the number of dishes that we cook, around six recipes. We have a fear of causing waste and of getting recipes wrong, and only 25% of us eat enough fruit and vegetables.

So the context here is that customers are a little unsure. We think we can really help. If we can move towards eating the Eatwell Guide, together, we can reduce greenhouse gas emissions by 31%. So there's a real opportunity here to drive change, to really [endure] the habits that have built up through COVID, as customers shop and cook and eat food differently. Scratch cooking, less waste, more sustainable ways of eating healthier and more sustainable diets.

So this morning, we'll talk about integrating sustainability into our brands, and Mark will cover this shortly. Real opportunities to support our customers as they want to eat more sustainably and more healthily. For our colleagues, too - well, colleagues want to work in a business, of course, that makes the right choices, that does the right thing. We see such opportunities to leverage the energy and discretionary effort of all of our 189,000 colleagues that work in our business.

Businesses with strong social conscious and environmental responsibility, as I say, of course, attract and retain the best talent. We're incredibly fortunate in our business to have colleagues that are so passionate about doing the right things for customers and communities. 91% of our colleagues believe that we really do focus on giving the best service we possibly can, but they're asking us to do more, and that's why we're integrating our approach to ESG with all of our plans to make sure everything is really joined up.

We're also linking our ESG approach to incentives and performance management, so the summary here is we have a team that are really ready for action, colleagues that are really up for the challenge, and our job together is to unleash the passion and energy and commitment behind our purpose to drive and build positive change.

When we think about the context in front of us, there's a lot ahead, and you can see on this slide that the Government are setting ambitious targets, and a lot of legislation in front of us, the demands and the expectations are growing. The expectations are

growing, too, across all of our stakeholders, and that's why we must hold ourselves to account and be bold on the changes we're going to make.

Shareholders are expecting us to really push forward in bringing ESG and our strategy to be really integrated together, and it's very clear, too, that everyone is expecting a new level of listening, partnership and collaboration to really drive impacts where there are the most material opportunities. And so talking about materiality, well, that must inform our approach. We've got to be focused on the factors with the greatest impact, and so we've spent time completing our own materiality assessment to be really clear about where those priorities are.

We've assessed where we can add and make the greatest impact, and we've prioritised, as you can see here on the top right-hand side of the chart the key areas we're going to make and drive most of our attention. We're going to be focussed in areas like packaging, carbon, food waste and health, encouraging healthy and sustainable diets. These priorities will ensure that we can have impact and realise material benefits, reducing costs, growing our business and making sure they do the right thing at pace.

So turning to Plan for Better, our plan for today, what we're going to cover with you this morning, let's talk about what this means. Well, COVID really has accelerated our ESG agenda and the importance of building and planning for a sustainable future. We've been really compelled to think differently about our impact and about how we govern and drive our plan forward. So Plan for Better is being born really from a clear understanding about the actions we need to take. Let's talk about the three key components - Better for You. That's about helping everyone to eat better and really championing healthier and more sustainable diets.

Better for the Planet, that's delivering our net zero goals, as you can see here, across the key areas that we announced last year. And then Better for Everyone, this is about championing human rights, about community and partnerships, skills and opportunities for all, and being a really inclusive place for everyone to work and shop. At its heart, Plan for Better is about galvanising our whole business, our strategy, all of our colleagues behind our purpose to deliver where it matters most. And we've set ourselves some bold and ambitious targets to make change and positive impact happen at pace, and you can see here, and we will cover through the course of this morning, the commitments we're making and the targets we're setting ourselves to drive and effect positive change across Better for You, Better for the Planet, and Better for Everyone. We'll talk these targets in detail this morning, and we'll come back to them as part of the Q&A later on.

So, in summary, we are fully integrating ESG into our business strategy, our operations across our business and our leadership. We are actively listening to all of our stakeholders to drive the level of change required. Never has it been a more important time to act collaboratively and to listen to how we can work together. We're setting clear targets and bold ambitions to drive a level of change in the difference we can make, and we're going to take clear accountability across our business to lead and effect this transformation, starting with our Board.

We're really committed to collaboration, to build on all we've done in the past and to make a real difference beyond our business, in society and across the wider industry, and together, we're going to effect really positive change to make the difference that we

see as possible. So clear value creation priorities underpinned by a purpose, the Board and I are committed to live around Plan for Better and to achieving climate resilience.

We're going to demonstrate how fundamental this is to delivering and creating long-term value creation. The team this morning are really looking forward to sharing with you all of our plans and ESG commitments, and so I'm now going to hand over to Martin, our Chairman, to talk about how we're governing our plan and ensuring clear accountabilities.

Martin, over to you.

Martin Scicluna

Chairman

Thank you, Simon, and thank you to all of you for joining us today, as we share how we're approaching these important ESG issues. Being a sustainable business is something that I and the Board feel very passionate about. We know that it's top of our colleagues' and our customers' minds, and we know that it's increasingly top of your mind.

For these reasons, sustainability isn't something that sits within one team, on one side, at Sainsbury's, but something that is embedded at all levels across the business. My colleagues will come on to talk in more depth about the specific commitments we're making progress on, but before they do, I'll talk you through our robust governance structure.

We've set up working groups for each of our key areas of focus, with clear objectives and leadership. These report into a dedicated corporate responsibility and sustainability steering committee, which is chaired by Mark Given, our Operating Board Member. And there is membership at director level for each commitment across all areas of our business. This steering group focusses on the operational delivery of our plan and ensuring progress is made against our commitments.

The steering group reports quarterly to the Operating Board, and then into our CRNS Commitment, which Jo Harlow, a Non-Executive Director, has been Chair of since 2018. I'm a member of that committee, along with our CEO, Simon Roberts, and Keith Weed, a Non-Executive Director who joined us last summer. Finally, the PLC Board, which I chair, receives regular updates on the strategy, and importantly, on the progress against our targets.

Slide 2, please. There are some key aspects that we've been focussed on to ensure we're strengthening our strategy, being clear and transparent on performance and continuing to upskill Board knowledge. Last year, we signed up to the Task Force for Climate-Related Financial Disclosures and have been implementing its recommendations to build climate resilience throughout our business and value chain. This year, we're extending scenario analysis from our direct operations to our value chain, and importantly, we will ensure the learnings from this work are embedded into our business strategy. As well as reporting against our own ESG plan every six months, we've just published our first disclosure against the Sustainability Accountability Standards

Board, SASB, which we know is an important step to help stakeholders understand relative performance across our industry.

As a Board, we recognise that we have to upskill and educate ourselves on sustainability issues, and we've undertaken robust training on ESG matters, led by the Cambridge Institute for Sustainability, and will continue to do more of this as we continue our efforts to minimise the impact of our business on the environment, while supporting the communities in which we operate. Next slide, please.

To ensure clear accountability and delivery against our plan, this year, we've taken a bold step forward and have set remuneration targets, linked directly to delivering on our five priorities for 1400 senior leaders, including the Board. We know delivering against our priorities will require collective effort, and our leaders have a clear part to play and will be rewarded accordingly with performance assessed against our eight KPIs over three years, including two linked to environmental and two linked to social metrics.

While we have a number of Plan for Better commitments, we started by linking remuneration to plastic and carbon reduction, colleague engagement and representation. We've already published and set specific three-year targets for these areas. For the maximum pay-out, the targets are stretching and require us to outperform our stated long-term targets. I want to stress that Simon and I are both ultimately accountable for our sustainability strategy, and are hugely focussed on this as a strategic priority for our Board.

I will now pass you on to Mark Given, who will talk more about how we're integrating sustainability into our brands and customer communication. Mark, over to you. Thank you.

Mark Given

Chief Marketing Officer

Thank you, Martin. Good morning, everyone. My name's Mark Given, and as Chief Marketing Officer, I lead the marketing and loyalty across all our brands and have Operating Board level accountability for all our ESG strategy and plans. Now, in that role, I absolutely see it as my job to make sure sustainability is at the heart of all our brands. We absolutely believe that good financial returns go together with brands that are imbued with purpose and purpose that's built on a foundation of strong sustainability commitments.

Now, that's true on all our brands, on Argos, on Tu, on Habitat, on Nectar and the bank, but for the rest of this session, I'm going to talk to you about the fundamental repositioning of the Sainsbury's brand that we've worked on for the last couple of years and launched very recently.

Now, if you study the history of this brand, and I have, I'll admit, to a great extent, you'd argue that we are at our best when we're at the heart of Britain's relationship with food. When the Company was founded in 1890s, it was about getting safe food into London. In the 1940s, the country was at war. We had to feed the nation. We've got in our archives the letter from John Sainsbury, outlining to the Government his proposals for what became rationing.

In 1970s, it was about the rise of science and food, the rise of dinner parties and colouring delights like Angel Delight and Smash that I remember. In the '80s, Sainsbury's brought the first avocado or the Moussaka ready meal. In the 2000s, it was about informal eating, actually, a more relaxed, democratic eating, inspired by Jamie Oliver.

So the question we asked ourselves is, where's Britain's relationship with food today? We spent the last couple of years fundamentally talking to customers all over the UK, nutritionists, academics, lots of government bodies to get under the skin, and I think the only conclusion you can reach for that is that our relationship with food is increasingly a broken one, and increasingly, it's taken its toll.

It's taken its toll on our health. Despite having lots of recipes, lots of books, lots of content, most UK households have about six recipes in their repertoire - fish and chips, roast dinner, spaghetti Bolognese, and despite us talking about five a day for many decades, only 27% of people meet that criteria. The cost of obesity to the NHS is huge, and shockingly, 30% of children leave primary school already overweight or obese. And be in no doubt, as a business, we face a significant amount of increasing regulation in this area. Next year, the HFSS legislation will regulate what we can broadcast and a huge amount of restriction on the placements in our store.

You also heard a little bit from Simon earlier, and you'll hear today, all the fundamental impact that our diet is having on climate change. 25% of global greenhouse gasses come from food. It's a huge contribute to methane in the UK, and food waste itself is an area we have to tackle.

However, where are customers in all of this? And I brought some quotes that bring to life the themes that we've heard. Top right, I love this one - my kids should eat more fruit and veg, but by seven p.m., I've given up trying, and if it goes in the bin, that doesn't help anyone. I'd like to cut my footprint, but I've really no idea what foods are better for the planet. I'd eat more veg, but I don't really know how to cook it to make it come across as delicious and tasty. A perception that healthy, organic food is expensive and for those who can afford it, and I know I need to eat healthy, but healthy food can seem so joyless. Food should be about taste and indulgence and joy as part of that, as well.

Now, the good news is that a diet that's better for us is also better for the planet, and actually, the Eatwell Guide, if we can move the nation closer to that, will not only hugely improve health but also reduce greenhouse gasses by 31% across the UK, so a fundamental link between those two that we think's quite a powerful relationship to educate customers behind. So this is how we got to our new brand purpose, Sainsbury's helping everyone eat better. It's our brand strap line. It'll be part of our communications, but it's more than that. It's the north star for an entire food business. It's what we're going to do to help the people of the UK.

So how are we going to bring to life helping everyone eat better. Well, let's just talk a little bit more about what that means. Helping is a very active verb. It's not just about showing. We really have to close the gap between aspiration and action. It's about everyone. All of us could eat a little better, no matter how much time or money that we have. What do we mean by eat better? Healthier, tastier, more sustainable food, cooked at home and enjoyed together.

Now, under that, we talk about the four pillars that are going to bring this to life across our business. The first one is eat better. Help everyone eat more healthy, sustainable food. The second one is drive our value perception for the business, but also show that actually fresh, healthy food actually is affordable for everyone. Innovation's going to play a huge role, showing people the exciting, innovative food we're bringing, and increasingly, health and environmental trends are driving a huge amount of our innovation agenda.

Finally, on Plan for Better, customers absolutely expect us to practice what I preach. They want to hear what we are doing to reduce the environmental impact in our business, and that's something we'll talk about. Now, I'd like to bring some of these pillars to life with some of the customer communication we've launched the last month, and I'll start with the first pillar, which is eat better.

As we dug into this a bit more, we came up with this positioning. I suppose it's a bit of an internal manifesto. So better, one plate at a time. Helping everyone is a big ambition, but big doesn't have to be daunting. We don't have to find the silver bullet that will fix it all, because the truth is, there isn't one. Eating better comes in all different sizes. Real change comes about bit by bit, plate by plate. Each step might seem small, but if we bring everyone along, change will be massive.

A campaign of bitesize steps everyone can get on board with - big campaigns, social challenges, recipes, nectar points. Everything we do will be nudging the nation to better bit by bit. We're on a mission to help everyone eat better one bowl, one glass, one plate at a time.

I'd just now like to show you the launched TV advert that we went out with a couple of weeks ago to kick the campaign off.

[Video playing]

Great, I hope you enjoyed hearing Stephen Fry's dulcet tones in that advert. We've been really pleased with the reaction from customers, but actually with our colleagues and the galvanising impact it's had. I just want to show you some of the other elements.

We went with this very big, bold message, outdoor in press, let's eat the world better, one plate at a time. We also spent a lot of time and thinking about how we get people to do it. This example, we picked a very simple everyday ingredient, peas, and we show an interesting fact on sustainability and health. Peas, not just packed full of protein, but they help nourish the soil as they grow, too, so let's make a difference one plate at a time. A delicious plate of pea pesto pasta, and then a QR code - QR codes are back with NHS COVID, showing people how they get straight into that recipe.

Or this one, broccoli, the green hero, is not just a good source of energy-boosting vitamin C. Its roots also boost the health of the soil as it grows, so dig into more broccoli, and let's eat the world better, one plate at a time, and delicious and very simple broccoli frittata that I've certainly had a go at cooking with the family. It's also important that we show fresh food's affordable. This is aubergine. We show a delicious serving recipe and really great price matched to Aldi, so people absolutely can afford that fantastic fresh food.

Then actually, just this week, we've launched a few executions like this on the left. This year, we're moving all our teabags to plant-based teabags and removing the plastic

wrap, and we're showing people how one small change can make a huge impact. That's 859 million brews compostable now, one teabag at a time.

On the right hand side, this year, we're going to pick 297 tonnes or 12 million plastic items directly from the UK's coastline, working with a partner, and we're going to use that to make a significant portion of our fish packaging. We've got a whole range of these, but actually starting to show people what we are doing to make change within our business as well.

So I've started with outlining our big ambition on helping on eat better. I've talked how we'll bring that to life across the various pillars and shown you how we're going to bring this to life with our customers as well. At this point, I'm going to hand over to Nilani, who's going to talk about health and sustainability diets. Thank you very much.

Nilani Sritharan

Healthy Living Manager

Good morning, everybody, and thank you, Mark, for that. Hopefully, you've really got a flavour for just exactly how we plan to help inspire people to eat healthy and sustainable diets. I think as a nutritionist, it's really great to be part and really exciting to see all of this come to life. My name is Nilani, and I have the pleasure of leading our work on healthy and sustainable diets here at Sainsbury's, and before I come on to talk about how we plan to do this, I actually want to take a moment to reflect back on all the great work we've been doing up until this point, and why we feel that we have great credibility here.

So delivering quality food at affordable prices has been part of our purpose for over 150 years, and health has been integral to that. You can really see that example here and why we have such a strong track record on health. On product, we've been doing a lot of work to really think about customers' health needs, whether that is in terms of Free From ranges that we launched back in 2002 or our Be Good to Yourself range of healthier products.

But we also take our responsibility as a retailer seriously, and taking that health by stealth approach, so for example, really looking at reformulation across our portfolio of products has been really key over the last 15 years. As one example of that, we've reduced sugar by up to an average of 20% across the five products - five categories I should say, making the greatest contribution to sugar through our own brand sales. I think that's a pretty impressive amount.

We've also gone beyond product, so we've thought about ways in which we can help make the healthy choice the easy choice. Think about back in 2005, where we were leading the way with putting colour-coded front of pack labelling on our packs, with the Wheel of Health. Since then, and certainly for the last 10 years, we've had calorie labelling at the point of choice in our cafes. We also cased doing multi-buys back in 2016, and so when you think about the fact that the government is only just beginning to regulate in many of these areas, I think we're very well placed to anticipate that.

Now, when we look ahead and we think about what is it going to take to really step-change our efforts, to nudge customer baskets towards healthy and sustainable choices, we have to first think about, well, what is it that is a healthy choice? That will be

fundamental to our work here. Now, there's no disputing what is a healthy diet, but actually, when it comes down to a product level, there are more than 78 different ways to define that globally.

Here in the UK, we have one way - multiple ways, but one of them is the nutrient profiling model, which allows you to really determine whether a product is high in fat, sugar or salt. The problem with that model that it's really binary, and you can see that shown here. You're either healthy or you're not, and if I pull out a few examples just to illustrate that point, if you look at the healthy end of things, we've got whole grain bread that fares just as well as a white grain pita product.

Equally, when we look at things like ready meals, 90% of our ready meals actually pass this model, even if they are sold in large portion sizes and have red traffic lights on the front of pack. That means that they're healthy enough, so why continue to reformulate those? There are also healthy products that fall foul of that product, so you can see here things that naturally contain some fat, like mackerel, nuts and even whole milk.

So I think for us, if you're really looking to help nudge customers along a spectrum of health, this isn't the right model for us. So we have worked with experts, and we have really looked at government targets for a number of different priorities for health, and we have developed this model here, which works to really set a spectrum for health, going from the least healthy choice to the most healthy choice. If I give you the bread example again, looking at garlic bread versus the white pita bread versus the whole meal bread, we can see how that really spreads across the spectrum.

Even for things like breakfast cereals, we see that the products that have the highest fibre and actually deliver against reformulation targets for sugar and salt, are rewarded with the highest rating. These products we will evaluate against portion size, against reformulation targets, against whether or not they actually feature as part of the Eatwell Guide, and so that allows us to really look at where those products fare.

Using that insight, we've been able to really set ourselves a target. We can use that to analyse our portfolio and say, how do products fare. So today, I'm announcing that we will be working towards a target to deliver at least 83% of our total portfolio - total sales, in fact, to be from healthy and better for you choices by 2025.

Now, we've split that into really driving sales both across healthy and better for you choices, so we're seeing real stretch across the scale. That includes branded and own brand products, and we'll be reporting on that in terms of tonnage, so volumetric sales. I think it's important to state that we're starting from a really strong baseline, so have a look here. Given all those decades of work in health, we can see that 55.6% of our products are truly healthy or our sales are truly healthy. That's a great starting point.

But we don't shy away from the fact that this is going to be really challenging to hit. There are market headwinds to consider. 100% of some product categories are already healthy - take, for example, fruit and vegetables. So we're really going to have to look at growth in some categories, and in others, the vast majority of those categories that are left, we're going to have to step change things.

So we're going to have to look at how do we shift from unhealthy sales into better for you sales and healthy sales. Now, that insight gives us a really unique way to look at how the primary shopper basket fares versus the Eatwell Guide, the ideal, and that's really because we've got this great Nectar data. What you can see here is that when we

look at something like dairy, proportionately, customers are having almost double the ideal, but by contrast, when it comes to the plant-based choices, take a look at fruits, vegetables and grains, we can see that we've got to really increase customer purchases by at least a third, if not double in some cases. And of course, we also need to look at the treats, the discretionary items in the basket, to proportionately balance that out against the Eatwell Guide.

Uniquely as well, that insight allows us to go into one food group - take for example on protein - and be able to see who is under-consuming or over-consuming, so that we can be much more material in our efforts and we can really be targeted in our initiatives. Now, I'm pretty sure that most of you watching today will be particularly interested in what we're doing on plant-based choices, and I can say that following the request from [Fare] that around 10% of our protein and dairy tonnage comes from plant-based choices.

That's not surprising when you think about the sheer range that we offer, the protein diversity that we make available, and indeed, the fact that we've now increased the range in our chiller section to prioritise some of these products. But when it comes to setting an actual target on this, the things that we have to consider are, it's pretty challenging actually. How do you define plant-based choices? Even a chocolate could be considered a plant-based choice, and there is no common definition for that.

Equally, when we think about it, we look at market trends, and we can see that they show that around 50% to even 1000% growth by 2025, so who do you actually even start to set a challenging target here? For us, any target must really consider protein diversity but also things like the environmental impact of those choices, and also their healthiness, too, because we know that meat mimic products tend to be equally high in fat and salt, and so are they really a better choice than the meat they are replacing? So for now, we will continue to disclose those sales, and we will wait until the National Food Strategy comes out before we look to set a target in this space.

Now, that's about data, disclosure, targets, but you're probably wondering, well, what does that mean you're actually going to do. For us, there are really three priority areas, so on product, we will continue to develop exciting, healthier choices and to reformulate as part of our armoury. We will also look at making the healthier choice more affordable, and Mark talked about that earlier.

So within Aldi, we - and our Aldi price matching programme, we have at least 30 fruits and vegetables that are available, price matched to Aldi. But on top of that, we're also looking at promotions, so for example, here you can see the 60p veg campaign that we ran in January on more unusual fruit and veg, really to try and get customers to increase their repertoire and try something different.

Finally, on incentives, we really think this is going to be critical to nudging customer baskets towards those healthier and more sustainable choices and we've seen good evidence that it seems to work pretty well. We're going to look at it in two ways, both to incentivise the clients, but also to incentivise customers and here you can really see how we're doing that with our fruit and veg challenge, which is in market at the moment, using things like gamification, personalisation data playback and even messaging and points to reward customers for putting more fruit and vegetables into their baskets.

Now, no business can do this in isolation. These are pretty big issues that we're dealing with here and so it's no surprise to say that we are very much collaborating with a lot of the groups shown here. Whether that is looking at data, infrastructure, insight and the evidence on where to act but also, most critically, how do we start to set some of those common standards for things like plant-based choices or identifying what a sustainable choice looks like. In doing that, we believe that we can work both here in the UK but also globally to make that healthy sustainable choice a common standard. By doing so, we think that that will help to make those choices much more affordable.

So hopefully I've taken you a bit through how health is a part of our food first strategy and how we're really hoping to work across the food system as part of this critical transformation. With that, I'm going to hand over to Patrick and Rhian who are going to take you through our Plan for Better and how we are reducing our carbon footprint. Thank you.

Patrick Dunne

Director of Property and Procurement

Hello, I'm Patrick Dunne, Director of Property and Procurement for the Group. Today I'm going to talk to you about our Scope 1 and 2 greenhouse gas emissions and later my colleague, Rhian, is going to talk to you about our Scope 3 targets as well.

Sainsbury's has a long history of understanding our carbon emissions and over the last 17 years, we've reduced our carbon footprint by about 47%, but at the same time, we've increased our space by 46% and that has come about as a number of initiatives. An example being our solar panels on our roofs. We've 237 supermarkets that have 41 megabytes of electricity being generated and that's all come about mainly over the last 10 years, we've invested a substantial amount of money on over 3000 initiatives. But what we're really proud of is our carbon disclosure project Grade A rating. For the seventh year in a row, we've had a Grade A, the one and only UK grocery retailer, European actually, retailer to receive a Grade A in seven years in concession [sic, succession].

But today, as I say, I'll talk to you about Scope 1 and 2. Rhian will talk about Scope 3. We have been working very closely with the Carbon Trust, because we know what we've done is not good enough. We know we need to go further and we've sent science based targets that have been approved by the Science Based Target initiatives that aligns for us to be net zero by 2040. Of course that aligns to the highest ambitions of the Paris Change Agreement and over the next 20-odd years, we're going to unpin that with investment and of course it's going to be investment that's economically right for the business, but also saves carbon and greenhouse gas emissions.

But of course before we start on any journey, it's clear that you need to understand where you're at today and we measure at a very micro level and here you'll see the macro level where our carbon is generated: 32% comes from our logistics operations; 36% from our electricity that we use across our state; 17% from our refrigeration; and the gas we use generates about 15% for our heating. So we understand where it comes from and our strategy really is founded on three principles. Finding alternative fuels

that are more carbon efficient. For the energy we use, how to make that more efficient. And thirdly, how we buy in and use more renewable energy.

Across the years, as we said in January 2019 when we launched our net zero, using existing technologies, we can see a route, a pathway, to remove 40% of our carbon, which basically means we need to find new technologies, new partnerships and new innovation in order to get to net zero. So working along that 40%, as I say, some of the innovation we're looking at, looking at the logistics fleet, we're looking at alternative fuels for zero carbon vehicles for our fleet of the future, but not only that, we're investing highly in technology for our current fleet to make sure that that fleet is optimised and is efficient in getting to its destinations as possible.

One of the most proud things we're doing is taking hydrofluorocarbons out of our refrigeration. We have almost 350 supermarkets now where our renewal programme for refrigeration is replacing hydrofluorocarbons with new technology refrigeration with gases that are more environmentally friendly. Every time we do that, we convert a store, we take 1500 tonnes of carbon out of our estate.

By far the largest investment for us has been LED lighting. We've spent over £180 million over the last number of years, we committed two years ago to have all of our stores to be LED lit and I'm pleased to say that, by November, all supermarkets will be LED lit as we committed. Then the following year, we hope to get the rest of the estate converted as well. Now just to put it in perspective, LED lighting reduces the electricity utilised in the store, a full supermarket, by 20%. It actually reduces the lighting electricity by 60%, so it's good for the planet, good for carbon, but also good for costs because we're using substantially less energy, hence energy efficiency is really at the heart of our programme.

But looking ahead, of course it's clear that renewable energy is something that we really need to focus on as well. I'm pleased to say that today we have 20% renewable energy. As I talked about earlier, we have 237 supermarkets that generate 41 megawatts of electricity and we'll continue to invest where appropriate where that makes sense, to add more solar farms on our estate. At one time many years ago, Sainsbury's had the largest multi-sided state in Europe for solar farms. So it goes to show you the heritage that we have but yet we continue to roll out new stores and we'll put solar plants on the roofs where it makes sense.

I think the key pillar for us going forward, though, is our procurement strategy. At the moment, as I say, we have 20% renewable. We've improved that 3% year on year and we're working on some exciting discussions which is a little too early to communicate today, but over the coming weeks and months, I hope to bring some exciting news about our energy renewable strategy going forward.

I just wanted to show here actually what or Scope 1 and 2 footprint actually is. We started a number of years ago with 950,000 tonnes as measured under the Science Based Targets and we made substantial improvements in Year 1, 841,000, 11%. Last year was a difficult year for all of us. But we still managed to improve by 3%. We had great improvements on our refrigeration, on our electricity usage, but of course our logistics fleet was very busy, we had 8% increase on our carbon emissions there. Of course supporting the government's COVID-19 programme, we were flushing our stores more frequently with fresh air and of course our heating bills had to increase to make it comfortable for customers.

But as I say, it's fundamental that we understand where we're at. We're still well ahead of where we need to be, roughly about 56,000 tonnes, if we were to meet net zero by 2040. But key to achieving net zero is collaboration and innovation. We've been working for many years with many partners. As I say, one of our great projects was with Williams Advanced Engineering of Formula 1 fame, where we have invested in our refrigeration, designed a unique aerofoil that, having invested £9 million, reduces the energy consumption of all of our fridges by 15% and saves about 15,000 tonnes of carbon per store.

The good news is, that has been rolled out across the industry now. All of our competitors are now adopting that technology and it was the first with Williams and Sainsbury's many years ago. So we'll continue to innovate, have projects. One of our great partners is Imperial College, where we're working on many decarbonisation projects and hopefully some of those projects will become the technologies of the future and hence help us get to net zero.

Lots to do, exciting plans ahead, I will come back and talk to you in the near future when we meet again about our renewable strategy and also our customer vehicle electric recharging. We're in exciting discussions at the moment. All of our new stores have the latest electrical vehicle recharging, but we are in some exciting discussions with a number of partners with a plan to accelerate our customer charging in the near future. So watch this space and I'll come back to and talk to you about those two elements. For now, I'll hand over to Rhian who will talk to you about our Scope 3 emissions and how we'll reduce by 30% by 2030.

Rhian Bartlett

Food Commercial Director

Thanks Patrick. Morning everyone and as Patrick's mentioned, we announced a bold target to reduce Scope 3 emissions by 30% by 2030 earlier this year. To meet our target, we're going to have to drive emission reductions across many areas of our business, through the goods we purchase, through transportation, through fuel and as you heard from Nilani, we'll also have to focus on helping our customers to make more sustainable choices themselves.

But unlike Scope 1 and Scope 2, Scope 3 requires us to reduce emissions which are not controlled or owned by us and where we don't yet have all the data. Therefore, the challenge is much more complex and we don't underestimate how difficult this is going to be. But we're clear on our responsibility. We know we need to deliver eight million tonnes of carbon reduction by 2030 and to do this, we're following three key steps. First, we need to understand where our emissions are and identify the hotspots. If I use food as an example, through our work on target setting, we understand the breakdown of where our emissions are across our categories and we've also identified that our top 230 suppliers account for about 90% of our food emissions. So that gives us a great starting point in terms of where to focus.

To understand our emissions further, we've identified 30 product hotspot areas across our categories and working with the Carbon Trust, we've developed individual carbon

emission maps. They outline where the biggest drivers occur across those supply chains and help guide us where to put our focus and where to act. We then need to drive the reductions. We've been asking our suppliers to have clear carbon reduction targets and we'll continue to encourage this, along with a clear roadmap to meet them. We'll also be working closely with select strategic suppliers on the hotspot areas where we know most impact occurs. With a couple of trials in flow at the moment on cheese and on coffee and the output of those trials will help us understand how we take this forward at scale. We recognise the levers could be anything, from animal feed, to transportation, to reviewing our range and supplier portfolio.

Finally, we need to measure the impact we're having and to do this, we've requested this year that 400 of our key suppliers submit their emissions data through industry disclosures, CDP and Higg. However, there's not currently an agreed global or national data and reporting approach for Scope 3, which means no consistency, which is not helpful when everyone has a responsibility to drive and measure progress in this area. So we're working with external groups such as WRAP to push for the development of clear and standardised global reporting requirements on carbon and as a group, we believe the government should be taking action to lead this standardisation.

So we're making progress, but like others, we still have a lot to achieve and to understand and we know that one size won't fit all for all the different supply chains that we operate. To illustrate how we're starting to make progress on our journey and tackle these different hotspots, I'll take you through some of the work we've initiated on our main animal protein products. You can see the carbon emission maps we've worked on with the Carbon Trust for the different meat proteins we source. As you can see from these two examples of beef and chicken, each carbon map is totally unique for each product group we sell. Whereas the dominant emissions sources for beef are enteric methane at 45% of total and fertiliser at 30%, the dominant emission source from chicken is feed, at 70%.

We've done this detailed mapping for the 30 hotspot areas I mentioned earlier and it's helped us to develop toolkits which identify the intervention opportunities and we'll be sharing these to support our key suppliers to act. This understanding will also help us to prioritise the projects we want to work on with others, specifically those which require innovation and collaboration to drive change in those areas that are most important to us.

And a great example of this is the work we've done on the React-First project. So, having learnt how critical feed is for the carbon footprint of the chickens we sell, we've been working collaboratively with React-First. They're a group of industry and academic partners who have the collective aim to transform the UK's food production system. With them, we've been working to develop a protein-based feed, which can potentially achieve a 65% to 75% smaller carbon footprint than a standard feed for both chicken and fish.

If successful, we'd be aiming for a full commercial rollout in the next three to five years. This is a really exciting project, not just because it could significantly reduce the carbon footprint of both the chicken and the fish we sell, but also because it provides further biodiversity advantages as there's no requirement for arable land, water usage is minimal and it really reduces the reliance of soya, which also aligns with our work on deforestation that we'll come on to talk about.

So as Patrick and I have both described, addressing the carbon emissions across the full value chain is an area we're fully committed to as a business. We've set ambitious targets on Scope 1, 2 and 3 but we know particularly on Scope 3 we don't have all the answers and we have lots to learn. We've identified an approach but know that we'll need to influence and collaborate across a wide range of partners to achieve our aims and encourage and incentivise our customers to make more sustainable choices as we progress.

I'll pass you now onto my colleague, Ruth, who will take you through our approach to food waste. Thanks.

Ruth Cranston

Group Head of Corporate Responsibility & Sustainability

Good morning. I'm Ruth Cranston, Group Head of Corporate Responsibility & Sustainability and I'm going to talk you through our approach and commitment to managing food waste. So as you will all be aware, food waste is a significant global issue: 1.3 billion tonnes of food is wasted globally. That's a third of all food produced for human consumption. At the same time, one in nine people are going hungry around the world. Food waste accounts for about 8% to 10% of global greenhouse gas emissions and food waste is money, it's money customers are throwing away in their bins and it's the cost of production of that food simply being thrown away. So there are clear environmental, social and economic reasons to act.

Managing food waste has been a longstanding priority for our business. In 1998 we were one of two founding members of FareShare, with the belief that no good food should go to waste. And that belief is as strong today as it was back then. We're also proud of our firsts. In 2013 we were the first retailer to send zero waste to landfill and in 2016, the first grocer to phase out multibuys, to ensure that customers only buy what they need to manage waste in their homes. We're also proud of how we've supported to drive behavioural change and our test and learn approach and in 2016 we kicked off a large-scale initiative through our Waste less, Save more campaign. But the issue of food waste is as real as ever and we're passionate about taking action moving forward.

That brings me to our commitment, which is to reduce food waste by 50% by 2030. And this aligns with the United Nations Sustainable Development Goal 12.3. It's important that we have a full value chain commitment, because waste occurs all the way from farm, right through to the customers' homes. Whilst of course we have to take action in our own operations, it's in customers' houses where actually the majority of waste occurs, followed upstream in primary production. But if you look at the bottom row on this slide and you look at the greenhouse gas emission impact, you can actually see that it's upstream in primary production where the majority occurs. So for us, it's really important that we tackle where the food waste occurs, but also where the greenhouse gas emissions occur.

Our approach is to collaborate globally, nationally and local and ensure that we are working at all of these levels. Globally, we work with The Consumer Goods Forum; nationally we work with IGD and WRAP on Courtauld 2025; and locally we work with

many partners, including business in the community and their Waste to Wealth initiative. To guide our approach, we follow IGD and WRAP's food waste reduction roadmap and we follow target, measure, act. We've set clear targets; we have accountability across the value chain at director level and we measure progress every six months, in line with the food, loss and waste protocol; and we act, guided by the hotspots.

That brings me on to some of the ways in which we're taking action. With our suppliers, we're really clear with our expectations. We encourage them to set targets, to measure and to act and working with WRAP, we now understand who has signed up and who hasn't and we can focus our efforts accordingly. Last year we were really pleased to undertake WRAP's first whole chain food waste reduction project with our suppliers Lamb Weston and Fullers Foods. We're going to share those learnings with industry and it will also guide our approach moving forward.

Secondly, we have a really clear life optimisation programme where we focus on giving back live to product whilst ensuring that we maintain quality and some of the most recent projects that we've done have been in chicken and spring onions and we now have over 60 projects in flow at the moment. In product specifications, there's another area that we're really focused on. Recently we've looked at potatoes and looked at how we can utilise more of the crop and we forecast to utilise up to 2500 more tonnes on this. Our focus on this has also led to new product ranges, things like our Imperfectly Tasty range, which really, really appeals to our customers and is proving to be very popular.

Supporting our customers to waste less is a massive priority for us as a business. Over the last year, we've looked at packaging, labelling, promotions, to really, really inspire them and through our communications, we've been focused on helping them to find ways to reduce waste. We've also been focused on linking food waste with greenhouse gas emissions. However, we know that actually nearly 32% of customers see a link between the two. So for us, moving forward, there's a clear opportunity here through our help everyone eat better efforts.

Then if I come on to our operations, the number we report externally is our anaerobic digestion number. This is our end, final destination for our waste. Over the year, it's been very transparent, we probably haven't made as much progress as we would have wanted to. But last year, with a refreshed ambition, we did step on. If I talk you through this left to right now, so as a priority, we always start with ensuring that we minimise waste before it occurs. Through our retail, through our supply chain processes, we saw our starting point down by 11% last year.

Once surplus is created, we then focus on redistributing to humans first and then to animal feed and our efforts last year saw a 19% increase in human redistribution and a 5% increase in animal feed. That resulted in our end point last year in anaerobic digestion being 16% down, which is well ahead of our trajectory to reach a 50% reduction by 2030. But we've got 10,000 tonnes to achieve over the next few years. We know how to do about half of that, but we will need to focus on continuous improvement of our processes, working with our partners and ensuring that we're thinking about things like technology.

That brings me to what's next. So in our operations, I'm really pleased to say we're now working with Neighbourly to use technology to connect with our local food

distribution partners. We're kicking off our rollout to next month and we aim to be in all supermarkets by the end of the financial year. We know this will be a really great way to step on our food redistribution. With suppliers, we're going to continue to be really, really clear on setting expectations around target, measure, act and reporting will be very, very important as we approach the upcoming mandatory food waste reporting expected in 2023.

We'll continue to focus on the hotspots. One of the ways we're doing that is through The Consumer Goods Forum and their 10x20x30 initiative, where we'll work with 20 key suppliers to align to the UN sustainable development goal. It's important for me to say that we have to keep talking the business case with our suppliers. We've seen from studies the investment of £1 into managing food waste results in a £14 return. So it's incredibly important we work collaboratively to see this benefit.

Then with customers, you've heard about help everyone eat better today, this will be absolutely our focus. Food waste will be one of the areas that we'll be working hard to encourage customers to waste less. I'm also really pleased that through our community strategy we're going to be putting food waste and food poverty at the heart of our community strategy to ensure that all food goes to those who need it most.

So hopefully that's given you an overview of our approach to food waste and the clear environmental, social and economic reasons to act. We're now going to pause there for a 10-minute break and when you return, my colleagues, Claire Hughes, will talk you through our approach to managing plastic packaging. Thank you.

[Intermission]

Claire Hughes

Director of Product & Innovation

...Director of Product & Innovation at Sainsbury's and I'm responsible for our products and packaging across Sainsbury's brand. Today I'm going to be talking to you about our plastic commitments, which we know is an issue of importance to both our colleagues and customers.

So we've understood the impact of packaging and environment for a long time and we signed up to the Courtauld commitment in 2005. On the milestone in the slide in front of you, you'll see other areas where we've taken a lead. We're not only committed to reducing plastic from our packaging, but also plastic from our products too, such as microbeads and glitter.

So what are the targets we've made in plastic? Well, in 2019, we were the only retailer to make a commitment to reduce plastic packaging for both brand and own brand by 50% by 2025. This is based on a 2018 baseline of 120,000 tonnes, so a 60,000 tonne reduction. This is a bold and ambitious target that we set to create momentum within our business, but also inspired others to follow suit. It's also worth noting that we're not just looking at plastic reduction.

We've got other measures in packaging as we signed up to the UK Plastics Pact and we've made commitments to remove and replace difficult-to-recycle plastics such as

black plastic, PVC and polystyrene from our products. We've also got commitments to increase the average recycled content of our packaging to 30%. We're currently at 27% and have a plan to deliver that by the end of next year in the remaining products and 100% of our plastic packaging will be recyclable, reusable or compostable by 2023. Currently 69% of it is widely recycled and another 8% you can bring into store and recycle with our plastic bags.

A rollout of the Flexible packaging scheme, which I'll talk about later, will enable us to deliver on this target. But we won't be able to remove all plastic. It's highly functional, protects the product and helps prevent waste. So enabling customers to recycle more of the packaging is a key part of our strategy. It also makes commercial sense to reduce plastic, with additional plastics tax coming into effect from next year and ongoing consultations on extending producer responsibility, a tax which could increase the cost of packaging by our business by up to 10 times the current system. We await the outcome of government consultations.

There is no one way to reduce plastic from our products and we will deliver this through our five-point strategy: remove, reduce, replace, recycle, reuse and refill, in an effort to replace the plastic that we can, but to create a circular economy solution to recover the packaging that we can't remove and repurpose by continued raw material.

So, how are we doing on a target? Well, we know of the 60,000 tonnes of plastic packaging, 30,000 tonnes sits in own brand and 30,000 tonnes is branded. Of the own brand target, we know how to do about 60% of it, with a further 40% we're still scoping. For the next two years, we will focus on the areas where we can act faster because solutions already exist and we've got clear targets in place for the teams. Alongside this, we'll be scoping the remaining areas which require product and raw material innovation, enabling us to put less plastic on the market.

The challenge is we've visibility of our plans, but we don't also have visibility of the plans of our branded suppliers and we'll be talking to them later this month at our annual supplier conference, with a request for information to find out what their plans are to support our target. We know we've got a long way to go in this target, but we have to do that whilst ensuring that we don't increase the overall packaging that we use, that the changes we make doesn't result in an adverse impact on environment elsewhere, it doesn't increase food waste and we don't increase our carbon emissions.

When the initial Courtauld agreement on packaging was established, it focused on light-weighted packaging, rather than reducing volume by weight. As a result, we saw many products move into light-weighted packaging, which hit the target, but the packaging was non-recyclable. So we need to be cautious that whatever action we do, we don't create the same problem for the future and we need to understand the full life cycle analysis of the changes we make.

So what we've achieved so far, you will see some examples on the screen of where we've removed, reduced and replaced packaging. Most recently, on recycling, we've been working with our suppliers, taking ocean plastics and preventing ocean plastics, to repurpose plastic collected from the sea into packaging for our fish and berry lines. On reuse, we were the first retailer to remove plastic bags from our produce aisles and bakery and we replaced the bag in produce with our reusable, recycled alternative, made from recycled plastic bottles.

So what's next? Well we continue to reduce, remove and replace where we can and most recently, in replace, we've removed the plastic glue that was in our teabags and replace it with a plant-based alternative. We know recycling at home can be confusing for customers because different councils offer different recycling facilities and it's why we've committed to making it easier for our customers to recycle. Working collaboratively on the Flexible Plastics Fund, we're looking at improving flexible plastic recycling in our stores and this will, in turn, create a supply of recycled plastic for industry to become more circular and meet the forthcoming legal and tax obligations.

So moving faster than everyone else, we've rolled out front-of-store collection points and customer engagement and we'll have flexible packaging collections across 520 supermarkets. We have our customer engagement, when we've rolled out over the course of the year, to engage customers to bring their packaging back and at the same time, we're working on clearer front-of-pack labelling to make it really support customers in enabling them to recycle more.

On reuse and refill, we've trialled reuse and refill in stores with UKRI and have taken the learnings on board. But it's clear that the current systems will not have a material impact on plastic packaging reduction and if not done properly, can create waste and a need for constant intervention with store colleagues. So we're involved in a collaboration with unpackaged [inaudible] in a competition to scope an end-to-end supply chain solution for reuse and refill and the results of that will be available later this year. We continue to keep a watching brief in this space and currently scoping products daily to support our customers.

Collaboration is key and you've heard about that from everyone today. Long-term solutions to plastic waste cannot be found in isolation and it is only through partnership with suppliers, government, other retailers and the wider industry that we will succeed in achieving our targets and have more impact overall on the environment.

Now I will hand over to Judith.

Judith Batchelar
Special Advisor on CR&S

Hello. My name is Judith Batchelar and I would like to share with you our work on sustainable supply chains and human rights. Earlier we heard about reducing greenhouse gas emissions, but there are wider challenges, including economic and social challenges, biodiversity loss, water and all of these are exacerbated by climate change, biodiversity loss and the increasing global demand for food and, more recently, the coronavirus pandemic.

We may be a UK retailer, but we are part of complex global network and have responsibilities to our suppliers and customers to fulfil the high expectations that they have of us. Twenty-four hours a day, seven days a week, someone somewhere in the world is producing or making a product for Sainsbury's. Managing that sustainably and managing that responsibly is a big, big challenge, but it is something that we are focusing on addressing.

We should feel confident about that because we have a strong track record on promoting sustainable supply chains. In the early 1990s, we led the way on certification where many of the schemes that we're familiar with today, like Fairtrade, the ethical trade initiative and the Marine Stewardship Council were formed, working with likeminded partners to basically develop those standards that we now use today.

As a result of that, we are the leading global retailer on many of those standards. But many of those standards are around global supply chains and more recently, we have been working closer to home and in 2007 we set up the Sainsbury's Dairy Development Group and we now have development groups across all of our primary agriculture sectors.

Certification has actually been a helpful tool over the years and in fact it helped form a lot of our historic targets where we were aiming towards 100% certification, so things like palm oil, where since 2015 we've had 95% physically certified palm oil in our supply chains. 100% of the farmed fish that we sell is certified to an independent standard through the Global Sustainability Supply Chain initiative. And as part of Project UK, we're working with UK fisheries to make sure that they can achieve the standards required to achieve MSC certification in the future. On clothing, 89% of our cotton is sourced to the Better Cotton initiative and that saves us around six billion litres of water every year through better water management systems.

However, we know that certification isn't the sole answer to these things. And whilst it's helpful, we cannot depend on an audit against standards to be the determinant of a sustainable outcome. Certification levels on forestation have never been higher, but in that same period of time, deforestation has increased and we know that that is not going to be the answer. We want to shift from where we currently are, which is focusing on sustainable supply, to sustainable suppliers and that means that we will work hard with our suppliers to make sure that they are deforestation free across their entire business, not simply in the volumes that they supply to us. We know this is going to be difficult. We know that it won't be achieved overnight, but we're working on it progressively and working with other retailers and manufacturers who share the same ambition as we do.

To accelerate our efforts towards removing deforestation, again we are going to collaborate and as part of The Consumer Goods Forum coalition on forest positive, we are a group of manufacturers and retailers who together have a combined market value of \$1.8 trillion and we believe that by acting together, we really can make a difference. A key focus of that commitment amongst us all is the commitment to increasing transparency. We are founding members of the Palm Oil Transparency Coalition and the new Soy Transparency Coalition, which allows buyers and investors to evaluate the progress of the first major importers and traders on removing deforestation and underlying all of those actions is the commitment to publicly report. So this year, we will report for the first time on key forest risk commodities and disclose the traders upstream in our supply chains.

An important and game-changing mechanism for improving transparency for verifying data and monitoring risk and progress is the increased utilisation of science, data and technology. Tools we have worked hard to develop in this space are OceanMind and ForestMind. They use geospatial technologies, Earth observation tools and multi-layered databases to provide those actionable insights to our business to ensure that what we believe is happening is happening in reality.

We've worked with OceanMind for over six years. They independently analyse and trace each vessel that basically provides us with FAD free tuna. FAD is a fish aggregation device and they actually are not great news, because they encourage lots of by-catch, which impacts the biodiversity of marine life and actually the marine environment more broadly. But OceanMind does more than just verify our FAD free tuna. OceanMind actually can stop illegal fishing and many governments across the world are now using OceanMind for that purpose. That's important when you recognise that 25% of the world's fish is caught illegally, unregulated and unreported.

To address risks on land, we've led a consortium of different organisations, NGOs, geospatial service providers, data providers, academics, to form ForestMind. This is £4 million project that has received £2 million of funding from the European Space Agency to fund its development and we're working on and now building trials on coffee, soy and beef. These initiatives can connect individual customers through data technology and Earth observation tools with the communities that we source from around the world and provide near real-time verification of the source and nature of the goods that we sell. This has never been achieved before. Nothing like this currently exists and it will be transformative. Having visibility of what we source, where we source it and how we source it, is also key to improving security of supply.

Other areas that will benefit from data science and technology are biodiversity. One of the things that is in the pipeline at the moment is the equivalent of the taskforce on climate-related financial disclosures, TCFD, the version of that on nature, so TNFD is being discussed currently, a taskforce will be established and when that taskforce is established, we believe one of its recommendations will be the mandatory requirement to report on TNFD in the way that we do TCFD. So we're working with those academics to basically map our biodiversity risks and understand our global hotspots, developing a tool that we're calling Earth Engine.

Every geography, every commodity, brings together a unique combination of circumstance, so we need to have really granular information to drive the actionable insights that will enable us to understand the priority people and the priority places in our supply chains from a biodiversity point of view. Earth Engine has been developed into an app that can be used by our commercial teams to help them identify and assess those more granular risks. We're currently piloting this with our fresh produce team, focusing on avocados initially and then building those biodiversity action plans with our supply chain partners.

By understanding the materiality and the nature of our risks, we can develop sustainable and positive impact products that appeal to both producers and customers. A good example of that is in our Tu clothing range and the manufacture of denim. The manufacture of denim is very water intensive and this is particularly important because we source a lot of our denim from Bangladesh where water scarcity and quality is a real threat to local ecosystems. We've worked with suppliers on this and our entire men's jeans range is now manufactured using technology called Jeanologia, which more than halves the amount of water, chemicals and energy needed to produce a vintage or bleached effect.

Another great example of the products that have a positive impact are our Woodland eggs. Since 2004, we've worked with the Woodland Trust who receive a penny for every dozen eggs sold. Through this partnership, we've worked with our producers so that trees can be planted on the farms. Chickens that are allowed to roam under the

canopy of trees are happier and healthier and show more chicken-y behaviours and healthier hens lay better eggs. Our customers participate in this partnership with us every time they buy Woodland eggs and over four million trees have been planted, thanks to them. This means higher welfare for the chickens, biodiversity is restored, soil health enhanced, carbon sequestered from the atmosphere and Woodland in the UK restored. All of this achieved through a purchase of our Sainsbury's everyday product.

How we buy and how we sell our products are where the E and the S come together in ESG. It's about the millions of people who work in our supply chains and the impact of what we do and what we buy on those people. Within every supply chain, the people and communities that create the products are people that we want to be confident are being treated well, fairly, equitably and with opportunities and hope for a better future. Our colleagues and customers would expect that of us. There are an estimated 500 million small holder producers in the world, amounting upwards to two billion people, mostly farmers farming small-scale plots of less than five acres and they make up a significant proportion of the world's poor, living on less than \$2 a day.

But the really stark fact is that they also produce 35% of the world's food, according to the UN FAO. These foods are often the basic commodities like tea, coffee, cocoa, sugar, bananas, things that are everyday products in the UK and they are also ingredients like palm oil, which appears in thousands of products. Building resilience into these supply networks is crucial to securing future supply for our business but also in securing a future for those households. Last year global poverty rose for the first time in 20 years as the disruption of COVID added to the effects of climate change, which were already slowing improvements in poverty. The World Bank estimates that an additional 120 million people are now living in extreme poverty because of the pandemic.

The mass migration and disruption caused by these issues and the rise in poverty bring more risk for human trafficking and modern slavery. In 2018, the Global Slavery Index estimated that 136,000 people were living in modern slavery in the UK and the International Labour Organisation, the ILO, puts the global figure at around 40 million, over half of whom are women. These sobering facts make our efforts to support the people behind our supply chains even more important. Human rights abuses and modern slavery have no place in our business, but the reality is we know there is a real risk, not just for us, but society more generally.

To combat this, we've worked with our stakeholders, multiple stakeholders, to build skills, to invest, to benchmark our performance and importantly, to listen to workers and small holders themselves. Investing over three million in comic relief through the Fair Development Fund, giving growers and farmers a chance of building a sustainable income and a brighter future, from Malawi to Afghanistan and now supporting women workers in garment factories in India and Bangladesh. In East Africa, our small holder tea projects, working with 25,000 small holder tea producers at the Sukumbizi Trust in Malawi, we've invested over 1.5 million to support those farmers improve their income, livelihoods, education and childcare. We've funded a tea nursery to grow new climate resilient tea varieties that will further protect their incomes in the future and on bananas, invested four million annually across six different countries, again supporting 18,000 workers and producers.

Many of the interventions we make support sustainability more broadly, but we know that that impact is strengthening livelihoods, strengthening financial independence, human rights, health and education. But it's also about supporting our own colleagues

and suppliers in taking part in training and upskilling. Over 1100 colleagues have now done their modern slavery training, 100 UK supplier sites are now taking part in Stronger Together training. We continue to work with the ISSARA institute in Thailand where we basically listened to over 1000 fisheries workers every year and we've now extended that listening to other commodities in India and Turkey in over 20 factories. We've also made key improvements on industry benchmarks. Oxfam have rated us number two in their Behind the Barcode index and number one for our support for small-scale farmers.

Year on year, our workforce disclosure initiative score increased to 89% and we were number one in both our sector and the country as a whole, winning the award for supply data disclosure. But it's not enough, so what's next? It's a collective effort. We continue to work with The Consumer Goods Forum at a global level with their Sustainable Supply Chain initiative and Human Rights Coalition of Action. We're working with the Food Network for Ethical Trade, FNET, to define common principles for seasonal workers in the UK as well as much, much more. We've joined Unseen to get more data regarding modern slavery risks. We're part of the Modern Slavery Intelligence Network and continue to use our Sedex supplier data to identify risks and act accordingly. We'll update our salient human rights risk this year and we will define key goals and targets and we will publish and report those this year too.

We also support the changes the government's making as part of the Good Work Plan, bringing together three areas of government: modern slavery; enforcing the minimum wage; and protecting agency workers into one whole unit and at the same time, increasing the penalties for non-compliance. Linked to that, we welcome the changes in modern slavery reporting. Finally, the EU is basically ratifying the mandate for human rights due diligence reporting legislation this year and we hope the UK will follow suit. Respect for human rights is not an optional extra, it is fundamental to how we do business. We owe it to our supply chain colleagues and our own colleagues here in the UK to make sure we do everything we can do to stop it.

So, that's me finished, but to continue the topic of talking about workers and our colleagues, I'd like to introduce my colleague, Deborah.

Deborah Dorman

Director of Group HR

Good morning. So when it comes to driving progress against many of the commitments you've heard this morning and our purpose, our colleagues are a huge driving force for good and therefore it's not just the right thing to do, it's vitally important that we create a really positive work experience for them and that we're an engaging, inclusive and enriching employer.

We have a broad range of social commitments, from leadership to learning, wellbeing to inclusion and fundamentally for us as a business, we believe in being a place where everybody is welcome, where people are treated fairly and with respect and where they have the support and opportunity to learn and to grow. When we take a look back at our most recent history, we see that across the piece. Back in 2012, for example, this

sponsorship of the Paralympic Games and our deep engagement with our colleagues around disability, right up to today, we're in the midst of launching new value behaviours to all of our colleagues to help support delivery of our purpose.

But being a values-based organisation, as we have been deeply embedded in our history, also requires us to make sure that when it comes to pay, it's fair, transparent, equitable and competitive in the market. In the last four years, we've increased colleague pay in retail by 24% and I'm sure many of you will have experienced the fantastic service our colleagues have given throughout COVID. So it was absolutely the right thing for us to do to support them through that time, be that payment for shielding or self-isolation, or recognition payments. In the last financial year, we invested an additional £100 million in colleague base pay and three thank-you payments. So a typical full-time colleague would have had about £800 in thank-you payments over that time.

But fair pay and recognition, whilst important, isn't the whole story and rightly our colleagues expect more from us. Inclusion is a key part of our social commitments and actually on screen you can see a snapshot of our very diverse workforce, a workforce very much reflective of the UK population. When I reflect personally on inclusion, I can really see over the last couple of years how, as a business, we have really matured in a way we both talk about and tackle issues around inclusion. We're much more able now to have the very necessary but sometimes uncomfortable conversations that are required if we're going to truly drive sustainable change in this space.

If I reflect back to last year and the frankly racist response to the featuring of a black family in our Christmas ad and our support of Black History Month, we were unequivocal in our combating of that and absolute zero tolerance for racism. When it comes to representation, I'm encouraged by the progress we're making. We're now at 40% female in terms of the makeup of our operating Board, but absolutely acknowledge we have a lot more to do. We must drive for true gender parity and we have an awful lot of work to do for us to get to where we need to be in terms of ethnically diverse representation in the upper echelons of the organisation.

So how do we approach inclusion? For us increasingly it's about a holistic approach to inclusion, where it's really embedded into the fabric of everything everybody does in the business. No longer can it be about events and initiatives, but it has to be the way we do things around here, if change is going to be sustainable. So, we're fortunate, we have incredible support from the very top of the organisation down. We have fundamentals in place. So, when it comes to talent, for example, we have mandatory inclusive recruitment, we test and learn and experiment to improve that. We have mentoring and development programs in place for high-potential women and ethnically diverse colleagues and we have fantastic feedback about that.

We truly believe that education is the foundation for change and we invest significantly in mandatory learning at every level of the organisation and increasingly we're using data to tell us how we're doing. So for example, when we do our talent reviews, we look at the composition of our succession plans and today 47% of our succession plan for the operating Board is female and last year, 60% of promotions in our store support centres were women. But if we're going to hold ourselves to account, we need to be more transparent and we need to report on our progress. That's why last year we were one of very few organisations to voluntarily publish an ethnicity pay gap report and within that, black pay gap, because we acknowledge that the black lived experience is different and we have to call that out.

We also were assessed in the Stonewall Workplace Equality Index and were delighted to be the only retailer named in the top 100. I hope you can hear a flavour of how serious we are about inclusion and that's why we are also linking our progress on inclusion to remuneration. You heard Martin talk earlier about our incentive program for our top 1400 commitments around engagement and senior representation from an inclusion point of view a part and parcel of that. Because as we look forward, the focus needs to be much more on how every single person in this business really leads from an inclusion point of view.

But for now, let's take a bit of a deeper dive into our progress around ethnic diversity and we're going to hear from Sarah Nelson, who is chair of our I Am Me ethnically diverse network and zone managing director for London.

[Video playing]

Sarah Nelson

We'd always been committed to increasing our representation at the most senior levels and also improving the lived experiences of ethnically diverse colleagues. However, the last 12 months and the killing of George Floyd taught us that we had much further and faster to go. I was really pleased with how well our business reacted to support our black colleagues through discussion and support groups and also speaking out and being really clear on our zero tolerance on racism. We also made a set of internal and external commitments and I'm really pleased to be able to say that a year on, we have delivered against all of those commitments.

Female

Why am I proud to work for Sainsbury's is because they encourage me to be myself, my full self and I don't have to hide any part of that.

Female

They let us talk about race sessions that we've had and the leaders' action plans as a result of that have made me feel as a black woman at Sainsbury's listened to, cared for and that my experience here truly matters.

Male

We've shone a light on diversity. We've educated and celebrated our events with the people and our culture. We've supported with progression but more importantly, we've provided our colleagues with a voice.

Sarah Nelson

So overall we've done a lot of great stuff and I'm really proud of what we've done, but we do still have so much further to go. I'm really confident though that with the commitment from our most senior leaders in our business and the passion from them, we will be able to drive this forward and make visible and lasting change.

[Audio visual ends]

So as well as being a very inclusive organisation, it's vital that we're a place where colleagues can learn and grow and have a fulfilling career. We were pleased in May of this year to be named by LinkedIn as the number seven company for a workplace where people can grow their careers, which was fantastic. In our most recent Investors and People assessment, they described our learning offer as excellent. We have a wide range

of very flexible learning opportunities, from mandatory learning to leading at Sainsbury's development programs that take you through the organisation and we have a big focus on self-directed learning with a fantastic bite-sized speaker program, for example, that any colleague can access through the intranet.

Apprenticeships, though, are incredibly important to us. We have 31 different apprenticeship programs from software engineers to retail management and lots in between. For us it's important that we maintain the really high level of completion that we currently see, which is industry leading. It's also the standards of those apprenticeships, not just the completions and so for example, in our logistics operations and our store support centre, nearly 50% of learners are achieving distinction. I think that's one of the reasons why we were named in the top 100 companies for apprentices to work in recently. Maintaining those standards around apprenticeships is a key commitment for us moving forward. But apprenticeships are brilliant not just because they give people new skills, but because they can really give colleagues a boost in terms of self-belief and confidence. So let's hear now from some of our apprentices.

[Video playing]

Male

I've worked with Sainsbury's for coming up to nine years now. I worked in a variety of different roles, working my way up to the team leader through the You Can Be program within Sainsbury's. Following on from this, I joined the apprenticeship program for software engineer which subsequently gave me the skills and the experience that was required for me to become the lead software engineer that I've become today.

I want to continue to mentor, if that would be through the apprenticeship programme, the graduate programme or any way to support our software engineers within Sainsbury's and Sainsbury's Tech.

Female

I decided to apply for the apprenticeship after a Links conversation with my line manager. I wanted to do something that would push me out of my comfort zone, but at the same time help me become the best manager I could be. I gained so much from the apprenticeship.

Male

I started my career as a convenience colleague on a 12-hour contract. I saw the apprenticeship programme as a way of supporting me to be the best possible manager that I could be. For me, my next role is a store manager role and I truly believe that the apprenticeship program has helped accelerate me on this journey.

Deborah Dorman

Director of Group HR

It's great to hear from some of our apprentices there. So, we've talked about the importance of inclusion, skills and development. They're key drivers in how we make sure our colleagues feel really engaged, as is the clarity of purpose that we heard about

from Simon earlier today and a whole spectrum of activity around sustainability, which is really important to our colleagues.

So, how are we doing from an engagement point of view? Well, in 2019 we were given gold accreditation by Investors in People. That was for the fourth time in a row. I should point out, we're the largest ever employer to achieve gold status. As well as that, our own internal data tells us that we're doing pretty well, so 81% engagement today, that's up 6% year on year. That translates into really great advocacy. So, nine in 10 colleagues would recommend our products and nearly nine in 10 colleagues feel they really trust us to do the right thing for customers, which is vitally important.

But those stats don't mean that we're complacent. We absolutely know we need to continue to work hard to improve. The best way for us to do that is to really listen to our colleagues. We know that our colleagues, particularly those on the front line, understand how our customers are feeling better than anyone else. So, activity listening to them and working with them to co-create solutions is a hallmark of how we're approaching things. I'd say we've really dialled that up over the last 12 months.

We have an array of ways in which we listen to colleagues. Non-Executive Director listening groups, we have Great Place to Work groups in stores, pulse surveys and our Board and Simon often doing Yam Jams on our internal social network. So, it's great to listen, but it's really important to translate that into action.

So, for example, last year, our colleagues told us they needed more support around wellbeing. So, in direct response to that feedback, we created 2500 wellbeing champions. We created new line management support tools and we made available, free of charge, the Unmind wellbeing app to all colleagues. Wellbeing remains a key commitment for us, moving forward.

So, I hope I've given you a flavour of how seriously we take engaging our colleagues, being an inclusive and enriching place to work and that through transparent and two-way dialogue, we can continue to double down and improve our endeavours in that space. Thank you.

Now, to move on to our next segment, we are very proud of our principal partnership role with COP26. I'm excited about the collaboration opportunity that presents at this particularly critical time. So, now, let's hear from Alok Sharma, President of COP26.

Rt Hon Alok Sharma

COP26 President

The climate crisis is the greatest challenge of our generation. To meet it, governments, business and investors must work together to drive down emissions and usher in the clean, green future ahead, which is why it is fantastic to be speaking at Sainsbury's ESG Summit, an event with is showcasing how Sainsbury's are embedding sustainability into their business. This is the type of approach we need to reach Net Zero by 2050.

But we are unfortunately running out of time to do so. In 2015, the countries of the world signed the *Paris Agreement*, an international deal to tackle the threat of climate change. They committed to do everything they could to keep global temperatures below

two degrees, closer to 1.5 degrees, because the science said this would avoid the very worst effects of climate change.

But since that agreement was signed, the world has not done nearly enough. Now, to keep that 1.5-degree limit within reach, we must halve global emissions by 2030. That is why COP26 is one of the most important summits to take place on UK soil, why it has got to be the moment that every country and every part of society embraces their responsibility to protect our precious planet.

At COP26, we aim to put the world on a path to driving down emissions until they reach Net Zero by the middle of this century, which is essential to keeping that 1.5-degrees target alive. Here in the UK, we already have a legally-binding target to reach Net Zero by 2050. In April this year, we announced that we were going to be slashing our emissions by 78% by 2035. That makes our commitment one of the most ambitious in the world.

Yet, meeting the UK's targets relies on action from business and investors, as indeed it does around the world. Because keeping the 1.5-degree limit alive requires a rapid structural change across the UK and global economies. Climate has to be considered in every financial decision, because without finance the task ahead is near impossible.

We need the innovation and the energy of business and finance behind us. We need the power of the private sector to help drive the transition to a Net Zero world. So, we're very proud to have Sainsbury's as the principal supermarket partner for COP26. I'm delighted that Sainsbury's are reaffirming their commitment to putting climate action at the heart of their business plans, including setting targets for its Scope 1, 2 and 3 emissions, targets based on the science, so that Net Zero is not just some vague aspiration, but a concrete plan.

It is a company that is helping everyone eat better, taking customers with them on their sustainability journey and is working to reduce emissions across this international supply chain. This is vital and something we know is of increasing concern to consumers.

The way we use land is responsible for almost a quarter of global emissions. Tackling that is a priority for COP26, because it is critical to keeping that 1.5-degree target within reach. As a leading supermarket, sourcing over 12,000 products from over 70 countries, Sainsbury's has an important role to play in driving change in the UK and, of course, internationally. So, we are delighted to see it rising to the occasion.

We're encouraging companies around the world to follow Sainsbury's example and take similar steps in the run-up to COP26, to indeed play their part in keeping the goals of the *Paris Agreement* alive. We're delighted to partner with a company this is modelling the change that we need, one that is showing the world that climate action and booming business go hand in hand and a company that is playing its part in ushering in the clean, green future that is ahead, helping ultimately to protect our precious planet for future generations. Thank you.

[Music playing]

Q&A Session

Jo Harlow, Chair of the Corporate Responsibility and Sustainability Committee

Welcome back. I'm Jo Harlow. I'm Sainsbury's Chair of the Corporate Responsibility and Sustainability Committee. I've gathered some of my colleagues here this morning to talk a little bit more deeply about some of the sustainability and ESG topics that as a Board we are engaging with. Now, you've heard from Mark and you've heard from Simon, but I'd like to give Keith the opportunity to introduce himself.

Keith Weed, Non-Executive Director

Hello and good morning, everyone. My name is Keith Weed. This is a topic very close to my heart. In fact, for nine years, between 2010 and 2019, I was the Chief Marketing Officer at Unilever. Over all of the time also included sustainability, so leading environmental and social sustainability. So, I led the creation of the Unilever Sustainable Living Plan and learnt a lot over those nine years of how we executed that at scale around the world. I'm also on the Board of WPP, where I chair the Sustainability Committee and of course I'm very happy to be on our Sustainability Committee here at Sainsbury's.

Jo Harlow, Chair of the Corporate Responsibility and Sustainability Committee

Great. Thanks, Keith. So, Mark, I want to start with you. I'd like to talk a little bit about the taskforce for climate-related financial disclosures - that's a mouthful - otherwise known as TCFD.

Mark Given, Chief Marketing Officer

TCFD.

Jo Harlow, Chair of the Corporate Responsibility and Sustainability Committee

So, we've committed to reporting along the lines of TCFD and we're also very actively engaged in the strategy and risk management pillars. So, I wanted to ask you, as you're leading this project, what are you learning and have there been any surprises?

Mark Given, Chief Marketing Officer

Yes, thanks, Jo. I think the first thing is to acknowledge that it's not just a reporting exercise. It's not a tick-box exercise that you do once a year for an annual report. You have to embrace it as a fundamental part of the governance, but actually a fundamental part of strategy development. If you do that and go through the process in a reasonably structured way - and we're [using the law] to do that - I think there's some big opportunities that come out.

It helps you to see the value creation opportunities that can come from a road to Net Zero. It gives you a better understanding of materiality and risk, which can inform our strategy. If you can get into some depth on the scenario planning in particular supply chains, it can give you really great insight that I think leads to much better conversations

with our suppliers, now and in the future. So, lots we need to do, but trying to make it a fundamental part of our strategy development is how we've approached it.

Jo Harlow, Chair of the Corporate Responsibility and Sustainability Committee

Terrific. Simon, I wanted to ask you in relationship to this is that we've had sustainability strategies for over 10 years. So, what makes this approach different?

Simon Roberts, Group Chief Executive Officer

I think, Jo, to Mark's point, we've really got to bring what we're doing with sustainability into the heart of our strategy. So, when we think about all the work we've been doing over decades very successfully, it's how we bring that now right at the heart of our strategy. Then when we think about the competing demands across the business, I think one of our challenges is how we bring everything into one place.

These aren't different components, they're all leading to the same thing, as Mark's just described. So, the commercial objectives, the customer objectives, the sustainability objectives, we're working to bring that into one plan, one way of working and one set of expectations.

Jo Harlow, Chair of the Corporate Responsibility and Sustainability Committee

Yes. Keith, I wanted to touch base with you in terms of TCFD is focused on climate change, which some of those impacts are longer term, as we potentially see them happening, which can create a more difficult discussion in the boardroom, compared to what we most often talk about. So, how have you experienced that?

Keith Weed, Non-Executive Director

Well, I think the main thing we're talking about is mainstreaming sustainability. So, a lot of stuff's been done around CSR, corporate social responsibility. In some ways that's something that I think has been a bit of a challenge for businesses, because it was sort of we have CSR over here doing good, so we can get on with the rest of our business here.

As you heard from Simon, I think what we're trying to do here is to make this very much central to the way we do business, in the way we engage with our customers. You saw Mark talking about the role of this within our brand, and how we make sure that all our colleagues across Sainsbury's, but importantly our suppliers understand that this is the strategic direction.

This will make us compete better, but it will also make us a better business. I think a lot of the thinking around suitability is a way of this is a better way of doing business. So, some of the discussions that we have are really, where is the focus, where are the priorities? You can only spend your minute once, you can only spend your pound once, so let's decide how we do that.

You were mentioning about TCFD and materiality. I think one of the important things is you can end up, if you're not careful - and certainly I was guilty of that in the early days of the Unilever Sustainable Living Plan - chasing everything. You think, well, if I do everything then we'll be a better business. Actually, what you have to do is do the big stuff and you'll be a better business.

Actually, if you do the big stuff, the small stuff starts looking after itself, because your colleagues and your suppliers start realising, ah, this is the way it's going, the train's leaving the station, I want to be on that train. If we focus on the big stuff, then we'll make a big impact.

Jo Harlow, Chair of the Corporate Responsibility and Sustainability Committee

Well, let me build on that, in terms of a question for you, Simon and focusing on the big stuff. I'm sure this audience would be very interested in knowing how you balance what you might call the inherent conflicts between delivering on the business strategy, the commercial demands of the business, as well as sustainability.

Simon Roberts, Group Chief Executive Officer

Yes, well, I think building on your point, Keith, this has all got to come together under one plan, hasn't it. We've got to think about our customer objectives, as I say, our commercial objectives and what we're trying to do in terms of the big priorities that we're focused on. So, look, as we've talked this morning, there are some big challenges for us to embrace.

How are we going to bring down the level of plastic we use? How are we going to make a big change in helping on healthy and sustainable diets? How are we going to really shift our ability to drive down the level of carbon that we have? These are big challenges for our organisation that will only happen if we all come tother, exactly to your point, Keith. So, we're thinking very hard about end-to-end process, how do we think end-to-end in our business to bring everything together.

We're thinking hard too about the tools and data that our colleagues need. Because we can talk at this level, at the leadership level, about what we're trying to do. But in the end, we've got to give our teams and our people the tools and the data they need to join up the decisions, to make the choices that we're talking about.

We've also got to make sure in our decision making that we face into the tough issues, because this is hard. This is a different way to work and there are tensions, there are trade-offs. So, to your point, Keith, we can't do everything. We're being really clear that in the next three years there are four big areas we're going to work on and we're going to really bring all of our effort behind them.

Then finally, we don't have all the answers here, right. So, we've got to make sure that we go to the outside view to help challenge us and really work with us on the areas that we haven't yet got all the answers to.

Jo Harlow, Chair of the Corporate Responsibility and Sustainability Committee

Bringing the data and the tools to the individuals within the organisation is part of building culture that embraces not just believing in the importance of sustainability, but having the capability to do something about it.

Well, what I'd like to do is now widen the discussion a little bit, because you've already talked about sustainability beyond climate, talking about plastics, food waste, et cetera. I want to pose this question to you, Keith, is that there are big debates that need to now take place in the boardroom. How have you seen that taking place for us or for the other Boards that you sit on?

Keith Weed, Non-Executive Director

Well, I think at the end of the day it's about choices and where we put our energies. One of the big things we're all talking about right now of course is Net Zero and the big challenge around carbon. Carbon is a critical area and you're going to hear this over and over again, because climate change, et cetera. But having said, there are other big topics we need to look at, as well.

I think the dynamic we're seeing is really trying to understand where this fits into our whole business model. I'm often asked the question here, what is the business case for sustainability? I always love to answer, I'd love to see the business case for the alternative. The business case for destroying the very planet we live on. The business case for undermining the very societies we're trying to serve. You can't have a healthy business in an unhealthy society at the end of the day.

So, I think, what we need to do is get on to this agenda and then work out where can we build our muscles and where can we build the business case. I think, what you've already heard from Simon and his team, is we have good evidence that we're making good progress in this area. Of course, there will be swings and roundabouts, but we need to find ways of delivering what the customers are looking for, but also what the planet and society's looking for in a way that works for us, as a business, but also works for us as we serve society.

So, the debates we're having really is that balance. I mean, what do you push more? What do you pull back on? How do we keep this focus going with the right priorities to be a competitive and successful business, but at the same ensure that we're delivering against our purpose and strategy? Yes.

Jo Harlow, Chair of the Corporate Responsibility and Sustainability Committee

I think one of the other debates that we have had has been around remuneration. You heard earlier that bringing some of our sustainability metrics into our remuneration and that formed a lot of discussion between the Corporate Responsibility and Sustainability Committee and the Remuneration Committee on what are the right metrics to focus on that are material, that management actually has within their control and are stretching to help us get to our sustainability goals.

One of the things that we talk about a lot when we talk about metrics is Scope 3. We can look up and part of our Scope 3 is certainly our producers and suppliers. But a big part of our Scope 3 are our customers and how they buy our products, what they do with our products and how they dispose of our products. So, Mark, a tough challenge. How do we help customers make the right decisions?

Mark Given, Chief Marketing Officer

Yes, I talked a bit earlier about the gap between intention and action. That's something we focused. Most customers want to do the right thing, so how can we help them close that gap? Two things I'll talk about. The first is breaking it down into simple steps that they can do. We talked earlier about just eat one plate of healthy sustainable food and you're off and running. We often do things like 10 simple tips to waste less food. Really break it down into really simple steps.

The second area that's worth touching on is food labelling. Actually, customers pick up the product, they have a look at it and actually it sits in the cupboard for a while. How

can we make it simple? Imagine you could pick up a product, red, amber and green, you can see the carbon impact, the water impact and the biodiversity impact. We've got some trials in that space, but it's really complex. The data sets and the consistent measurement isn't there.

It took the industry 25 years to get a consistent way of measuring health on that spectrum and we don't have 25 years. So, we need to collaborate, we need to do this complexity so it's simple for the customer to help start to close that gap. That's the sort of stuff we're going to engage on, on our customers' behalf.

Jo Harlow, Chair of the Corporate Responsibility and Sustainability Committee

Keith, I know this is an area of passion for you, what would you add?

Keith Weed, Non-Executive Director

Well, I think I'd just say on the customer side is we've got two things going on here. One of which is, as you were saying, the behavioural side and making sure that we find ways of people doing things differently. But also, from a customer perspective is making sure that we give them more sustainable products. Whether that be from the products that we develop, indeed with our own brands, or whether it be the fresh products, et cetera, but to give people more sustainable products.

People like it easy, don't make it work too hard. If you can actually give people products that are more sustainable and they use them, then that's great. The challenge there, of course, as always, is we need to make sure that's done in a competitive way, as well. Our customers shouldn't be paying for adding things on to make things more sustainably.

But on the other side, not just from the customer side, the supplier side, because what's great about Sainsbury's, it brings so much together. One of the reasons why I so much wanted to come on the Board is, as a manufacturer, you don't actually deal directly with the customer, you have someone in between you, which is the retailer. What we have, of course, in Sainsbury's is a huge connection directly with our customers.

But we equally use a lot of different suppliers, hundreds of thousands of different suppliers to deliver to our customers. So, on one side, absolutely, where Mark is talking about the customer side, but the other side is engaging with suppliers. How do we make sure that our suppliers are on this journey?

One of my fundamental beliefs is actually people want to serve their customers well. Of course, we are customers, Sainsbury's are customers to our suppliers. Part of serving our customer well is knowing what they want. So, us declaring this is our direction, this is our purpose, this is what we're looking for, we will find over time our suppliers stepping up to that.

So, yes, we going to ask suppliers, what are their emissions and what are the hot spots and where can we focus. But similarly, we're going to work with suppliers. So, yes, the big suppliers, we can get in partnership with. The smaller suppliers, we can give them advice and help. We have a portal called Together With and on that portal you can get lots of advice. Things like modern slavery, which is a quite complex thing to understand if you're a small supplier.

So, we work with our suppliers to help them be better, which actually, of course, helps us to be better. So, it's that proverbial win-win that we all keep searching for in business, actually exists here. I think the idea of showing the direction of Sainsbury's will not only lift our game, it will lift our suppliers' game too.

Jo Harlow, Chair of the Corporate Responsibility and Sustainability Committee

Picking up on the point of suppliers, so they are all on their own journey, as we are. That journey actually probably never ends, in terms of how this continues to evolve. Simon, how do you feel where we are with suppliers in progressing this?

Simon Roberts, Group Chief Executive Officer

Yes, I think, Keith, just to the point you've made, there's a big cultural question here, which is about how do we reach out? Because the challenges are big, we can't solve them on our own. I think, how do I feel about this? So, I think that actually we've got to really reach out to our suppliers, we've got to reach out to our customers and we've got to solve these challenges in a much broader, more collaborative way.

Actually, over the last 12 months, I think we've learnt a huge amount through the pandemic about the power of being agile and really listening and adapting and learning differently. When you think about some of the challenges you've just described, Keith, whether that be how do we develop more sustainable products more quickly, how do we find the value case, these are tough conversations. Because we're asking to invest now for a return later. These challenges are big.

I think the only way we deal with them is to face into them together, to understand where the capabilities are, how do we pull on them. To be really open and transparent about what we're trying to do. That's the reason we've put some big targets out there. These targets are beyond what we can see today.

To get to a 50% plastic reduction by 2025 is an incredibly challenging target for us. We won't do it on our own, we'll have to work with others to achieve it. Similarly, in what we're doing on diet and sustainability. So, collaboration, direct conversations, facing into the challenge together, seeing where the value is.

Jo Harlow, Chair of the Corporate Responsibility and Sustainability Committee

So, Simon, I guess, as you mentioned, this is a key part of culture. There's almost no one in this organisation that focusing on sustainability doesn't touch. As a result, this might be an ESG day, but it is actually every day in the life of everyone who works at Sainsbury's.

Simon Roberts, Group Chief Executive Officer

Yes. We are incredibly fortunate in this business with the team we have, 189,000 of our colleagues. I think, as we heard from Deb earlier this morning, there is such a passion and determination in all of our people to make a difference to this agenda. As we launched Plan for Better over recent weeks, I've just been inspired and challenged by the thousands of messages our colleagues are saying we can do more, how much faster can we move on this, why aren't we sorting this more quickly?

So, culture is throughout our whole organisation. It starts with our customers. It starts with colleagues close to our customers. We've got, I think, both a huge opportunity, but

also a real imperative to galvanise together around the difference we can make. As we've said, we're going to focus in the key areas we can make the biggest difference on.

Mark Given, Chief Marketing Officer

Yes, just to build on that. Yes, I think, Simon's right. In every conversation now, as well as the commercial, the customer, we want to have this as part of the conversation. We want it in the business cases, we want colleagues to have that tension. We talk a lot about we can materially engage with others. Keith talked about suppliers. Actually, there's an awful lot of stakeholders and government bodies, so how do we, with the resource we have, really make sure we have those material conversations?

How do we make sure our colleagues have the skills they need to engage in those conversations? How can we make sure they're got the data at their fingertips as well as the dashboard? So, I think that gives you a flavour of how we're starting to really embed it.

Jo Harlow, Chair of the Corporate Responsibility and Sustainability Committee

Terrific.

Simon Roberts, Group Chief Executive Officer

Jo, maybe just one last point on that, which I think has really come through the pandemic, not only internally how do we engage, but as an industry. The grocery industry in the UK has worked really differently through the pandemic and there's a real opportunity for us to continue to do that, as we face into this challenge.

Jo Harlow, Chair of the Corporate Responsibility and Sustainability Committee

Yet another topic we could spend a lot more time on. We could talk about this for another hour, certainly. But we'd like to take your questions. I'd like to first of all thank everyone for the questions that they've submitted. I'd also like to invite Judith Batchelar to join the panel and Rebecca Reilly, who is going to be managing the questions.

Rebecca Reilly, Director of Corporate Affairs

I will do. Thank you and good morning. We're now going to spend some time. I'm going to do my best to get all of our pre-submitted and the questions you've submitted this morning. So, I'm going to ask everyone to keep their answers relatively tight, if that's okay, please, we've got a lot to get through. Mark, coming to you first. So, considering the breadth and the stretch of the targets that we've talked through today, which are the ones that we think are the most stretching and where are we feeling the real tension and the pressure?

Mark Given, Chief Marketing Officer

Yes, that's a great question. I read Bill Gates' new book and his opening sentence talks about the world has to go from 51 billion tons of greenhouse gases a year to zero in not very much time at all. So, this is really hard. I would say from our business, on carbon Scope 1 and 2, we're in control. We've got the capital choices and we have a plan to do that. The Scope 3 carbon is really complex and it's all the way up the supply chain. So, that's an area in which there's a lot of complexity that we're going to have to work through.

Secondly, I would say is plastics. Claire talked about this morning, we're not going as fast as our customers would like us to go. I think it's important we acknowledge that. We've got very ambitious plans, but it's important you don't see these things through a single lens, you have to think about the food safety, you have to think about the waste and you have to think about the impact.

Very easy to move to a lot of paper-based solutions overnight, but we know that has a big carbon impact [toll]. So, balancing those, I think, is one of the challenges. I'd also say there are areas where the measurement doesn't necessarily exist yet, biodiversity Scope 3 emissions. So, we're going to have to collaborate the work on those as well.

Rebecca Reilly, Director of Corporate Affairs

Yes, indeed. I mean, a lot of these issues are a lot bigger than us, right. So, plastic, we know that there's a lot to be done. Are there ways that we can collaborate, to drive broader industry change?

Judith Batchelar, Special Advisor on Corporate Responsibility and Sustainability

Yes, absolutely. I think one of the things from a plastics point of view is, it's an area where the thought of future legislation is already kicking in action. So, things like deposit return schemes, things like the plastic levy, things like extended producer responsibility. But of course, those are the costs that come of doing nothing. The real opportunity here is going beyond our cost mitigation into innovation. That's where the collaboration comes in.

So, some really good examples of where we're working at a global level, again, with the Consumer Goods Forum on the Coalition of Action on Plastics and the Ellen MacArthur Foundation. Closer to home, the UK Government have launched an Industrial Strategy Challenge Fund of around £60 million for smart, sustainable plastic packaging. We're in a consortium that's bidding for some of that funding.

But it has to be a sector solution, because these are system changes that require all stakeholders in the system to move together to shift the system. That means for us encouraging upstream our suppliers, because actually plastic packaging isn't just plastic packaging, quite often it's part of the manufacturing process and therefore to remove that plastic packaging or substitute it with something else requires massive CapEx investments. That's in difficult places where suppliers may have already made massive investments in factories to move to lightweight plastic packaging.

So we have to provide those market signals, but we also have to work in collaboration with those things. There are some fabulous examples coming down the track of truly innovative and what would you be truly circular economies on plastic, so watch this space.

Rebecca Reilly, Director of Corporate Affairs

Great, thank you Judith. Jo, you chair the CR&S committee, in your view does the Board have the necessary skills and expertise to guide management in delivering the targets.

Jo Harlow, Chair of the Corporate Responsibility and Sustainability Committee

I think it's an excellent question, Rebecca, because you can't just look at a point in time because all of the science and everything else around this is constantly changing. So it's really important for boards to upskill and bring in great talent who have experiences in this area. We're working with Cambridge to upskill the PLC and operating boards as well as various teams within the organisation. We're also working with Deloitte specifically on our work around TCFD and the risks and opportunities area.

We also have a number of us who are members of Chapter Zero, which is another rich opportunity not only to have access to information but also to have dialogue with others in other companies, so we maintain an outside-in view of what's happening in this area and that includes our chairman, Martin Scicluna.

I also think it's important to have access to subject matter experts, and we have great access in terms of, as you've seen today, great subject matter subjects within the business, but also externally, whether that's in government or academia. It's important that we have the opportunities to engage so that we do have our fingers on the pulse of what's happening.

Then finally, I would just say we have to think globally as from a sourcing perspective our business is global as well as think locally in terms of the UK. So working with the Consumer Goods Forum as well as working with the climate change committee is great opportunities for us to be able to focus in this area across all the places where we do business.

Keith Weed, Non-Executive Director

So that sounds like a yes to me.

Rebecca Reilly, Director of Corporate Affairs

Simon, you talked in your section, you showed that [CSNR or] ESG in particular was integral to the strategy, is it also integral to the culture? So for example when we have created the new purpose, did we listen to colleagues as part of that process?

Simon Roberts, Group Chief Executive Officer

Absolutely, and a number of times over. So as we were talking in the fireside chat just now I think, it all starts with purpose, doesn't it? Our purpose has to reflect what our colleagues really see and think and believe about what we're about. So as we've built our purpose over the course of the last year, we spent actually multiple times going back around it and it changed a lot as we got that, as we got feedback from our colleagues. Challenging feedback too that it needed to really resonate into the ultimate reason we do what we do and our colleagues do what they do every day.

So culture is absolutely embedded in the way that we're thinking about this, and I'd add to that and say also performance and accountability too. So one of the reasons that we're setting really clear targets within ESG is because as well as our commercial objectives we've got to really hold ourselves into account, all of us, that we'll deliver against these commitments too. So culturally joined up, really anchored in purpose and really holding ourselves to account that we set targets and we now need to go about how we're going to make them happen.

Rebecca Reilly, Director of Corporate Affairs

Yeah, and Keith, you've touched on this a little bit in terms of our scope three years, our suppliers' scope one and two. So what are we doing to engage suppliers with that and is there a risk that it leads to cost price inflation?

Keith Weed, Non-Executive Director

Well, I think the main thing here is to think that our suppliers very much are trying to do what we're doing and those who aren't are soon going to realise they're going to have to do it as well. So this challenge isn't going to go away, so the more we talk about it actually the better it is because we're sharing both awareness of the challenges and issues, but of course, equally sharing potential solutions as well.

So for me, understanding where we are and where we're going is the most important thing. As I said early, of course, our suppliers want to become even bigger suppliers to Sainsbury's, and in doing that, they're going to try and understand what Sainsbury's want. I know this comes up over and over again about, well, if we're going down the sustainability path, is that going to add costs?

I suppose you could say, just imagine in your own business if every challenge you had you passed on to your customers as a cost increase, you'd be out of business by now. We wouldn't be able to afford to buy food or clothes or houses or cars. What businesses do that are truly customer centric, consumer centric, is they modify what they're doing. So where you see an increase in some area you balance out your costs elsewhere to try and keep the costs down.

I think when we talk about paying extra for sustainability it's really taking us back to the early days. Can you remember the early days when those eco products didn't really work properly and they cost more. You paid more for something that didn't work and that isn't very attractive. What customers tell us is what they want is of course they want the best tasting or the best cleaning products but they want it done in a responsible way. A responsible way for the environment and society.

Of course, there will be some costs which we need to work out how we challenge those and get them out of the system, but there will also be some savings as well. When you take on things like zero waste to landfill as I did in my previous role, it was a big challenge for a factory but ultimately we ended up making savings - €35 million savings - because you actually have to pay to send stuff to landfill. So often behind some of these challenges there are savings as well, taking waste out of the system is a positive thing.

Rebecca Reilly, Director of Corporate Affairs

Yes, and just picking up on that thread of costs, Simon, obviously some of the commitments that we made cost money, we're talking about them paying back over the longer term, so how are you looking at return on investment of any ESG related costs?

Simon Roberts, Group Chief Executive Officer

That's a really good question because we've got to take a balanced view on these things. We're clearly looking for a number [of areas of] our business, returns in the shorter term and we've got to make choices too that make the right decision now clearly for

the long term. So I think return on investment has a number of perspectives to it I would say.

The first thing if we can really understand the risks as we look ahead to Mark's first point, now, that will ensure that we protect our business over the longer term. When we think about our customers, if we can deliver a more sustainable business, in the end that's going to influence purchasing decisions. We talked about the importance for our colleagues of really acting on these issues because it will attract the best talent into our business. So I think in its broadest sense, return on investment, customers, colleagues, shareholders, the first dot point I would make.

Then in terms of the specific decisions we're taking, we look at return on investment in a number of ways. We look obviously at the ROCE and we look at the cash payback, and some of the choices we make we expect a short-term return on. So for example, to Keith's point, some of the cost efficiency choices we're making at the moment we'd expect them to pay back in a couple of years. If we open a convenience store, maybe three or four years.

Our choices on LED lighting in all of our stores as Patrick shared in the morning, that will be complete this year, that's over a much longer timeframe, but the reason why that works is because we're certain of the delivery at the end of that. So I think we have to think about this against each of the issues, we have to make choices against our priorities and we have to make investments that deliver over the medium to long-term that deliver sustainability alongside our strategy.

Rebecca Reilly, Director of Corporate Affairs

Yes, and Keith, how would you characterise the approach here, because there are two ways, aren't they? You can either remove the barriers to creating more revenue or you can also see these as profit accretive, so which would you say is the material upside to the work that's going on in ESG?

Keith Weed, Non-Executive Director

Well, I think you've very kindly given me the answer to the question in the question, because it is both. I mean, it is both. So I think there are increasingly now - and there's broad evidence of this - increasingly now evidence that people want this. Customers want this. Now, they want this in an easy form where they don't have to make too effort and change too many behaviours, and they want it in a way that isn't going to cost a premium. But side-by-side, people are now choosing more and more for greater sustainability benefits.

So I think we can find a way to make this really resonate for Sainsbury's. By the way, it really resonates with our history, as you saw when Mark was talking earlier. But on the other side, yes, of course, there is a cost equation as well and there will be cost benefits and there will be costs that we need to manage. So I think at the end of the day we need to play both ends and we need to play both ends well. When you get into this either or, I think that's where I think this debate has moved on, this isn't an and both debate and we need to work out how we do and both, not either or.

Rebecca Reilly, Director of Corporate Affairs

Judith, coming over to you, so you've shown how global our supply chain is, so with that breadth of suppliers across the world, what are our due diligence processes? How do we ensure that we're really rigorous in who we work with?

Judith Batchelar, Special Advisor on Corporate Responsibility and Sustainability

Yeah, that's a good question because due diligence is a hot topic at the moment because due diligence reporting requirements are being built into much of the new legislation, so whether that's things like deforestation-free supply chains or whether that's modern slavery reporting. I suppose we think about it as a continuum of risk and opportunity and to be quite honest, most of the due diligence reporting in the past has been focused on the risk end and I would describe it as a minimum entry requirement.

So we do a lot in that space. So we write into our terms and conditions requirements around things like the ethical trade initiative, an adoption of the base code there, we require suppliers - our top suppliers who are contributing most to our greenhouse gas emissions, 400 of them signed up to the carbon disclosure project, which is also a forest disclosure and water disclosure project reporting. We have in place surveillance programs that are risk assessed, so looking at them the most risk adverse parts of our supply chain. All of those things are really thorough and are really well reported.

However, we need to go beyond just avoiding the bad things and beyond the legal minimum requirements because we have to restore the planet. That requires us doing a lot more in terms of due diligence because the due diligence is going to switch into things like biodiversity net gain and the positive parts of restoring planet and indeed improving the health of our customers as well as the health of the planet. So I think you'll see a real shift.

Rebecca Reilly, Director of Corporate Affairs

Great. Then Mark, coming to you. So you've talked about helping everybody eat better which is clearly about trying to incentivise healthier choices, but are we prepared to go further on this, will we actively promote people into plant-based and out of meat products?

Mark Given, Chief Marketing Officer

I think first I'd say we have 2700 plant-based or meat-free choices, it's an area we've really supported, we've really innovated and driven that very hard and will absolutely continue to do in the future. I'd also say however we have to work with farmers a well, we have to remove carbon from animal proteins and we have to encourage customers to waste less of those animal proteins they necessarily have. It can be complex, some plant-based or meat mimicking products actually can be high in fat and salt and so it's really important to not solve one problem by exacerbating another.

I would say knowing of the years I've spent marketing to British customers, they really react to telling them what to do than telling them what not to do, so I think you've got to focus in the encouragement and the positive affirmation. On your first point of will we actively encourage it? I'd say yes. We've got the Great Big Fruit and Veg Challenge live on your Nectar app just now. We did this last year, we got I think 440,000 customers using Nectar points and gamification to get 3.6 additional portions of fruit

and veg into their diet and we know they maintain that. So that's live now and you're going to see a lot more from us in the future because remember it is help everyone eat better, it's a very active verb that we've chosen.

Rebecca Reilly, Director of Corporate Affairs

Yeah, and sticking with you for a minute, a couple of questions that have come in off the back of the questions this morning. So what's our policy on wonky fruit and veg?

Mark Given, Chief Marketing Officer

Sure. So in the industry you have class one and say graded out, is the technical term. We've got a brand called Imperfectly Tasty, or we sell that product to customers. Actually a lot of our products in our Sainsbury's quality Aldi price match are in that and we think that's still great Sainsbury's quality for whatever reason.

We also encourage our suppliers to us it, so your ready meals that you find, perhaps the jam in some of our products will come from what we would call graded out or not perfect vegetables. So a huge focus, and has been for many years actually in the business.

Rebecca Reilly, Director of Corporate Affairs

Yeah. We didn't mention it in the presentation this morning, so we do we publish our food waste as a percentage of our sales?

Mark Given, Chief Marketing Officer

Yes, we do, it's on the website and we'll update that [regularly]. Our food waste as a percentage of CO2 tonnes is 0.58, that is a 22% improvement from 1920 which was 0.79. Just like we've said on upstream and downstream waste, our commitment is to halve that by 2030. It's worth saying that actually none of it is - it goes to [aerobic digestion] even at that, so 0.58 is where we are.

Rebecca Reilly, Director of Corporate Affairs

Great. Then Simon, coming to you on health, so we've obviously announced a new health target today, which some might say isn't stretching enough. What would you say to that?

Simon Roberts, Group Chief Executive Officer

I think a couple of important points I just want to reiterate from Nilani's presentation this morning. The first thing we're saying here, and we feel strongly about this based on what we've heard from customers, which is we want to talk about and encourage our customers to buy more healthy food, not just talk about unhealthy food. So the real focus in what we're doing here is to categorise all the food we sell in three broad classifications: so healthy, better for you or unhealthy.

The point I would make is we start in a good place on healthy, 55.6% of the food we sell today by volume of the [SKUs], is healthy. We're setting ourselves a target that by 2025, both healthy and better for you will be 83%, just over. So we're setting a really ambitious target here. As you've just said, Mark, the launch of Helping Everyone Eat Better is an absolutely front and centre determination right across our business to really

encourage and support that change. We think the target is stretching. We purposely focused on this to encourage reformulation, to encourage active change. We're going to really strive to achieve that, and if we can go further as we see how that takes effect, we'll come back to it. But it's a big ambition, it's challenging and we're really determined to focus on it.

Rebecca Reilly, Director of Corporate Affairs

Great. Then Keith, coming to you on a subject that I know is very close to your heart, so looking at biodiversity and broader environmental degradation is an issue that is very much on the increase, so what are we doing to analyse and mitigate that?

Keith Weed, Non-Executive Director

Yes, I'm afraid to say for all of those who want to be able to sleep again at night, we've obviously had these horrific challenges around the pandemic around the world and of course we're now leaning into the climate crisis even more so as it gets more urgent by the day. There is another big challenge out there and it's coming in very fast, that's around biodiversity. The biodiversity challenge is very real because with climate change of course equally change, but the climate and we can adapt. We can't adapt if biodiversity collapses and right now we are burning nature's library. It's a one-way alley and you can't bring back species that don't exist.

Now, it's a very complex subject and of course it's got both flora and fauna biodiversity and they're connected. But it's quite a fragile way the world all holds together, so we need to be part of this agenda. To be clear, how we all eat globally and the importance of the sort of things you're hearing Mark and Simon talk about is right there, because 75% of what we eat globally comes from 12 crops and five species of animal. Twelve crops, five species of animal. So we actually are driving part of that problem.

So I think understanding the challenges around biodiversity is the first thing, not just us but the industry and indeed society. Then secondly, what do we do about it? It's obviously encouraging people to have a broader palate of what they eat, but it's also trying to work out with our suppliers in how we take this challenge on for the world and it's going to be something that you're going to hear a lot more about. So biodiversity is going to be a topic that's going to build on time.

Rebecca Reilly, Director of Corporate Affairs

Yes, very much so. Very much changing the topic, Simon, what are you doing to address the lack of diversity on the Board?

Simon Roberts, Group Chief Executive Officer

I think - I hope everyone has heard this morning, this is a topic we are very passionate about and very focused on, and when we think about diversity and inclusion in its broader sense for our colleagues, with and for all our customers, we really want to be the most inclusive and the most diverse in the way we build the culture of our organisation. If I think about this month, Pride month this month, it's just been incredible to see tens of thousands of our colleagues really joining in something that matters so much in our organisation, to our colleagues and our customers, and really championing how we lead in that way. That's just one example of everything that our colleagues really believe in in terms of us being the most inclusive organisation.

There are two areas specifically that we are reporting on within the targets that we have announced. One is clearly in terms of gender representation and we've made progress, 40% of our operating board members today in key commercial and [inaudible] roles are led by senior women and we are determined to keep raising our ambition there.

Specifically as Deb said this morning, the big area we really want to raise our expectations is in ethnicity and representation for ethnicity. It's an incredibly important area that I and we feel passionate and determined to drive and lead a big change on. Our colleagues talk with me and us all the time about what other opportunity we have to be much more diverse with and for our ethnic colleagues and it's something we're determined to make a change in and on quickly.

That's what we've set ambitious targets in the next three years to hold ourselves to account, not just in reaching a target but embracing a different culture which really ensures we have diversity of thought and opinion that really makes us a better business for our customers, for all of our stakeholders and clearly for our colleagues.

Rebecca Reilly, Director of Corporate Affairs

Yes, and Jo, I know this is something that the CR&S committee looks at as well, so what else are you doing to drive this agenda?

Jo Harlow, Chair of the Corporate Responsibility and Sustainability Committee

Well, I think when you talk about culture, culture is what makes everything happen, whether it's the sustainability agenda, whether it is leveraging the representation in terms of diversity that we have in the organisation. The remit of the CR&S committee is really around monitoring culture and making sure all the stakeholders in the business are being listened to and have a voice.

The way that we do that is first of all, at the Board level, we talk about culture at least two times during the year and at the CR&S committee we're reviewing employee surveys, we're reviewing listening events, all the data that is available so that we can really understand how the culture and where you want to take the culture, Simon, how that's really developing,

That's underpinned by a number of actions. One is regularly meeting with the Great Place to Work group, also [NEDs] getting out with the operating board members to listen to colleagues at the store level. Because that's where you really start to come face to face with, yes, a diverse workforce, but is the culture such that they are actually being heard, that they feel engaged and what issues do they have. That allows us to kind of marry what we're hearing in the boardroom which what we actually see and can feel in the individual stores.

Rebecca Reilly, Director of Corporate Affairs

Yes, great. Thank you, Jo and thank you, everybody. That is all we've got time for now. If you've got any outstanding questions that we haven't covered then please do ask those via the breakout groups or please email the investor relations team. I'm going to handover to Simon to close.

Simon Roberts, Group Chief Executive Officer

Thank you, Rebecca and thank you to all my colleagues for the Q&A session we've just had, but most importantly, thank you to you for all of your questions. I hope we've answered as many as we've been able to and any further we'll obviously follow up post today. I just want to spend a minute or two just closing this morning's events. Really going back to where we started this morning and I hope a theme that you've really felt throughout the course of all of our presentations and discussions this morning, and that is that sustainability really is becoming fully integrated into our strategy.

It's a challenging agenda, there's big choices for us to embrace and look at together and we are really determined to make sure as we focus on the priorities strategically that we announced in November, that sustainability is really powering and enabling us to make the changes in the way that we deliver for all of our stakeholders. So the priorities I started with this morning are absolutely the foundation of the way we're thinking about this cultural change that we've been talking about in our business this morning.

When we think about the commitments that we're making, I hope you've really enjoyed listening this morning to our team sharing with you what we're doing in each of these areas, and I hope you can see that we're beginning, as I say, to really integrate ESG right into the heart of our strategy and purpose. More to do of course, this is a constantly developing picture for us and we'll be talking a lot of [our board] sessions over the coming months about the progress we're making, and where we need to go further and faster.

I hope you've got a real sense this morning that in our culture as an organisation we want to be outside-in. We want to listen, we want to adapt, we want to change, based on the feedback and the experiences we listen to with all of our stakeholders. That's a really key part of the way that we want to lead and change for the future. I hope you've seen that we've set bold and challenging targets. Some we can see more clearly in terms of the solutions we've got, other areas we've got big work to do to really make the change necessary to get to the ambition that we've set ourselves.

At its heart, we want to put accountability and performance right at the heart of our culture. So my accountability and our team's accountability for delivering what we've set out to do. As we've talked throughout this morning, these challenges are big, they're complex, they require a level of collaboration and partnership across our industry, wider stakeholders and the government to really drive the positive change that we need to make happen together.

A huge thank you for joining us today, this morning. There's sessions this afternoon, breakout sessions, which I know many of you are going to be joining, so you should have a preassigned break out session already that begins from one o'clock. Any questions at all in relation to the breakout sessions then please let us know over the lunch break. But thank you for joining us for this morning. It's been great to have you with us. Thank you for all your questions and we look forward to working and sharing with you our progress as we take our Plan for Better forward. Thanks everyone.

[End]