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David Potts
Chief Executive



Doing the right thing

2020/21 was a year when, more so than ever, we listened hard and responded. We often found ourselves in uncharted territory, following our instincts and doing what we felt was the right thing. Not because of how it would make us look as a company, but because it was how we felt we could and should react in often unprecedented and extreme situations. We have tried hard to protect and value all our stakeholders, especially the most vulnerable in society, making sure as far as possible that nobody is left behind during this awful pandemic.

I look back on what was an undeniably terrible pandemic year with an immense and profound sense of pride. Morrisons colleagues in the shops, offices, depots and manufacturing sites really stepped up when they were needed most by the nation. Rightly recognised as key workers by government, I am truly grateful and humbled by what our colleagues have achieved. I've called them 'brave', 'rock stars' and paid many other deserved compliments over the last year, but nothing quite expresses my thanks for the scale of the achievement.

When British society all but closed down at the start of the pandemic, Morrisons galvanised and organised itself into a highly responsive and effective force for good. The swift and selfless actions of all Morrisons colleagues across the business was truly heart-warming and invaluable for the nation.

Playing our full part

Our initial actions focused on protecting colleagues and customers with sanitisation and social distancing measures. We guaranteed pay for thousands of affected colleagues, and tripled the average annual bonus payout as a 'thank you' for those on the frontline. We recruited an incredible 68,000 new colleagues to cover absence and to allow us to invest significantly in expanding our online and other home delivery services. Morrisons.com introduced new store pick home delivery and click & collect channels at pace, and we developed new food boxes and doorstep delivery services, plus a new relationship with Deliveroo. In addition, we very quickly expanded with Amazon, especially our same-day delivery service, Morrisons on Amazon, which is newly available across Britain on Amazon.co.uk. By the start of Q4 our online sales had more than tripled year-on-year.

We helped with the cash flow of around 3,000 smaller suppliers by paying immediately, and are giving extra discounts to our colleagues, NHS workers, teachers, blue light workers and our farmer suppliers. We are also restocking Britain's foodbanks, and have made various donations to homeless charities, and developed new bulk delivery services to provide vital supplies to customers, charities and local authorities quickly and at great prices.

These are just some of the ways that we have played our full part in helping feed the nation during the pandemic. There are full details of these and our other efforts throughout this Annual Report. Of course, this has all come at a cost: direct COVID-19 costs of £290m; and, our decision to waive £230m of business rates relief, plus tens of millions of pounds of lost profit in areas such as café and food-to-go means Group profit was down year-on-year despite the part-offset of significant operational gearing from the sustained very strong exc. fuel like-for-like sales growth.

68,000

new colleagues recruited to both cover temporary absence and to invest significantly in expanding our online and home delivery services

While unfortunate, this decline is a one-off in a year where we prioritised doing the right things first. A good example is doorstep delivery, our telephone order service that we set up in a matter of days right at the start of the pandemic for the most vulnerable and those that are self-isolating. It is old school. Customers pick up a phone and dial an order through to us that we then pick from a store and deliver direct to the customer for either no fee or a voluntary contribution. It is mostly used by the elderly and vulnerable who are unable to visit a shop and are often without internet access. It is literally a lifeline for thousands of customers, and has been the source of amazing feedback both from those customers and their families and friends grateful for us helping out. It doesn't make money for us, but that is not the point.

We care

As we move into a new year, there is a determination at Morrisons that we keep up the pace and effectiveness of our actions. While understandably much of last year will not be missed by many, we created an underlying momentum in the business that we will seek to keep going. Our Fix, Rebuild, Grow, Sustain strategy has proved highly flexible in allowing us to respond and adapt and, as we have moved through the stages of the pandemic, we have evolved our priorities and ways of working to re-validate them against an increased spirit of teamwork, community and support for all in society and all stakeholders.

We have added Pride in Hygiene to our seven priorities, and evolved Local Integration and Serving the Community, and Creating and Scaling for Profitable Growth to reflect both our significant progress against our original priorities and the world we are in today. We have also added to and refined our ways of working: Customers First; Teamwork; Listening Hard, Responding Quickly Wherever Possible; Freedom in the Framework; Driving Sales, Tough on Costs; and We Care. We are fulfilling our ambitions for all our stakeholder groups, recently adding Environment and Community in recognition of how central they are to everything we do.

We are playing our full part in helping Britain address climate change by delivering sustainable growth with a lower environmental impact. This is the right thing to do, something we care about, and something our customers, colleagues and investors expect of us. We have set stretching targets around: reducing carbon emissions; cutting waste and preserving natural resources through 'reducing, reusing, recycling'; sourcing from sustainable, ethical and resilient supply chains; and helping to grow and develop British agriculture. We also have an ambition to play our full part supporting the communities we serve and the lives of our colleagues: helping our customers live healthier lives; making a positive impact in every local community we serve; and providing a great place to work where everyone's effort is worthwhile and where everyone can make progress and a contribution.

We are a caring, modern business facing into both the pre- and post-pandemic challenges, and I am confident that we can also continue to develop and grow, and execute on our ambitious plans. We are continuing to become broader, stronger, and more popular and accessible, and there are many initiatives that we refer to in this Annual Report that will drive that growth: online; wholesale; outstanding in service, Market Street, and fruit & veg; our work around investing in price and range; and new formats and stores to name but a few.

As always, we are targeting growth that is capital light and we remain committed to the principles and disciplines of our capital allocation framework. Our business and strategy are supported by a strong balance sheet and we remain cash generative.

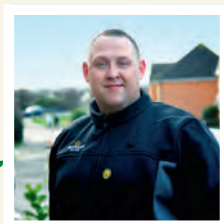
Last, another word on our wonderful Morrisons colleagues. More than ever the last year has demonstrated how the business is built on its people. You truly were there at a time of desperate need to help feed the nation. Thank you again to you all.

David Potts, Chief Executive



Thank you to all our brilliant colleagues

Here are just some of them. Neil, Myra, Ella, Michelle and Pam were all recognised in the New Year Honours list.



Neil Ferries - Warehouse Manager based in Kent

Neil safeguarded the delivery of fresh foods to around 80 Morrisons stores in the south of England where local residents would have faced empty shelves after issues developed at a Morrisons warehouse



Myra Smith - 'Community Champion' at Morrisons Dumfries

At the start of the pandemic, Myra began posting notes to vulnerable neighbours offering to pick up essential shopping items, and delivering them after she finished work. At Easter, she hand-delivered over 500 Easter eggs to support local key workers



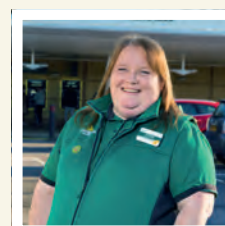
Ella Collins - Occupational Health Manager

Ella has consistently gone above and beyond in supporting Morrisons colleagues and working with Public Health England to manage the impact of the COVID-19 pandemic



Pam Abbott - 'Community Champion' at a Morrisons depot in Wakefield

Pam worked tirelessly to ensure fresh foods and other essentials continued to make their way to local food banks, youth groups and animal shelters when donations from their regular sources were running low



Michelle Leary - 'Community Champion' at Morrisons Basingstoke

Michelle had the idea of making pick up bags near the checkouts in stores, which customers purchase as a donation towards local food banks

