



LISTENING AND RESPONDING

Wm Morrison Supermarkets PLC
Corporate Responsibility Report 2017/18



ABOUT THIS REPORT

This is Morrisons 12th Corporate Responsibility Report. It reports on our corporate responsibility programme progress and activity from the previous financial year.

This Report should be read together with our 2017/18 Annual Report and Financial Statements, which can be found at: www.morrisons-corporate.com/investor-centre

Selected KPIs within this year's Report have been independently assured by our auditors PricewaterhouseCoopers LLP using ISAE 3000 (revised). The assurance statement can be found on [page 46](#) of this Report.

Why corporate responsibility matters to Morrisons


It's about doing the right thing for our customers, colleagues, suppliers, shareholders, society and the environment. Doing so ensures we remain an efficient and competitive business. Creating a meaningful corporate responsibility programme ensures transparency amongst our stakeholders and adds value to our business.

If you would like to comment on our corporate responsibility programme, the report itself or any of the issues we highlight, please drop us a line at cr@morrisonsplc.co.uk

How to use this interactive PDF

- Select the navigation tabs at the top of each page to jump to the start of that section.

Additional buttons:

 Go to main contents page

- Click/tap on the Contents panel on the right to jump to that page.

- Click/tap  or underlined links in the copy to jump to a page or web-link.

Strategy and approach

About this report	2
We are food makers and shopkeepers	3
2018 customer insight survey	4
Chief Executive introduction	5
Understanding our changing world	6
Supporting British farmers	7
Changing our use of plastic	9
Tackling food waste	12
What we've achieved in 2017/18	15
Farm to fork sustainability	16
Our corporate responsibility strategy	17
Working towards a global agenda	18

Our focus areas

Help British farmers to be competitive, affordable and sustainable



19

Ensure authenticity, provenance and safety of our products



21

Reduce general operational waste and carbon emissions




23

Reduce food waste



25

Look after our colleagues



27

Source responsibly



30

Ensure fair working conditions for our suppliers



32

Make it easier for our customers to live healthier lives



34

Make a positive difference to the communities we serve



36

Why it matters to Morrisons

Ongoing engagement with our stakeholders	38
Embedding sustainability into our business	39

Performance summary

Our focus areas in detail	40
---------------------------	----

Assurance

Assurance statement	46
KPIs assured and basis of preparation	48

WE ARE FOOD MAKERS AND SHOPKEEPERS

We are a British born and bred value-led grocer. We have grown from a market stall to the UK's fourth largest supermarket group with 491 stores. We're both food makers and shopkeepers, which makes us different from our competitors.

Our focus on fresh food is supported by our 'farm to fork' business model. We buy many of our fresh products directly from farmers and fishermen, process through our own manufacturing sites and abattoirs and distribute through our own network, the only British supermarket to do so. This gives us more control over the provenance and quality of the food we sell in our stores. We have more skilled specialists on hand to prepare fresh food in store than any other retailer, with over 9,000 fully trained craftspeople including butchers, bakers, fishmongers and cheesemongers.

Every week, over 11 million customers pass through our doors and shop online, and more than 105,000 colleagues across the business work hard each day to deliver a great service. Our aim is to give our customers more of what matters to them, offering great quality food at low prices.

Established in
1899

2.9%
LFL sales increase

£374m
underlying profit before tax



105,000
colleagues

11m
customers in store and online each week

491
stores

18
manufacturing sites

9
distribution centres



4,000
trained butchers, bakers and fishmongers

2018 CUSTOMER INSIGHT SURVEY

Customers surveyed

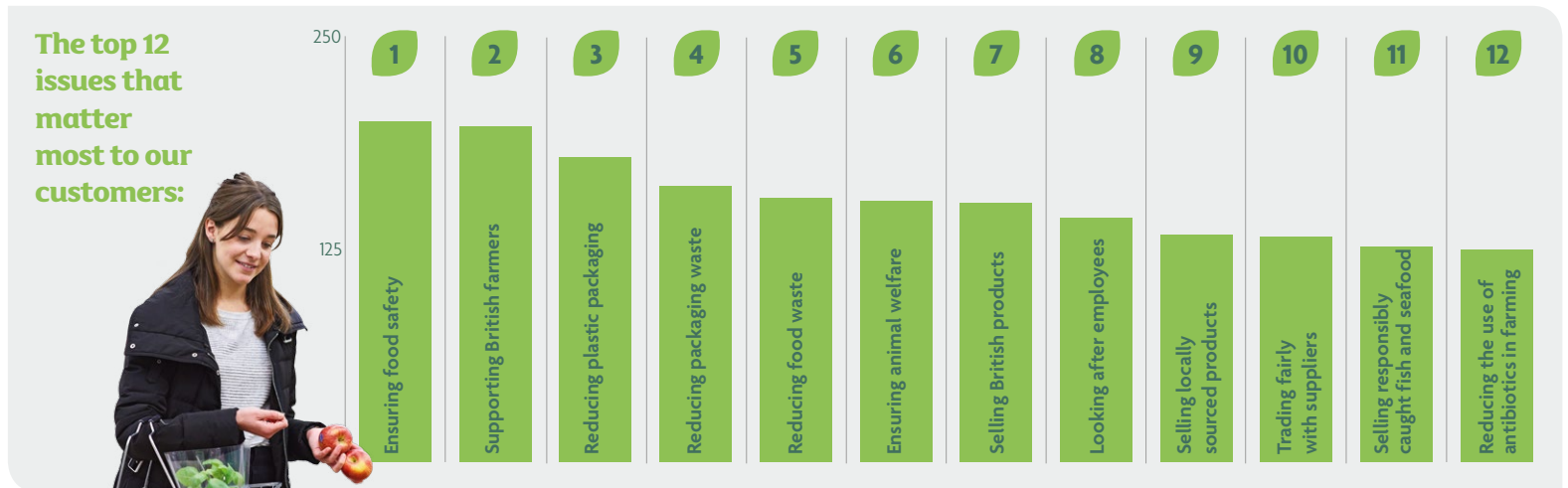
7,001
regular customers were surveyed
(5,628 2016/17)

We ask for feedback from our customers on various responsible business issues.

In January 2018, 7,001 customers were asked to complete our online survey.

In the exercise, customers were shown several sets of statements and with each set they are asked to select the options they consider to be the most and least important. This provides each statement with a score out of 100 based on its importance.

This year, we reviewed the list of issues in our survey to ensure that we are using customer friendly language that clearly explains each issue. We've also included two new issues: 'reducing plastic packaging' and 'tackling modern slavery and human trafficking.'



“Increase your Wonky Veg range even more. It’s grown massively over the past year and just represents huge value and increasingly less waste to the producers. It’s also cheaper for me. A win-win “

“Reduce the price of fruit and vegetables and green light products to make it easier for low paid people to buy healthy “

“We should be looking after the British farmer and reducing our dependency on buying from overseas “



Overview

Customer insight survey

Chief Executive introduction

Global context

Supporting British farmers

Plastics

Tackling food waste

Highlights

Our value chain

Strategy

The SDGs

LISTENING AND LEARNING FROM OUR CUSTOMERS



“Our core purpose will become a guiding principle that helps to shape our approach to all that we do”

David Potts, Chief Executive

Morrisons is now entering its third consecutive year of growth. Through the hard work of our colleagues, we've made good progress in our 'Fix, Rebuild and Grow' turnaround. As a result, customer satisfaction continues to improve with footfall up 12% since our journey started.

In last year's Corporate Responsibility Report I introduced our core purpose; as food makers and shopkeepers to make and provide food we're all proud of, where everyone's efforts are worthwhile so more and more people can afford to enjoy eating well. This will become a guiding principle that helps to shape our approach to all that we do.

Listening and responding is also central in helping to determine where we focus our responsible business work. For the third year running, we asked our customers for feedback on the issues they really care about. The top three were 'ensuring food safety', 'supporting British farmers' and 'reducing plastic packaging.' The survey results are published in this report on page 4.

Food safety is central to making and providing food we're all proud of. Whether that means achieving greater control over complex issues such as campylobacter or culture of excellence in manufacturing, it is always part of what we do.

We are UK farming's biggest customer but also closer than ever to farmers through our expanding manufacturing businesses. We bought two new manufacturing businesses, Chippindale Foods, a leading supplier of free range eggs, and Farmcare, a potato packing business in Scotland. In addition to our existing 16 manufacturing sites, these new parts of our business will create more direct relationships with producers, improving quality and efficiency and helping to lower costs for our customers.

Plastic packaging has been the standout emerging environmental issue of 2017/18. We're doing the right thing by removing or reducing problematic plastic and packaging where possible. We've already made progress by removing the single use carrier bag, plastic straws and plastic stem cotton buds – all of these things will help to make a real difference. We are also committing our full support to the UK Plastics PACT, which, through industry collaboration with Government, will transform the UK plastic packaging sector and tackle plastic pollution.

Throughout 2018 and beyond, customers will start to see more positive changes in stores and online as we continue to rethink our strategy on plastic packaging. This will be achieved through a balanced approach so that we do not inadvertently undermine work we have done to reduce food waste and emissions or create other sustainable business issues.

Surplus food redistribution continues to be a focus for Morrisons. We have extended our partnership with national redistribution charity, FareShare, into our manufacturing sites in 2017 and hit a milestone of 140,000 meals redistributed through this partnership alone in just nine months. In addition, we have maintained our activity at our stores working with over 400 community organisations, redistributing in total over 3.4 million surplus food products from our stores by the financial year end.

We've reported our carbon emissions figures since establishing a baseline in 2005, when we set a target to reduce them in absolute terms by 30% by 2020. I'm pleased that we can report that we hit that target early as we've already reached a 34% reduction. As we move forward, so does best practice in how to tackle big issues. Looking ahead, this means that our new reduction strategy will be science-based and linked to global targets aimed at limiting temperature rises.

David Potts
Chief Executive

UNDERSTANDING OUR CHANGING WORLD

It's important that we recognise and respond to the global challenges and trends that society faces.

From climate change and the finite resources we depend on, to the injustice and inequality of the communities where we source and sell our food, we understand the importance of managing our own business to reduce global risks and maximise the opportunities that may come as a result of these challenges.

Human rights

As a business, we are accountable for ensuring that the human rights of the people that make and sell our products are protected.

This includes fair working conditions, health and safety in the workplace, equal treatment and respect for the diverse communities in which we operate.

Business impact:

- Reputational impact
- Exploitation of vulnerable workers in our supply chain
- Liability for illegal activity.

Regulatory requirements

The EU non-financial directive requires companies to disclose relevant, useful information that is necessary to understand their development, performance, position and the impact of their activity. These include environmental; social and employee matters; respect of human rights; and anti-corruption and bribery matters. The Modern Slavery Act requires commercial organisations supplying goods or services to prepare and publish an annual Slavery and Human Trafficking Statement.

Business impact:

- Financial repercussions
- Reputational impact
- Stakeholder scrutiny and engagement.

Increasing transparency

Our stakeholders rightly expect us to be transparent about how we operate. They want access to our policies on topical issues and information on how strategic decisions are made and how we are responding to business challenges.

Business impact:

- Reputational impact
- Stakeholder scrutiny and engagement
- Change in productivity.

Climate change and resource scarcity

Climate change is a direct result of human activity, from population growth, demand and consumption patterns increasing emissions into the atmosphere. It is already affecting the way we live today, we see this through severe weather patterns, rising temperatures and sea levels causing food and resource scarcity and devastation to communities.

Business impact:

- Security of food supply
- Loss of food quality through changing climate patterns
- Food price inflation
- Loss of livelihoods for Morrisons suppliers
- New markets
- Changing buying habits.

Demand for responsible goods

Customer awareness and demand for responsibly made goods continues to grow. It's our responsibility to ensure that the decisions we take about how we operate and where we buy from are made with care. It's about taking responsibility for as many stages of the production and supply chain as we are able to control or influence.

Business impact:

- Poorly managed supply chains and management systems
- Illegal activity
- Security of supply
- Poor quality goods
- Greater transparency.

Population growth and urbanisation

The world's population is expected to reach over 9 billion people by 2050. It is also predicted we will see a shift in the way the world lives, moving from rural areas in favour of urban. These changes could have potential impacts environmentally, socially and economically.

Business impact:

- Food security
- Increased agricultural production
- Industrial adaptation
- Pressure on finite resources
- Price increases
- Greater number of customers
- Increase in-store openings.

Data security

Customer and colleague privacy is extremely important. They rightly want to know exactly what kind of information we collect and how it's used. It's important that we are transparent about the data we keep, and the policies and procedures we have in place in order to ensure information security.

Business impact:

- Legal repercussions
- Reputational impact
- Poorly managed management systems
- Cost implications
- Robust management systems.

SUPPORTING BRITISH FARMERS

The business case for supporting British farmers:

- Giving customers what they want
- Shorter supply chains
- Contributing to the UK economy
- Closer to source
- Securing the best suppliers
- Brand integrity and trust.

Customer insight survey 2017/18 ranking

Supporting British farmers

2nd

UN Sustainable Development Goals alignment



British farming today

In our annual customer insight survey, for the third consecutive year 'Supporting British farmers' has remained one of the top two (out of 28) issues our customers really care about. British farming and its long term viability is essential to our business. We take pride in the sourcing and production of the food we sell, buying British wherever possible. Being both a leading fresh food manufacturer as well as a major British retailer allows us to work with local farmers and suppliers to create shorter, more efficient supply chains.

According to a report by Professor Tim Benton at the University of Leeds, British farming provides only 52% of the nation's food. This lack of self-sufficiency is a result of a variety of factors including loss of funding for agriculture, operational inefficiencies, competitive pricing from international markets, lack of infrastructure to meet the demands of our rising population and a mixed perception of the quality of British produce.

Our challenge is to keep the industry competitive, affordable, profitable and sustainable. That's why in 2009, we launched an expert-led farming programme. Our programme today covers a broad range of issues from keeping British produce competitive with imports, strengthening our commitment to animal welfare and tackling broader sustainability issues. Through the work of our producer groups it helps us to ensure that the work we do is fully focused on current practical issues affecting suppliers and their concerns for the future.

"British farming provides only 52% of the nation's food"

Professor Tim Benton at the University of Leeds

We are the largest supermarket customer for British farmers buying 30,000 pigs, 4,000 cattle and 11,000 lambs every week

Our commitment to British food

Back in 2007, we announced our commitment to buy 100% fresh British beef, pork, lamb and chicken to sell in our stores.

We have continued to achieve this commitment for the past 11 years. We are the largest supermarket customer for British farmers sourcing 30,000 pigs, 4,000 cattle and 11,000 lambs every week.

Through our manufacturing sites, we work directly with 3,000 British farmers we know and trust. 80% of the 140 pig farmers and 1,700 cattle suppliers only grow their product for Morrisons.

In 2017, we reinforced our commitment to sell only British fresh meat throughout the year. In doing so, we no longer sell New Zealand and Australian fresh lamb during the winter and early spring months.



SUPPORTING BRITISH FARMERS continued

Examples of how we've continued to support British farmers 2007–present



Local food makers

In 2017, we began a search for the next generation of local food makers to stock their products in our stores. The search meant customers were able to buy more local food in a British supermarket that was grown, made, picked or packaged within 35 miles of their local store.

Suppliers were asked to apply through a dedicated website with selected applicants invited to regional showcase events where Morrisons customers, colleagues and Women's Institute members would decide who to take forward.

As a result of our local food maker events as well as our commitment to selling more local products, we are now working with over 200 new local suppliers stocking their products in our stores across the UK.

Milk for Farmers

In response to stakeholder challenge on the issue of dairy pricing for farmers, we launched our For Farmers range in 2015 and became the first UK retailer to create a range where part of the retail price of the products goes directly back to farmers. Our Milk for Farmers range now comes from a dedicated pool of British farmers, who produce to a higher welfare standard.

The extra 10p per litre paid by customers is shared among all the British farmers in the dedicated Morrisons dairy group. Since the For Farmers range launched we have contributed an additional £9m to farmers.

➔ Read more on our commitment to British farming on pages 19 and 20.

CHANGING OUR USE OF PLASTIC

Plastic is the environmental issue everyone has been talking about. In 2017, BBC’s Blue Planet demonstrated the detrimental harm leaked plastics can have on the marine environment and its contribution to climate change.

Customer insight survey 2017/18 ranking

Reducing plastic packaging

3rd

UN Sustainable Development Goals alignment



It is predicted that by 2050, there will be more plastic in the ocean than fish.

Ocean plastic is problematic for several reasons:

- it harms and kills marine life;
- it passes up the food chain through the fish and seafood we eat;
- it takes several years to breakdown and decay; and
- it can subsequently affect the makeup of ecosystems we’re dependent on and contributes to climate change.

Blue Planet has rightly caused significant stakeholder awareness and concern, Government response, business and industry commitments on plastic use and disposal as well as a rise in new market alternatives and solutions to plastics.

➔ Read more on our commitment to reducing waste on [pages 23 and 24](#).

How plastics leak into the marine environment

Coastal littering:

Visitors in and around coastal areas creating litter that is blown or swept into the ocean.



Industrial activity:

Inadequate disposal of equipment/products or loss during production and transportation.



Wastewater filtering:

Microbeads as well as microfibres from clothing that cannot be filtered through wastewater treatment.



Poor waste management:

Occurs on ineffective or poorly managed waste sites, where plastics are blown directly into rivers, streams and oceans at site or during transportation to the site. In some countries where there are no formal waste procedures, waste is sometimes placed directly into rivers.



Storms and natural disasters:

During storms and heavy rainfall, runoff water can pick up waste on land, including plastics from car tyres, and end up in our waters via drainage. Similarly, sewage waters can reach capacity and may be released untreated into rivers. Natural disasters can result in a variety of plastic waste released into the ocean.

Source: Grantham Institute, Imperial College London



CHANGING OUR USE OF PLASTIC continued

The plastics on our products

We're taking responsibility for the plastic we use, in 2018, we announced a commitment that by 2025 all own brand plastic packaging will be recyclable, reusable or compostable.

As signatories to WRAP's UK Plastics PACT, we will work in collaboration with WRAP, other signatories and the industry so that together, by 2025, we aim to:

- eliminate problematic or unnecessary single-use packaging through redesign, innovation or alternative (re-use) delivery models;
- ensure that in our packaging we have 30% average recycled content across all plastic packaging.

In the short term, we will target problematic plastic materials for Morrisons own brand and Market Street products including:

- Polyvinyl Chloride (PVC) packaging.
- Black plastic packaging.

We will also work with our suppliers so that:

- the use of mixed polymers (multi-layers) will be avoided wherever possible unless necessary for food safety to protect the product or is compatible with a recycling system;
- problematic packaging materials that cannot be easily recycled through kerbside recycling collections should be avoided where suitable alternatives already exist.

Own brand primary packaging breakdown

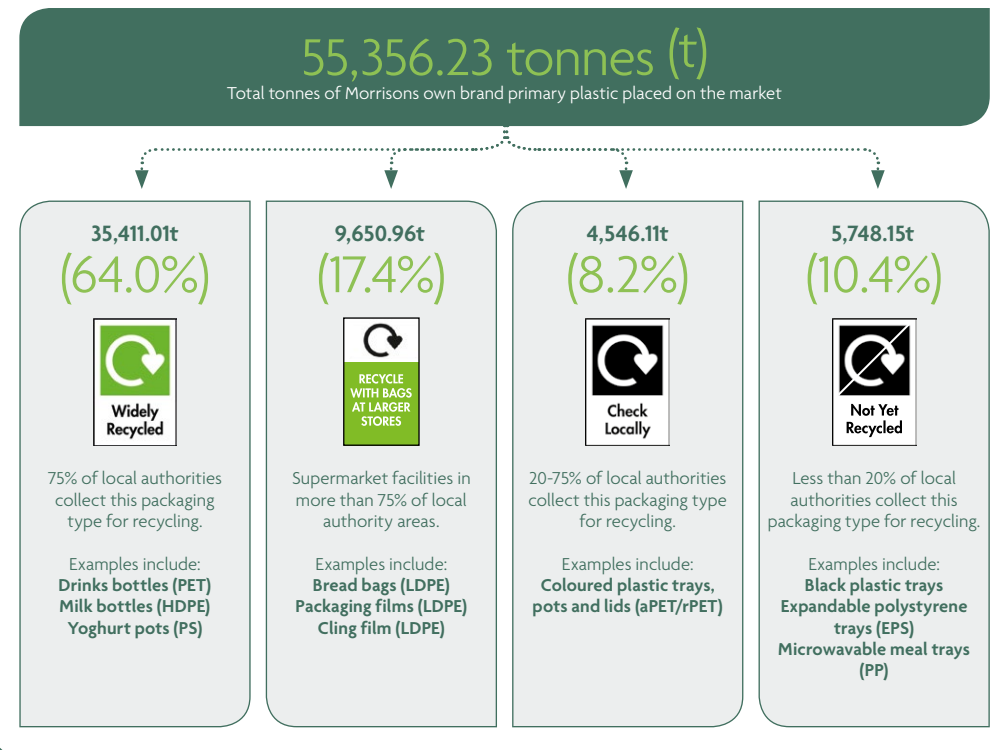
In 2017, own brand primary packaging consisted of:



*The figures above and in the table opposite have been calculated working with third party data analysts, Valpak Limited using standard industry methodology.

% of own brand primary packaging 'widely recycled' and 'recycle with bags at larger stores' by weight has also been independently assured by PricewaterhouseCoopers LLP. Primary packaging is defined as the layer of packaging in immediate contact with a product.

2017 own brand primary plastic packaging by weight



CHANGING OUR USE OF PLASTIC continued

The balance of food waste and packaging

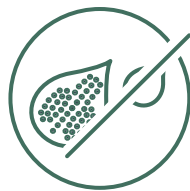
A selection of stakeholders believe in order to effectively tackle the plastics issue, retailers should remove plastics altogether from sale. However, plastic packaging has many benefits, it plays a fundamental role in preserving the freshness, quality and safety of a product, helping to significantly reduce food waste.

The resources needed to grow, manufacture and transport food are more impactful than packaging alone so food preservation is critical. The key is smart packaging which is handled correctly, is fit for purpose and can be recycled, reused or composted.

Tackling ocean pollution caused by fishing gear

Abandoned lost and discarded fishing gear is thought to make up 10% of all marine litter, posing a threat to marine life long after it has served its value to commercial fisherman. In early 2018, we became supporting members of the Global Ghost Gear Initiative (GGGI) to help tackle this issue and will be working to introduce best practice in our supply chains through improvements in reporting of lost fishing gear, traceability and recovery or the uptake of gear with in-built escape mechanisms to prevent animal entanglement if lost.

Examples of what we've done so far:



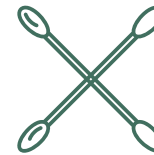
Prohibited the use of microbeads in our products ahead of legislation.



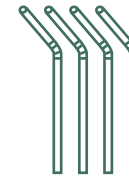
'Don't flush it' logo placed on disposable wet wipes packaging.



Introduced a number of water taps in cafés and water fountains in new store cafés for customers.



Moved to paper stem cotton buds in our health and beauty ranges.



Removed boxed single use straws from sale and in our cafés.



Removed single use plastic carrier bags from our stores. Customers can bring own containers to fish and butchery counters.



Launched enhanced packaging policy.

I'm delighted to welcome Morrisons to the GGGI to help in the fight against one of the biggest threats to our oceans, which impacts both fish stock levels and people's livelihoods. Morrisons will play a key role alongside NGOs, governments and other stakeholders to improve the health of marine ecosystems, protect marine animals and safeguard human health and jobs.

Ingrid Giskes, Chair of the GGGI

Valpak is regarded as the industry expert for packaging data. We assist retailers with the assessments of recyclability factors associated with OPRL and have worked with WRAP and Government departments researching flows of packaging onto and off the market. We have been working with Morrisons over the past 12 months to develop a methodology for accurately calculating operational food waste at the back of their stores as well as recyclability of their packaging.

Duncan Simpson, Director of Sales and Marketing of Valpak

TACKLING FOOD WASTE

Global context

According to a study by the United Nations (UN) food agency, one-third of the world's food production or 1.3bn tonnes is either lost or wasted.

Food waste is a major contributor to climate change, Global food loss and waste generates annually about 8% of total GHG emissions. This means that the contribution of food waste emissions to global warming is almost equivalent (87%) to global road transport emissions.

In contrast, almost 1 billion people go undernourished and another 1 billion go hungry. According to the UN, it is predicted by 2050 that the world's population will increase from 7 billion to over 9.5 billion people. As a result, food demand will continue to rise by 65% during this time. This will create even greater strain on the natural resources we depend on within our value chain in order to grow, make, transport and sell food to our customers.

It's important that we all work together to create more opportunities and markets for sustainable food systems, creating leaner and more efficient supply chains, improving food security and ending the disparity between hunger and food waste.



Processed through our manufacturing sites, our Wonky Veg range helps to reduce unnecessary food waste on farm.

UN Sustainable Development Goals alignment



Customer insight survey 2017/18 ranking

Reducing food waste

5th

Where does food waste occur in the UK?

In the UK alone, we waste over 10m tonnes of food every year, 60% of which could have been avoided.



MANUFACTURING	RETAIL	HOUSEHOLD	HOSPITALITY & FOOD SERVICES
Typically a result of: <ul style="list-style-type: none"> Inefficient processes Errors/faults Outgrades/not fit for purpose 	Typically a result of: <ul style="list-style-type: none"> Low sales Inefficient processes Sales forecasting 	Typically a result of: <ul style="list-style-type: none"> Not using food in time Portion control Storage 	Typically a result of: <ul style="list-style-type: none"> Inefficient processes Customer leftovers
1.7m tonnes	0.3m tonnes	7.3m tonnes	0.9m tonnes

Food wasted every year

10m tonnes

UK's CO₂e food and drink emissions

20%

TACKLING FOOD WASTE continued

Good business sense

Morrisons is different from other retailers because we make the majority of the fresh food we sell. We are not only the UK's fourth largest supermarket, we are the nation's second largest fresh food manufacturer operating our own abattoirs, factories and pack houses. This gives us unrivalled opportunities to reduce supply chain waste.

Ensuring efficiency in our supply chain and preserving our products is central to our success as a business. We have well developed systems for preventing food waste and increasing the distribution of any surplus so that we keep edible food within the human food chain.

We buy direct from meat and produce farmers and suppliers in the UK and utilise more of what we buy through our own abattoirs or produce pack houses. We buy whole animals and where practical, we have the capability to process whole crops. This enables us to manage and reduce associated waste and related costs. By having a greater degree of control over more of our fresh UK food chain we are able to drive efficiency through flexibility from the farm to our customers.

Example of food waste reduction in our manufacturing sites



Wonky Veg sold in stores

20 varieties

Working with our farmers

We work closely with our farmers and suppliers to reduce unnecessary waste and adjust our specifications when weather conditions lead to poor harvests. We have introduced a range of wonky fruit and vegetables called Wonky Veg and we can gear up or down depending on sales forecasts. We have also acted on specific requests from grower groups to relax some specifications when there have been difficulties with particular crops due to climatic pressures. We now sell 20 varieties of Wonky Veg across the year, typically this means 500 tonnes per week in stores and online.

Drew Kirk, Produce Director said: "Sales of our wonky vegetables have been encouraging, as they have been priced at a discount and sold next to the class one crop to give customers the choice. The sales tell us that customers really like these products."

TACKLING FOOD WASTE continued

Helping customers to reduce their food waste

Over 50% of food wasted in the UK comes from UK households. As a food retailer we have a responsibility to drive down avoidable food waste where we can, by providing our customers with clear and consistent information in stores, online and on pack to help them to effectively store and cook food with little waste.

In 2017, we conducted a survey of 1,907 Morrisons customers to understand the barriers of reducing food waste in the home.

We found that 41% of our customers surveyed said they didn't waste any food, similarly research by WRAP suggests 60% of people in the UK say they waste no or very little food, despite the fact that on average, around 5kg is wasted per week per household and of this 3kg is avoidable. It is evident that people aren't aware of the food that they're wasting and there is disconnect between personal behaviour and habits and how this is contributing to the global food waste problem.

When communicating to our customers on this important issue we must not dictate. It's important that we incentivise customers to reduce their food waste in a way where they can see or feel the positive impact of their day-to-day actions, whether this is through money saving or through environmental benefit. We welcome the evolution of WRAP's Love Food Hate Waste campaign, which aims to focus on the behaviours that can have the biggest impacts on household food waste by normalising food saving behaviours and targeting hard to reach audiences. We will continue to support this initiative through our online and social media channels and in store where possible.

Supermarkets can only play a part in this behaviour change. It's important that we work with local councils, Government and industry to ensure a consistent approach across the UK and take learnings from successful reductions in countries such as Wales where they achieved a 12% reduction between 2009 and 2015.

→ See pages 25 and 26 for more on food waste.



It is policy that our stores work with a local group to redistribute edible unsold food.



We are making changes to our on-pack guidance to help customers reduce waste.



Customer concern: Stop customers from unconsciously overbuying

What we're doing: Removed Buy One Get One Free offers, supporters of Love Food Hate Waste, utilising best practice storage advice on pack following recommendations from WRAP.



Customer concern: Confusing date labels on pack

What we're doing: Removed dual date codes from packs, moving away from 'Display Until' to 'Best Before' dates on pack.



Customer concern: Wonky produce sold as standard

What we're doing: Working with UK and international farmers selling 20 varieties of wonky fruit and vegetables as well as a dedicated Wonky Veg box online.



Customer concern: Transparency of food waste in our operations

What we're doing: We have calculated our operational food waste by weight in stores for 2017/18, for further information see page 26.



Customer concern: Increase redistribution of edible surplus

What we're doing: Over 3.4 million products redistributed from stores since 2016, over 140,000 meals redistributed to FareShare through our manufacturing sites as well as 1,599 tonnes through Company Shop and Community Shop.

WHAT WE'VE ACHIEVED IN 2017/18

<p>Reinforced commitment to 100% British own brand fresh meat</p>	<p>£9m raised for farmers through our For Farmers range</p>	<p>34% reduction in operational carbon emissions (2005 baseline)</p>		<p>81% own brand plastic packaging is recyclable (by weight)</p>	<p>20 varieties of Wonky Veg sold throughout the year</p>
	<p>3.4m unsold food products donated from stores since 2016</p>	<p>140,000 meals donated to FareShare through surplus food in our manufacturing sites</p>	<p>27% of our leadership team are female</p>	<p>£10m donated to charities through Morrisons Foundation</p>	<p>MyJob training delivered to 2,500 colleagues</p>
<p>200 new local suppliers selling products into our stores</p>	<p>537 colleagues trained on Modern Slavery</p>	<p>Calories removed from own brand soft drinks 1.8bn</p>		<p>LGBT+ colleague network launched</p>	<p>87% FSC equivalent or recycled in own brand health and beauty products</p>

- Overview
- Customer insight survey
- Chief Executive introduction
- Global context
- Supporting British farmers
- Plastics
- Tackling food waste
- Highlights
- Our value chain**
- Strategy
- The SDGs

FARM TO FORK SUSTAINABILITY

What we rely on

- 1 Natural resources
- 2 Financial resources
- 3 Physical resources
- 4 Our experts
- 5 Our people
- 6 Our suppliers
- 7 Our communities

Value Chain

Buy



We work with thousands of suppliers both in the UK and internationally to source food commodities, ingredients as well as finished products. We set high standards for the products we buy to ensure they are sourced and produced responsibly, to a high quality with safety always in mind. We're committed to buying fresh British produce where possible and directly from UK farmers and suppliers, contributing to the UK economy. We work with our suppliers to keep them profitable and sustainable. Through our Wonky Veg range, we've relaxed cosmetic specifications on fresh fruit and vegetables helping suppliers to reduce on-farm waste.



Alignment with our focus areas



Make



We own 18 fresh food manufacturing sites across the UK, including our own abattoirs, where 8,000 skilled colleagues process and create the fresh products our customers see on our shelves. Owning our own manufacturing sites gives us greater control of waste, makes the supply chain shorter and creates efficiencies, minimising our environmental impact and ensuring authenticity, provenance and safety of our products.



Alignment with our focus areas



Move



Products are moved through our national distribution network of 1,450 trailers from manufacturing sites to our stores. Our stores are serviced by seven regional and one national distribution centres. Through the use of state-of-the-art technology in our lorries, route optimisation, increasing trailer size and planning we are able to reduce miles and the environmental impact of our products and services, as well as getting fresh products into our stores faster.



Alignment with our focus areas



Sell



Our skilled butchers, bakers, cheesemongers and fishmongers provide a unique Market Street experience for our customers, selling fresh British produce on our counters. The specialists are on hand to advise customers on how best to store, prepare and cook the food we sell and will prepare only the amount that customers need, which helps to reduce food waste in the home. Our store colleagues reflect the local community we serve, with 75% of colleagues from the local area. We support and train our colleagues to ensure they provide the best customer service.



Alignment with our focus areas



Consume

Our colleagues work hard to minimise waste every day. It makes commercial sense and we know that our customers really care about this too. At the outset of any product design, detailed consideration is given to the lifecycle of a product and its packaging so that it is fit for purpose but also minimises materials, uses recycled content where possible and can be easily recycled. We provide recycling facilities for our customers at the front of our stores and car parks and provide information on packaging to customers on how to reduce food waste in the home. Any edible unsold food within our stores and sites are effectively redistributed to our partner organisations.



Alignment with our focus areas



Helping British suppliers

Sourcing responsibly

Authenticity, provenance and safety

Supplier working conditions

Reduce waste and emissions

Healthy customers conditions

Reduce food waste

Communities

Our colleagues

OUR CORPORATE RESPONSIBILITY STRATEGY

This Report provides details on our progress against our nine key focus areas, the challenges, and opportunities and how we are aligning towards a global agenda.

Helping British farmers

Working with our suppliers to keep them competitive, profitable and sustainable



Financial priorities alignment



Authenticity, provenance and safety

Traceability and integrity of the products we buy



Financial priorities alignment



Reduce waste and emissions

Reducing operational impact and creating efficiencies



Financial priorities alignment



Reduce food waste

Following the food waste hierarchy to reduce, reuse and recycle



Financial priorities alignment



Our colleagues

Train, engage and retain our people to provide great customer service



Financial priorities alignment



Sourcing responsibly

Working with our suppliers to improve how they source their products with sustainability in mind



Financial priorities alignment



Supplier working conditions

Protection of workers' rights and good relationships with suppliers



Financial priorities alignment



Healthy customers

Helping our customers to make healthier choices



Financial priorities alignment



Communities

Supporting causes that matter to our customers and colleagues



Financial priorities alignment



Key

- To be more competitive
- To develop popular and useful services
- To serve our customers better
- To find local solutions
- To simplify and speed up the organisation
- To make core supermarkets strong again

WORKING TOWARDS A GLOBAL AGENDA

Collaboration is the key to ensuring sustainable change.

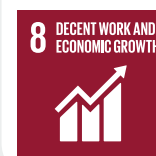
Why is it important?

The UN Sustainable Development Goals officially came into force in 2015. The Goals universally apply to all and aim to end all forms of poverty, fight inequalities and tackle climate change on a global scale. These Goals can't be realised without participation from all sectors including business. We recognise the importance of these goals and the true value of collaboration in order to create change.

At Morrisons, we want to address these global challenges in a meaningful way that is relevant and aligned to our business strategy. We've reviewed our focus areas and ensured we are aligned to at least one Goal where possible. As the use of the Goals develops we will adapt and build connections so that we stay connected to best practice where possible.

Our focus areas

- Helping British suppliers
- Authenticity, provenance and safety
- Reduce carbon and waste
- Reduce food waste
- Our colleagues
- Sourcing responsibly
- Supplier working conditions
- Healthy customers
- Communities



Supporting British

Food safety

Carbon and waste

Food waste

Our colleagues

Source responsibly

Supplier working conditions

Healthy lifestyles

Communities

1. HELP BRITISH FARMERS TO BE COMPETITIVE, PROFITABLE AND SUSTAINABLE

We know our customers care about buying affordable British products. British farming is also essential to our business as it keeps supply chains short and efficient. It's important that we support suppliers to create profitable, affordable, high quality products for our customers

Financial priorities alignment

 To be more competitive

 To serve our customers better

 To develop popular and useful services

 To find local solutions

Customer insight survey 2017/18 ranking

Supporting British farmers

2nd

Buying British products

7th

Selling local products

9th

UN Sustainable Development Goals alignment



Our commitments and performance summary

A full list of our commitments and performance figures can be found on [page 40](#)

First major supermarket to commit to selling British only fresh own brand meat throughout the year

100%

NEW:
Chippindale Foods egg manufacturing site



Raised for farmers through For Farmers range

£9m



Launch of Morrisons Milk for Farmers higher welfare standards

Supporting British

Food safety

Carbon and waste

Food waste

Our colleagues

Source responsibly

Supplier working conditions

Healthy lifestyles

Communities

HELP BRITISH FARMERS TO BE COMPETITIVE, PROFITABLE AND SUSTAINABLE continued

Our approach

We buy animals and whole crops direct from British farmers. Owning our own abattoirs, manufacturing and packing facilities enables us to utilise the whole animal and all of the crop, meaning farmers get a fair price and we're reducing waste. Our Farming Programme also works with producers to promote profitable, responsible farming through collaboration and supply chain initiatives.



Supporting Red Tractor...

“Morrisons commitment to British agriculture is undeniable and evident in every sector and at every stage of production. Consumers look for safe, traceable, responsibly produced food they can trust and the combination of the Morrisons label and the Red Tractor logo provides just that.”

Jim Moseley
CEO, Red Tractor

Visit Morrisons farming website:
www.morrisons-farming.com

2017/18 focus

Reinforcing our commitment to British

We are committed to selling 100% British fresh meat in our stores throughout the year. In doing so, we agreed to stop selling New Zealand and Australian fresh lamb which we had previously stocked during the winter and early spring months. This announcement is part of Morrisons wider programme to sell more food that is both British and local. Over two-thirds of Morrisons food is British.

For Farmers range

Our Milk for Farmers range comes from a dedicated pool of British farmers, who produce to a higher welfare standard allowing cows to graze for 120 days of the year. The extra 10p per litre paid by customers is shared among all the British farmers in the dedicated Morrisons dairy group. Since the For Farmers range launched we have contributed an additional £9m to farmers.

Chippindale Foods

In early 2018, we announced our acquisition of Chippindale Foods, a leading supplier of free range eggs. This acquisition will ensure we make even more of our own fresh food and become more competitive for customers on these important everyday products. It will also bring forward the date at which Morrisons will achieve its 2025 commitment to source all branded eggs from non-caged hens.

Antibiotics in farming

A key focus area since emerging Brexit has been the need for farmers to focus on sustainability through effective production while maintaining high standards of health and welfare.

This focus on preventative herd and flock health is also part of the antibiotic usage on farm toolkit, to which the publication of species targets by the Responsible Use of Medicines in Agriculture Task Force in response to the 2016 O'Neill report supports. Measuring, monitoring and managing the use of antibiotics on farm, particularly those of 'Critically Important Antibiotics' status for human health, has also been a major focus this year.

We have therefore been focusing our farmers' efforts on the monitoring and measurement of antibiotics on farm, as well as thinking carefully about the animal health and welfare performance indicators, including infectious and endemic disease monitoring.

Thinking about how our animals are housed and cared for, we have also published advice on environmental enrichment materials to use in pig housing, started a new project on free farrowing crates and launched a programme of additional standards from health and safety to house lighting and nutritional support in the pig sector.

Shorthorn beef

The British Shorthorn was once a protected rare breed. We found from our research that the meat eating quality of this breed was high. By offering to pay a premium for the British Shorthorn, this encouraged farmers to invest in it. We have now secured Shorthorn beef into 380 stores under The Best range.

Hampshire pork

We introduced genetics from the Hampshire pork breed into The Best pork range, giving extra tenderness and taste to the pork our customers buy. The farmers growing Hampshire Pork pigs meet regularly as a group to discuss improvements to the breed, production systems and the eating quality of the meat. Since launching The Best Hampshire pork range in 2016 we have seen further expansion to include cured smoked medallions, smoked and unsmoked maple cured back bacon.

Dairy beef

Working with farmers, we process reared dairy bulls through our abattoirs, preventing calves being killed at birth or exported live for continental veal markets. Morrisons Dairy Beef programme continues to grow with an average of 500 calves placed each month.

Further information on our commitment to supporting British farming can be found on [page 7](#).

What's next

Harnessing opportunities for farming through innovative technologies.	Addressing labour shortage, succession on farms, effective knowledge exchange, EU labour pressure.	Preparing for Brexit including tariffs and commodity price volatility.
Effective industry measurement and collation of antibiotic use on farms.	Continual supply chain engagement to ensure farming and customer communication is effective.	

Supporting British

Food safety

Carbon and waste

Food waste

Our colleagues

Source responsibly

Supplier working conditions

Healthy lifestyles

Communities

2. ENSURE AUTHENTICITY, PROVENANCE AND SAFETY OF OUR PRODUCTS

It is a priority that our products and services meet all food safety and legal standards. This significantly reduces risk and meets customer expectation for quality and value.

Financial priorities alignment



To serve our customers better

Customer insight survey 2017/18 ranking

Food safety

1st



To develop popular and useful services

Antibiotics in farming

12th

UN Sustainable Development Goals alignment



Our commitments and performance summary

A full list of our commitments and performance figures can be found on page 40

New in-store food safety fish guides



2nd in Food Standards Agency's campylobacter retailer league table



'At source' international teams operating in five countries

Food Hygiene Rating 5 or Pass achieved



88% stores

Supporting British

Food safety

Carbon and waste

Food waste

Our colleagues

Source responsibly

Supplier working conditions

Healthy lifestyles

Communities

ENSURE AUTHENTICITY, PROVENANCE AND SAFETY OF OUR PRODUCTS continued

Our approach

We set high standards for our own brand suppliers, manufacturing sites and stores to ensure the delivery of safe and legal products that meet the demands of our customers.



Listening to our communities...

“Morrisons should continue working vertically in food chain to promote safety, quality and value.”

Morrisons customer

Read more about our campylobacter work at: <https://www.morrisons-corporate.com/cr/campylobacter-update/>

2017/18 focus

Working with Government

We are working with the Food Standards Agency (FSA) on Regulating our Future, which is a strategy to improve the way food businesses are regulated. The current model of food inspections is one size fits all. The FSA want a flexible, risk-based approach that is fit for the future and takes into account the changes in the food industry, such as online retailers, food delivery services and independent food safety certification schemes.

Culture of Excellence programme

Our Culture of Excellence programme has run for a second year in our manufacturing sites. This programme continues to play a key role in improving our food safety and quality ways of working. All sites have been audited and each has robust plans in place to further improve our Culture of Excellence targets for 2018.

Food Industry Intelligence Network (FIIN)

We continue to actively participate in FIIN, which represents a ‘safe haven’ for retail, manufacturing and food service members to share intelligence on food fraud. We are now members of the expert Technical Steering Group which has been established to address the vulnerability of specific categories and recommend additional control measures.

Campylobacter

Since 2013, we have been working hard to reduce campylobacter levels in fresh own brand chicken. We have worked with our suppliers to implement a detailed Campylobacter Action Plan which has successfully reduced campylobacter levels in our chickens.

Overall for 2017 only 0.8% of our chickens had the higher levels of contamination from a total of 477 chickens tested.

The FSA’s 2017 report placed Morrisons second in a retailer league table with significantly lower prevalence of campylobacter levels.

Agents and Brokers Standard

We implemented our Agents and Brokers Standard in 2017. This encompasses both British Retail Consortium (BRC) and Morrisons specific technical requirements. The supporting audit programme commenced in September 2017. Agents and brokers play an important role in ensuring the safety of the Morrisons own brand products they source. Our Standard defines specific technical and operational requirements that will deliver safe and legally compliant products. Agents and Brokers audits are conducted at a risk-based frequency with encouragement for agents and brokers to gain certification to the BRC Agents and Brokers Standard.

Morrisons Supplier Microbiology Forum

We have brought together a group of food safety experts from across diverse parts of our supply base to share knowledge and collaborate with us on ensuring the safety and quality of our food products, which we believe is an industry first. The forum has attracted a high calibre of participant. In addition to our own in-house Morrisons experts we have expertise from notable food manufacturers across our supply base. The aims of the forum include sharing of information and best practices for managing food safety and quality; identifying industry issues and emerging microbiological risks; developing relationships within the supplier base

and understanding of the relevant Morrisons policies and priorities.

Spice authenticity

We are commencing a programme of testing samples of high risk authenticity ingredients such as spices, oils and cheeses procured during audits. We are active participants in the herbs and spices research project run by Professor Chris Elliot at Queens University, Belfast. Good progress has been made in developing new testing methods to identify adulteration in sage and oregano. Through horizon scanning, we have determined the product areas most vulnerable to food fraud and test them on a risk-based frequency to detect potential adulterations. High risk products include comminuted meats, fish products, oils, fruit juices, honey, herbs, spices and wine.

International ‘at source’ team

Over the past year, we have employed a team of ‘at source’ produce experts helping us to work more effectively with farmers in Spain, Chile, Holland, South Africa and Peru. In 2017, we conducted over 1,000 supplier visits across those countries.

What’s next

New Recipe Management System will be completed in 2018.

Continue to reduce campylobacter levels in own brand chicken.

Continue to conduct supplier visits through our ‘at source’ technical teams.

3. REDUCE GENERAL OPERATIONAL WASTE AND CARBON EMISSIONS

Climate change significantly affects our business through its impacts on agricultural yields, food prices and supply. It's important that we minimise environmental risks to our business, protect natural capital and create efficiencies. As a food maker it is also important that we show respect and value for the food we serve to our customers, whilst operating efficient supply chains.

Financial priorities alignment

 To be more competitive	Customer insight survey 2017/18 ranking
 To serve our customers better	Reducing plastic packaging
 To develop popular and useful services	3rd
 To find local solutions	Reducing packaging waste
	4th
	Reducing our carbon footprint
	18th

UN Sustainable Development Goals alignment



Our commitments and performance summary

A full list of our commitments and performance figures can be found on page 41

Reduction in operational carbon emissions achieving our 2020 target early

34%



Removed single use carrier bags from stores



By 2025, all own brand plastic packaging will be recyclable, reusable or compostable

Own brand plastic packaging is recyclable by weight

81%

Supporting British

Food safety

Carbon and waste

Food waste

Our colleagues

Source responsibly

Supplier working conditions

Healthy lifestyles

Communities

REDUCE GENERAL OPERATIONAL WASTE AND CARBON EMISSIONS

continued

Our approach

We were the first major supermarket to be awarded the Carbon Trust standard in 2008 based on a range of activity at the time which we continue to this day. We have a range of products to deliver carbon savings throughout our supply chain. Reducing our impact is part of what we do; this makes sense not only from an environmental perspective, it also ensures efficiency throughout our operations.



Listening to our customers..

“I think it’s crucial that all supermarkets look at reducing their carbon footprint and protecting our planet. We can start by reducing packaging and plastic in particular. I’ve seen a tremendous shift in the acceptance of plastic carrier bags no longer being available.”



Read more about the UK Plastics PACT here:
<http://www.wrap.org.uk/content/the-uk-plastics-pact>

2017/18 focus

Operational carbon target

As a result of our efforts to reduce energy use across the estate, our operational carbon emissions were 1,071,249 tCO₂e, which represents an overall absolute reduction of 34% in operational carbon emissions. This means we’ve achieved our 30% reduction target two years earlier than expected. In 2018, we will set a new stretching operational carbon target, considering the inclusion of a science-based metric.

Improving efficiency within logistics

We’re undertaking a number of activities designed to reduce the number of miles we travel while delivering food to our stores.

During 2017, we reduced the Morrisons fleet by 46 vehicles, we were able to make this reduction by improving utilisation and overall efficiency.

We have increased the use of double deck trailers and maximised the vehicle fill on our extended length trailers reducing the number of trips we make to stores to deliver the same volume.

Our vehicle telematics system has improved the average miles to the gallon of our drivers by reducing harsh braking, acceleration and engine idling time.

Through national inter-depot movements, we have increased our use of one way sub-contraction to move products between our distribution centres, this means we are reducing kilometres travelled and empty running on return journeys.

Waste in stores

We aim for zero waste direct to landfill in our stores. We operate a strong reduction and recycling

programme treating waste as a resource and work with our waste contractors to maximise reprocessing.

2017/18 store waste and recycling breakdown

Material	Tonnes
Card	107,647.25
Confidential paper	72.64
Mixed plastics	6,412.78
Animal by-product (ABP)	4,029.55
Light tubes	4.29
Oil	4,508.62
Other recyclables	6.22
Diverted trade waste	56,011.75
Total recycled/reprocessed waste	178,692.99 (97.3%)
Landfill	5,020.72 (2.7%)
Total waste produced	183,713.71

Plastic packaging policy

At the outset of any product design, detailed consideration must be given to the lifecycle of the product and product packaging so that it is fit for purpose, which is to protect the product, and reduce waste but also minimises packaging, uses recycled material wherever possible, and can be recycled wherever possible.

In 2018, we launched our packaging policy to ensure that by 2025 all plastic packaging used on own brand products will be either recyclable, reusable or compostable.

UK Plastics PACT signatory

As signatories to WRAP’s UK Plastics PACT, we will work in collaboration with WRAP, other signatories and the industry so that together, by 2025, we aim to eliminate problematic or unnecessary single-use

packaging through redesign, innovation or alternative (re-use) delivery models and ensure that in our packaging we have 30% average recycled content across all plastic packaging.

Removing problematic plastics

We prohibited the use of plastic microbeads ahead of legislation, as well as plastic stem cotton buds in our own brand cosmetic and personal care products.

In 2018, we are phasing out plastic drinking straws and single use carrier bags. We will also move away from black plastic and PVC packaging on our products. More information on our plastics activity can be found on page 9.

Recyclability of our products

In 2017, 90% of own brand primary packaging was recyclable by weight, this includes plastic, paper, wood, aluminium, glass and steel. 81% of own brand primary plastic packaging was recyclable by weight. The figures have been calculated working with third party data analysts, Valpak Limited using standard industry methodology.

We adopt OPRL on our own brand packaging, which helps customers to easily identify products that can be recycled. In 2018, we are communicating to suppliers that OPRL information is essential and needs to be placed on all own brand products to ensure consistency of information for our customers.

What’s next

Development of a science-based carbon reduction target.	Further removal of problematic plastic packaging within our operations.	Increasing the visibility of OPRL on our products.
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Supporting British

Food safety

Carbon and waste

Food waste

Our colleagues

Source responsibly

Supplier working conditions

Healthy lifestyles

Communities

4. REDUCE FOOD WASTE

By building smarter supply chains we reduce avoidable food waste. We follow the food waste hierarchy of prevention, optimisation, recycling, recovery and, as a last resort, responsible disposal. This reduces environmental risk, creates efficiencies and is important for a range of our stakeholders.

Financial priorities alignment

To be more competitive

To serve our customers better

To develop popular and useful services

To find local solutions

Customer insight survey 2017/18 ranking

Reducing food waste

5th

UN Sustainable Development Goals alignment



Our commitments and performance summary

A full list of our commitments and performance figures can be found on [page 41](#)

Meals redistributed from our manufacturing sites to FareShare

140,000

Over 3.4 million unsold food products donated to local community groups

Wonky Veg sold in our stores

20 varieties

Morrison's Foundation donated more than £250,000 to food redistribution charities



Wonky Veg box launched



Supporting British

Food safety

Carbon and waste

Food waste

Our colleagues

Source responsibly

Supplier working conditions

Healthy lifestyles

Communities

REDUCE FOOD WASTE

continued

Our approach

We are committed to providing food we are proud of with the minimum wasted so that our customers enjoy eating quality fresh food at great value. We have to take an active approach to use more of what we buy and consequently the management and reduction of associated waste is our responsibility. By having a greater degree of control over more of our fresh UK food chain through our vertical integration model we believe we are also able to drive efficiency from farm gate through our more direct supply chain to our customers.



Working with our redistribution partners..

“We are incredibly proud of our partnership with Morrisons. Thanks to collaboration across multiple production sites, FareShare is able to access a range of fresh, nutritious food that is in such high demand by the thousands of frontline charities we support – items like fresh fish, potatoes and fruit.”

Lindsay Boswell
CEO, FareShare

Further information on our food waste activity can be found on [page 12](#).

2017/18 focus

Reducing on-farm food waste

In addition to our Wonky Veg range which sells on average 500 tonnes per week, we've introduced Wonky Veg boxes, which includes carrots, onions, potatoes, parsnips as well as a minimum of three additional seasonal produce items. We anticipate in 2018/19 sales of Wonky Veg will reach around 1,000 tonnes per week.

Manufacturing food waste reduction

We invested £30m in washing and packing technology, including state of the art optical grading systems, increasing yield and reducing downgrade and waste at our potato packing sites in Gadbrook and Rushden by over 4% and introduced water recycling systems to significantly reduce water usage.

Manufacturing and distribution centre surplus redistribution

In nine of our manufacturing sites and distribution centres, we work with Company Shop and FareShare to redistribute edible surplus food that can't be used through our own operations. Working with these organisations, we've managed to redistribute 1,599 tonnes of surplus food that would have otherwise been wasted.

Grimsby seafood site: FareShare works with our Grimsby manufacturing site to redistribute ad-hoc surplus fresh fish and seafood from our operations. Typically this occurs when we can't sell the product within our stores or sell on to other markets due to issues with allergens.

Cutler heights: In 2017, our fresh produce manufacturing site, Cutler Heights, began a project with FareShare to redistribute surplus green grapes

from their operations. Due to weight requirements for grapes punnetted at the site, surplus grapes which currently don't have a commercial outlet are collected by FareShare on a regular basis.

Carnoustie: FareShare in Scotland now receives a regular supply of surplus potatoes from our manufacturing site in Carnoustie. Potatoes typically used as quality samples are collected by FareShare Glasgow every fortnight, where they are redistributed to their local frontline charities.

Through our partnership with FareShare in our manufacturing sites we redistributed 140,000 meals in 2017/18, the equivalent of 59.5 tonnes.

McColls partnership

In early 2018, we began a new supply deal with convenience retailer, McColl's, to exclusively supply Safeway branded products to its convenience shops and newsagents. This is a phased rollout starting in the Greater Manchester area. Any surplus food from our Bury distribution centre through the McColl's partnership is now redistributed to local charity, The Bread and Butter Thing. As we rollout our partnership with McColl's we will partner with FareShare to redistribute any surplus stock.

Retail food waste measurement

Working with third party data analysts, Valpak Limited, we have developed a methodology to accurately record food wasted in our stores by weight.

11,028.8 tonnes of food was recorded as damaged or out of date stock, which was collected by waste contractors at the back of stores for recycling and reprocessing where possible. At present, a proportion of edible food recorded as waste is used in colleague

canteens and in colleague sales however this is not currently accurately captured at store level.

Unsold food programme

Through our unsold food programme, in 2017/18 we donated 796.89 tonnes to local community groups. 3.4 million edible unsold food items have been donated to local community groups since 2016.

Further information on the scope of our operational food waste reporting and number of unsold food donations can be found on [page 48](#) of this report.

Supporting food redistribution organisations

Morrisons Foundation donated over £250,000 to food redistribution organisations, helping them to purchase community fridges, vans and equipment.

Customer food waste

Following recommendations from WRAP, we're reviewing on-pack guidance on Morrisons products and we will: move from 'Display Until' to 'Best Before' dates; increase visibility of our "Enjoy for longer when kept in the fridge" message; consider the WRAP recommendation of using a fridge logo and other additional messages to encourage less waste; and review 'open' and 'closed' shelf life guidance.

What's next

Increasing our food redistribution programme throughout stores and manufacturing sites.

Improving customer communications around household food waste.

Continue to make product changes to make it easier for customers to reduce their food waste.

Supporting British

Food safety

Carbon and waste

Food waste

Our colleagues

Source responsibly

Supplier working conditions

Healthy lifestyles

Communities

5. LOOK AFTER OUR COLLEAGUES

The success of Morrisons is dependent on recruiting, developing and retaining the right people. It's important that our colleagues reflect the communities in which we operate, and feel supported and engaged to enable us to deliver great customer service and meet our strategic objectives

Financial priorities alignment

To develop popular and useful services

To find local solutions

To make core supermarkets strong again

To serve our customers better

To simplify and speed up the organisation

Customer insight survey 2017/18 ranking

Looking after employees

8th

Equality in the workplace

17th

Employee volunteering

28th

UN Sustainable Development Goals alignment



Our commitments and performance summary

A full list of our commitments and performance figures can be found on page 42

Leadership team is female



27%

Colleagues completed MyJob training

2,500

LGBT+ network launched

Top 10 UK employer for social mobility (Social Mobility Employer Index)

Colleagues on Retail Pathway programmes



668

Supporting British

Food safety

Carbon and waste

Food waste

Our colleagues

Source responsibly

Supplier working conditions

Healthy lifestyles

Communities

LOOK AFTER OUR COLLEAGUES continued

Our approach

Our people are at the forefront of everything we do. Recruiting and retaining the right people means we deliver our strategic objectives and provide excellent customer service. At Morrisons, we aim to create long term partnerships by giving colleagues the time, qualifications and support needed to grow and develop their skills.



Diversity within the workplace...

“We are proud of the progress we are making as a diverse and inclusive employer, to provide more opportunities for women to progress, and to share more of our profits with all our colleagues through improved pay, bonuses, and benefits.”

Clare Grainger
Group People Director, Morrisons

 Read more about Morrisons careers here:
www.morrisons.jobs

2017/18 focus

Retail management structure change

Since the 2014/15 management restructure took place in our stores, we've continued to listen to our colleagues and customers to review our structures to make sure we're in a strong position to serve our customers better.

Following a full review of our management structure in stores, we have reduced the number of management roles by 1,500, whilst simultaneously creating 1,700 additional colleague roles. We believe this re-establishes the right balance of colleague and management roles, introducing a structure which is simpler with clearer management accountabilities.

Fair day's pay and colleague benefits

It is important that colleagues feel valued and that they share in the success of the business. We closely listen to the feedback in this area in our 'Your Say' survey. Positive responses to the question of 'I receive a fair day's pay for the work I do' has increased again reflecting our continued investment in colleagues.

We have increased pay from £8.20 per hour to £8.70 for all our store colleagues. In manufacturing, there has been a 2% increase across all hourly roles with the new minimum established rate of £8.16, which equates to the same as retail when considering paid breaks, and the minimum new starter rate moved to £7.83.

In addition to our company wide bonus scheme, we have introduced a new improved bonus scheme for colleagues at junior manager level. The average colleague bonus payout in 2017 was over 25% higher this year than the previous year.

During the year, we also introduced a new pension scheme which provides colleagues with a more affordable way to save, enabling them to make contributions starting at 1% of salary, which are matched by the Group.

We have introduced 'My Perks' on this platform giving colleagues access to discounts across many high street retailers.

Apprenticeships

With the introduction of the Apprenticeship Levy in 2017, we are now one of the UK's biggest employers of apprenticeships. Providing a point of differentiation for Morrisons in the industry we offer Market Street craft apprenticeships including butchers, bakers and fishmongers placements.

Tools and training to do the job

During the year, we introduced our MyMorri app giving all colleagues online access to their payslips, training, colleague handbook and a dedicated news channel to keep up-to-date with all relevant company information.

A new online learning management system, My Learning, has also been introduced. This provides a single platform to access relevant training materials and an electronic employee record regarding legal training.

MyJob programmes continue to be delivered across the business to develop technical and leadership skills. This year we have also delivered a similar programme to 2,500 colleagues across our management groups.

An opportunity to develop, progress and grow

To give our colleagues the opportunity to develop and grow, we have introduced our internal Pathway programme to give a clear visible route for progression within their chosen career through a series of development courses. In 2017, we had over 1,000 applications for the programme with over 500 successful applicants.

Over 850 colleagues from across the business completed our Leading with Purpose programme in 2017. This programme, which is delivered by leadership team members, enables colleagues to understand their role in the turnaround of Morrisons and in delivering our core purpose.

Our graduate programmes continue to increase in size with 76 graduates starting their careers on one of our eight schemes.

Our apprenticeship programmes continue to grow with over 300 colleagues starting an apprenticeship in areas including butchery, bakery, fishmongers, engineering and floristry.

Supporting British

Food safety

Carbon and waste

Food waste

Our colleagues

Source responsibly

Supplier working conditions

Healthy lifestyles

Communities

LOOK AFTER OUR COLLEAGUES continued

2017/18 focus

For the eighth year running, we hosted our annual in-house Mastercraft competition to celebrate the talent of our very best food makers and shopkeepers. Colleagues from across all our stores and sites were invited to showcase their skills in butchery, bakery, fishmongery, cake shop, wine, deli, floristry, and produce.

Social inclusion

We are working with Mosaic, a UK mentoring programme creating opportunities for young people growing up in the most deprived communities, to support underperforming schools in West Yorkshire. We are also working with IGD on a similar initiative to support schools on a national scale, utilising our the knowledge and skills of our graduates and degree apprentices to act as mentors.

Through the Our Club programme, we work with Department of Work and Pensions and local Job centres to help unemployed people get back into work. In 2018, we will also be exploring opportunities to work with Barnardo's, the national children's charity on social inclusion programmes.

Diversity of our colleagues

We pride ourselves on being a diverse and inclusive business. All colleagues and people in the communities in which we work are welcomed and treated with respect, regardless of their background. We remain committed to maintaining an environment that enables colleagues to be at their best more of the time, offering equal opportunities for colleagues to develop, progress and grow.

Diversity working groups have been established, identifying five priorities including gender, culture, disability, LGBT+ and parents and carers. Plans are currently in development for 2018 but there remains an ongoing focus to increase female representation at a senior leadership level.

Supporting women to progress within our business

During the year, Morrisons employed over 58,000 female colleagues and over 47,000 male colleagues. We remain committed to improving representation of females in senior leadership roles. The Board comprises seven men and two women, whilst 73% of the leadership team are male and 27% female.

We continue to make progress with our ambition of increasing the number of female store managers and have moved from 34 (7%) in 2016 to 86 (18%) as of November 2017.

We introduced Women in Leadership workshops across the business to give colleagues the opportunity to discuss the barriers and concerns that our female colleagues face and to share details on personal development and opportunities in Morrisons.

Gender pay gap

We welcome the Government's introduction of gender pay reporting, which will improve transparency in this important area. We are proud of our progress as a diverse and inclusive employer to provide more opportunities for women to progress, and to share more of our profits with all our colleagues through improved pay, bonuses and benefits.



We reported a 12.1% median and a 14.9% mean gender pay gap, which is below the national average of 17.4% (mean), and the retail industry average of 16.4% (mean), but we recognise there remains work to do.

We typically receive many more applications for our front-line roles from women, and these roles are predominantly held by females. For example around 70% of all Customer Assistants in store are female.

Our craft food roles including butchers, bakers and fishmongers, as well as night roles typically receive more applications from men. These are also the roles which attract higher rates of pay through additional payment above our £8.70 hourly rate.

We also recognise that at middle and senior management levels we have less female representation than we would like and this is something we're working hard to change throughout 2018/19 and beyond.

LGBT+ colleague network

In 2017, over 400 colleagues joined a new LGBT+ network. The network enables colleagues to share their stories, news and ideas as well as provide support and advice on issues that matter to them.

Health and wellbeing

We have focused on stabilising the Occupational Health referral service, educating relevant managers on attendance management, including handling colleague disabilities and reasonable adjustments.

We are continuing to work with the Retail Trust on our employee assistance programme, making their services more accessible to all our colleagues by creating an app for colleagues to download to access help and information.

Your Say forum

Listening and responding remains a priority and we'll be focusing on further developing the strength of the Your Say forums.

Our 2017 Your Say Survey was completed by 76% of employees across the business. Our measure of overall engagement improved from 75.6% in 2016 to 78.2% in 2017.

What's next

Craft apprenticeships in Scotland and Wales.

Continue to invest in MyJob training throughout the business.

Development of a health and wellbeing website on MyMorri.

6. SOURCE RESPONSIBLY

Increasing global demand and pressure for key commodities can lead to ill-managed supply chains, erosion of land, illegal logging and the destruction of natural habitats and ecosystems. We must ensure that our supply chains remain sustainable and that we conserve the natural capital we're dependent on.

Financial priorities alignment

 To be more competitive	Customer insight survey 2017/18 ranking
	Animal welfare
	6th
	Protecting natural habitats
	11th
	Fairtrade products
	14th
	Supplier working conditions
	21st
	Responsible fishing
	23rd

UN Sustainable Development Goals alignment



Our commitments and performance summary

A full list of our commitments and performance figures can be found on [page 43](#)

Supporting members of the Ghost Gear fishing initiative

Forest Stewardship Council (FSC) certified approved alternatives or recycled in own brand household and beauty products

87%

Our farmed fish and seafood is certified to third party standards including Global GAP, Aquaculture Stewardship Council and Global Aquaculture Alliance Best Aquaculture Practice

over 99%

Continued participation in Sustainable Fisheries Partnership's Ocean Disclosure Project



Supporting British

Food safety

Carbon and waste

Food waste

Our colleagues

Source responsibly

Supplier working conditions

Healthy lifestyles

Communities

SOURCE RESPONSIBLY continued

Our approach

We are committed to responsible sourcing and use supply chain systems which minimise environmental impacts associated with the production of raw materials. We work with our suppliers to improve the social and environmental performance of our supply chain and ensure they are meeting our high sourcing standards. We encourage and promote responsible practices and a longer term view.



Working with our supply chain...

“We really appreciate the support of retailers like Morrisons for the assessment of the North Sea cod fishery and it’s fantastic to see sustainable Scottish cod back on the menu.”

Mike Park

Chairman of the Scottish Whitefish Producers Association

Read more about our responsible sourcing here: www.morrisons-corporate.com/cr

2017/18 focus

Seafood sourcing

Responsible sourcing is at the heart of our approach to sourcing fish and seafood. From the health of fish stocks, to the management of the fisheries and its impact on the environment.

As members of the Sustainable Seafood Coalition we assess all our seafood supply chains. Many of them pose unique challenges which drive the focus of our work. For example, while several UK fisheries are well-managed, there are some which need improvement.

We are working with Project UK Fisheries Improvement (PUKFI), a project facilitated by the Marine Stewardship Council (MSC), to help drive positive change, with six UK fisheries working towards environmental sustainability aiming to achieve a level where they could pass MSC certification in five years such as scallops, monkfish and crab: <http://www.seafish.org/pukfi>

2017 also marked a landmark moment for the British North Sea cod fishery which was certified as sustainable, following decades of effort by fisherman and a targeted improvement programme, which we were pleased to be able to support.

Certification

Farmed seafood continues to play an increasingly important role in global production and makes up around half the supply for all the fish and seafood we sell. As with many of our wild capture fisheries third party certification plays a valuable role in management of our supply chains and over 99% of our own supplies are certified to schemes like GlobalG.A.P, Aquaculture Stewardship Council or Global Aquaculture Alliance Best Aquaculture Practice.

Ocean Disclosure Project

To promote transparency in our supply chains and the work we do, we have supported the Ocean Disclosure Project for a third year running, publishing this information online. Further information on this initiative can be found at <https://www.sustainablefish.org/Programs/Professional-Guidance/Ocean-Disclosure-Project>

Seafood Task Force

Reform in our higher risk supply chains remains challenging. Through our membership of the Seafood Task Force, we have continued to support wide ranging industry reforms, driving improvements in traceability, monitoring and surveillance of fisheries and addressing systemic challenges in labour recruitment.

Responsible Fishing Scheme

We continue to promote best practice aboard fishing vessels through the adoption of the Responsible Fishing Scheme which hit a landmark in 2017 with its 100th certified British vessel following a revision of the standard in 2015.

Cerrado Manifesto Statement of Support

We are signatories to Cerrado Manifesto Statement of Support (SoS), a group which aims to work with key stakeholders to achieve better protection of forests in the Cerrado. The SoS group is not a permanent group but exists whilst there is a need for urgent activity to reduce deforestation and conversion in the Cerrado. It aims to promote more resilient agriculture and land planning practices in the region. SoS signatories will work with local and international stakeholders to help tackle this issue.

FSC certified wood and wood-based products

During 2017/18, 87% of wood and wood derived products were Forest Stewardship Council (FSC) certified, approved alternatives or recycled in own brand household and beauty products, and 72% FSC, approved alternatives or recycled in own brand home and leisure products.

RSPO certified palm

All own brand products containing palm oil and derivatives must be sourced through a RSPO certified supply chain system of either segregated or mass balance systems. Palm kernel oil and derivatives used in own brand products must be covered through a RSPO certified supply chain system with RSPO Credits as a minimum.

In our most recent survey, 98% of the palm oil, derivatives and palm kernel oil used in own brand products was compliant with our policy.

We will continue to work with our suppliers to ensure compliance to our policy.

What's next

Phase two of the Project UK fisheries improvement project.

Revision of seafood sourcing policy.

Review of soya use within our supply chain and development of a policy.

Supporting British

Food safety

Carbon and waste

Food waste

Our colleagues

Source responsibly

Supplier working conditions

Healthy lifestyles

Communities

7. ENSURE FAIR WORKING CONDITIONS FOR OUR SUPPLIERS

Our customers expect us to take responsibility for fair working conditions in our supply chain, protecting workers' rights and maintaining good relationships with our suppliers. We work collaboratively with our suppliers, competitors and external stakeholders to drive positive change throughout our operations.

Financial priorities alignment

To be more competitive

To serve our customers better

To develop popular and useful services

Customer insight survey 2017/18 ranking

Trading fairly with suppliers

10th

Tackling modern slavery and human trafficking

13th

Supplier working conditions

21st

Fairtrade

23rd

UN Sustainable Development Goals alignment



Our commitments and performance summary

A full list of our commitments and performance figures can be found on [page 44](#)

Roll out of category level ethical performance reporting



Modern slavery toolkits implemented at all manufacturing and logistics sites

Bespoke ethical trading and modern slavery awareness workshops delivered to commercial colleagues in the UK and Hong Kong

Manufacturing site colleagues completed modern slavery awareness training

537

Supporting British

Food safety

Carbon and waste

Food waste

Our colleagues

Source responsibly

Supplier working conditions

Healthy lifestyles

Communities

ENSURE FAIR WORKING CONDITIONS FOR OUR SUPPLIERS

continued

Our approach

Our Ethical Trading Code sets out key rights for workers, including guidance on wages, working hours, safe and hygienic conditions and discrimination. Compliance with the Code is part of our standard terms of supply and applies to all providers of goods and services. We hold regular review meetings with strategic suppliers to share learning and build capacity within our primary supplier base and undertake site visits to discuss ethical strategy and review improvement activity. We use our reach and influence to engage our supplier base with research and data gathering projects to improve working conditions globally.

Listening to NGOs...

“From the beginning of their ETI membership, Morrisons has been engaged in very open and constructive dialogue with Banana Link to learn more about how to create more sustainable tropical fruit value chains. Banana Link particularly welcomed the opportunity for key Morrisons decision makers to meet with trade union representatives in Latin America to discuss their concerns and proposals for socially responsible sourcing.”

Jacqui MacKay
National Coordinator, Banana Link

 Read our Modern Slavery Statement here: www.morrisons-corporate.com/cr/

2017/18 focus

Modern slavery and forced labour

External stakeholder interest in tackling modern slavery remained high throughout 2017, with all indicators reporting a significant and ongoing increase in modern slavery cases. The number of potential victims in the UK alone has increased 600% in the last seven years, with calls to the UK Modern Slavery Hotline doubling in the past year.

We are collaborating with our people and loss prevention teams to establish a framework for modern slavery risk assessment, incident management and victim remediation. This will be supported by bespoke training workshops delivered by the Gangmasters and Labour Abuse Authority (GLAA), and manufacturing site outreach visits by the anti-slavery charity Hope for Justice.

Further detail can be found in our 2017/18 Modern Slavery and Human Trafficking Statement.

Engagement and capacity building

We designed and delivered bespoke Ethical Trading and modern slavery awareness workshops for our commercial teams in the UK and Hong Kong throughout 2017. This will continue on a quarterly basis in 2018 and we aim to deliver one-to-one induction training for all new starters in applicable roles. We also delivered regular updates to our people teams, manufacturing site managers and produce technical managers to build awareness of our policy requirements.

We developed a bespoke e-learning modern slavery awareness module which is available to site colleagues in our logistics and manufacturing sites.

In 2017/18, this training was successfully delivered to 537 colleagues in roles that place them in an ideal position to spot the signs of forced labour and exploitation, as well as other relevant colleagues on site.

Improvements to our reporting methods enabled us to publish ethical trading performance reporting at category level. This resulted in increased engagement from buyers with our policy objectives, and a significant improvement in supplier compliance.

Collaborative working

We continued to work with the Ethical Trading Initiative (ETI) in 2017, funding research into human rights due diligence and actively contributing to cross sector working groups on Vulnerable Workers in Italian Agriculture and UK Temporary Accommodation Standards. We also contributed over £25,000 to an ETI remediation fund for farm workers in Zimbabwe who experienced significant underpayment of wages.

We worked with the NGO, Banana Link, to help shape and inform our approach to the responsible sourcing of Bananas from Africa and Latin America. They helped us to engage with local trade unions in source countries and ensure that social responsibility was a core pillar of our produce sourcing strategy. This supported our move to 100% Rainforest Alliance or Fairtrade certified Bananas, improving our range in 2017.

We continue to be a project sponsor of the anti-slavery initiative Stronger Together and over 85% of our applicable suppliers have now attended their Modern Slavery In UK Business training.

A recent impact survey found that 96% of attendees on this course agreed that it had increased their knowledge and awareness of modern slavery. We also supported the roll out of the Clearview labour provider audit standard, and the Stronger Together international programme in South Africa.

We are collaborating with a number of regulatory bodies, including the GLAA and HMRC, on a programme to raise standards in the UK hand car wash industry, which is identified as being at high risk of labour exploitation and forced labour.

We actively contribute to a retailer ethical trading working group with representatives from the top nine UK supermarkets. This group aims to address the divergence in compliance and audit requirements to ensure a more consistent and transparent approach for our suppliers.

What's next

Review and relaunch of the Morrisons Ethical Trading Policy and Supplier Handbook.	Increased resilience in Morrisons manufacturing and logistics operations.	Increased transparency in our supply chains.
Modern Slavery awareness and capacity building for smaller producers in UK agriculture.	Greater engagement with international anti-slavery programmes, initially in China and South Africa.	Support for continued remediation programmes in Bangladesh through the Transition Accord.

Supporting British

Food safety

Carbon and waste

Food waste

Our colleagues

Source responsibly

Supplier working conditions

Healthy lifestyles

Communities

8. MAKE IT EASIER FOR OUR CUSTOMERS TO LIVE HEALTHIER LIVES

The UK consumes more sugar, saturated fat and salt and less fruit, vegetables, fibre and oily fish than is recommended. As a food retailer, we must provide healthier choices to our customers. We continue to be challenged by the Government, media and consumer groups to improve the nutritional profile of our products. Providing our customers with healthier options and reformulating our products reflects the social need of our customers.

Financial priorities alignment

To be more competitive

Customer insight survey 2017/18 ranking

Selling healthy products

To serve our customers better

19th

Responsible alcohol promotions

To develop popular and useful services

25th

UN Sustainable Development Goals alignment



Our commitments and performance summary

A full list of our commitments and performance figures can be found on [page 45](#)

Free From range relaunched



Free fruit for kids trial in stores



Removed from own brand soft drinks

1.8bn calories

Own brand products meet salt targets

93%

Continued rollout of Eat Smart endorsements

MAKE IT EASIER FOR OUR CUSTOMERS TO LIVE HEALTHIER LIVES

continued

Our approach

We are taking a range of measures to help our customers make healthier choices, including product reformulation, clear nutritional information, healthier ranges, and strong promotions on fruit and vegetables. To help customers make quick and informed decisions about the food they buy we are rolling out colour coded nutrition labels to our own brand pre-packed food and drink. In addition, we display calorie information on our customer café menus.



Listening to our customers...

“We’ve listened to our customers who told us they want even more affordable veg. Our Wonky Veg boxes are a great way for our customers to buy British or eat seasonally or feed the family for the week.”

Andy Todd
Vegetable Buyer, Morrisons

See our healthier living ranges here:
groceries.morrisons.com

2017/18 focus

Implementing the sugar reduction programme

Morrisons are committed to Public Health England’s sugar reduction programme, which requires retailers to reduce sugar content within own brand products across the top nine categories of food that contribute most to intakes of sugar in children up to the age of 18 years, which are biscuits, breakfast cereals, cakes, confectionery, ice cream, morning goods, puddings, sweet spreads and yoghurts.

Examples of sugar reductions in 2017/18 include:

- 60.6 tonnes removed from biscuits
- 149 tonnes sugar removed from breakfast cereals
- 59.3 tonnes from cakes and morning goods
- 126.8 tonnes sugar removed from ice cream
- 185.8 tonnes sugar removed from puddings
- 34 tonnes sugar removed from sweets
- 21.1 tonnes sugar removed from yoghurts.

Sugar tax exemption

As a result of our efforts to reduce the sugar content of own brand soft drinks, we have now removed over 450 tonnes of sugar the equivalent of 1.8bn calories. This means our soft drinks are now exempt from the sugar tax levy introduced in England in 2018.

Salt reduction targets

We continued to work towards the Government’s 2017 salt reduction targets with 93% of our own brand products meeting the levels set.

Examples of salt reductions in 2017/18 include:

- 3.8 tonnes removed from breaded poultry
- 6.1 tonnes removed from butter
- 1.5 tonnes removed from morning goods
- 55 tonnes removed from pastries
- 5.3 tonnes removed from crisps.

Eat Smart products and endorsements

We now have just under 100 Eat Smart products across ‘Counted’ and ‘Balanced’ with sales growth of over 1.3%.

We’ve continued to roll out our Eat Smart endorsement logos, highlighting the healthiest products in each category to help our customers make more informed choices. The endorsement now spans more than 400 products across the store and we’ll continue to these endorsements out throughout 2018.

Free From and plant-based diets

In 2017, we relaunched our Free From brand with more than 60 new products. Our Free From products are displayed in dedicated fresh and grocery areas within our stores.

Gluten free endorsements logos have also been placed on relevant gluten free own brand products for easy identification.

Dedicated dairy-free bays are now within our dairy fixtures and within our Free From fixtures in all stores.

We’ve created a new vegan logo to help customers to easily identify vegan options whilst shopping in store, we will continue to roll this logo out on appropriate vegan products throughout 2018.

We continue to run various promotions on thousands of fresh fruit and vegetables throughout the year through our Price Crunch campaign, reducing prices by an average of 18%.

Free fruit for kids trial

In 2017, we began a trial in six of our stores offering free fruit for children as a healthy snack to help them meet their five a day recommendation of fresh fruit and vegetables, snack size bananas, small apples, small pears and easy peelers were displayed in Market Street areas for customers with children.

This trial proved popular with our customers and we are now considering rolling this initiative out across all stores in 2018.

Wonky Veg box

To help our customers eat healthy foods more affordably, we introduced a Wonky Veg box available to online customers. The vegetable selection within the box changes seasonally and is designed to feed a family of four for three days at just over £3.

What’s next

Reformulation and nutrition improvement across own brand.

Make nutrition information more widely available to our customers.

Eat Smart logo review to ensure the logos are on the healthiest products.

Supporting British

Food safety

Carbon and waste

Food waste

Our colleagues

Source responsibly

Supplier working conditions

Healthy lifestyles

Communities

9. MAKE A POSITIVE DIFFERENCE TO THE COMMUNITIES WE SERVE

Our stores play an active and positive role in their local community. Doing so helps us support causes close to the hearts of our colleagues and customers

Financial priorities alignment

To serve our customers better

Customer insight survey 2017/18 ranking

To develop popular and useful services

Good causes in the community

To find local solutions

22nd

Raising millions for charity

26th

UN Sustainable Development Goals alignment



Our commitments and performance summary

A full list of our commitments and performance figures can be found on [page 45](#)

Raised for the Poppy Appeal, Children in Need and other charity appeals

Over £2.5m

Donated to charities through Morrisons Foundation

£10m

Raised for our national charity partner CLIC Sargent

Over £3m



Supporting British

Food safety

Carbon and waste

Food waste

Our colleagues

Source responsibly

Supplier working conditions

Healthy lifestyles

Communities

MAKE A POSITIVE DIFFERENCE TO THE COMMUNITIES WE SERVE

continued

Our approach

We use our position at the heart of local communities to raise millions of pounds for charity every year. Both at a national and local level we support good causes that are important to our customers and colleagues.



Supporting great causes...

“We could not be more proud of our partnership with Morrisons. Thanks to their colleagues and customers we’re able to transform the lives of young cancer patients and their families.

With the money they raise we have handed out hundreds of thousands of pounds in grants to ease the financial burden cancer brings and developed a brand new grant for those in extreme financial hardship. We have also recruited two brand new nurse educators – an entirely new role within the NHS – to provide specialist cancer care training outside of the primary cancer hospitals.”

Kate Lee
Chief Executive of CLIC Sargent

Read more about Morrisons Foundation here:
www.morrisonsfoundation.com

2017/18 focus

CLIC Sargent

In February, we launched our new national charity partnership with CLIC Sargent – the UK’s leading charity for children and young people with cancer. We’ve raised over £3m thanks to the hard work and generosity of our colleagues, customers and suppliers. It’s been our most successful start to a charity partnership.

Colleagues have taken part in a huge range of events, both in and out of store including static cycles, marathons, sponsored walks, coffee mornings and book sales. Our biggest fundraising event for World Cancer Day raised over £300,000. Colleagues and CLIC Sargent service users ‘banded together’ to hold a nationwide collection day and we sold a specially designed charity band, with all profits being donated to CLIC Sargent.

The money raised will transform the support CLIC Sargent can give to children, young people and families facing cancer. It will mean more grants to ease the financial burden of cancer, improved support services to cope with the emotional costs and better access to education, information and resources. So far:

- 2,579 families have received grants totalling £421,057;
- 800 families a year will benefit from two new nurse educators;
- 273 families and young people joined in group support at Homes from Home;
- 760 parents and carers are accessing digital support groups;

- 500 families who lose a child or young person to cancer each year now have access to a bereavement support telephone line; and
- 11 children and young people diagnosed with cancer each day will have access to a brand new information hub, currently being developed for the CLIC Sargent website.

Local and national charities

We also delivered record breaking results in fundraising for the Poppy Appeal (£1.7m) and BBC Children In Need (£222,000). 2017 was the first year we partnered with the Marie Curie Daffodil Appeal, which saw our stores raise over £542,000 in a single weekend. We showed our support for the Armed Forces too, with a charity promotion on our steak pies and in-store collections which raised £30,000 for Walking With The Wounded around Armed Forces Day on 24 June 2017.

Colleagues and customers were deeply moved by terrorist attacks in Manchester and London. Collections in our stores raised almost £350,000 for the British Red Cross fund to support the victims and their families.

We also held nationwide collections for the victims of the Grenfell Tower Fire (£147,000), for the Bradley Lowery Foundation (£71,000) and for the East Africa and Myanmar Disasters Emergency Committee (DEC) Appeals (£72,000).

Community engagement

Our store community champions have continued to support local causes and organisations through fundraising and product donations.

We’ve encouraged local groups and clubs to use our café spaces for community events, and introduced dedicated ‘Community Rooms’ to a number of stores. Hundreds of schoolchildren have enjoyed our ‘food maker and shopkeeper’ tours, helping them learn in a practical and interesting way.

Morrisons Foundation

In 2017/18, the Morrisons Foundation donated over £10m to charities making a difference in local communities, awarding grants ranging from £500 – £500,000 for hundreds of charity projects which help to improve people’s lives in England, Scotland and Wales.

The majority of the Morrisons Foundation’s donations were awarded to charities close to a Morrisons store, supporting our aim to make a positive difference in the communities we serve.

In addition to grant awards, the Morrisons Foundation also provided match funding of more than £550,000 to boost the funds that Morrisons colleagues raise for their chosen charities. This is double the amount awarded the previous year.

A copy of the Morrisons Foundation Annual Review – including details of how charities can apply for grant funding – can be found at www.morrisonsfoundation.com

What’s next

Focus on community volunteering.

Second year of CLIC Sargent partnership.

Activity to support Armed Forces Day 2018.

ONGOING ENGAGEMENT WITH OUR STAKEHOLDERS

Engaging with our stakeholders enables us to identify issues and opportunities and respond to changing needs.

STAKEHOLDERS	HOW WE LISTENED	WHAT OUR STAKEHOLDERS CARE ABOUT	EXAMPLES OF ENGAGEMENT
Communities	Council correspondence, letters and surveys, local news, social media.	Our communities want us to be an active neighbour, to support the causes that matter to them and make a positive difference through acting responsibly and thoughtfully.	<ul style="list-style-type: none"> £10m donated to local and national causes through Morrisons Foundation Over 3.4 million unsold food products donated to local community groups since 2016 Supporting local and British food makers.
Customers	Customer listening groups, sales of products, customer insight survey, social media, correspondence.	We know that customers recognise sustainability issues are important. They want us to make it easier for them to be supportive through healthier and more responsible buying habits, without additional cost.	<ul style="list-style-type: none"> Responding to customer concern on plastics Wonky Veg box launched to help customers eat healthy food more affordably Reinforcing our commitment to 100% British meat.
Colleagues	Colleague Your Say forums, internal communications, Your Say surveys, colleague social media platforms, CR initiatives.	Our colleagues care about how we look after them, from their progression within the business to their engagement. They want to be treated equally and be rewarded by their commitment.	<ul style="list-style-type: none"> Your Say forums continued as well as launch of National Your Say forum LGBT+ colleague network launched Career conversations with every colleague.
Government and regulators	Formal enquiries, meetings, trade associations, social media, visits.	Government policy implemented through legislation, regulation and increasingly sector specific voluntary agreements forms the back drop to our operational activity.	<ul style="list-style-type: none"> Formally responding to Government on plastics DEFRA roundtable on plastic free aisles Working with Food Standards Agency on Regulating our Future.
Investors	Enquiries, surveys, Annual General Meeting, meetings.	Investors scrutinise our activity on a range of environmental and social measures as well as financial performance, to ensure investment risks are limited.	<ul style="list-style-type: none"> Completion of Carbon Disclosure Project for operational carbon Response to FAIRR on sustainable proteins.
Non-Governmental Organisations (NGOs)	Enquiries, surveys, collaborative projects, visits, meetings, blogs, social media.	NGOs care about the impact we have on the environment and society. They ask us to make changes to the way we operate to help address a particular topical issue.	<ul style="list-style-type: none"> Response to Women's Institute Food Matters campaign Work with Banana Link on responsible sourcing of bananas.
Suppliers	GSCOP, conferences, meetings, visits, audits and surveys.	We trade with companies all around the world and our challenge is to ensure that their operation is aligned with our values, policy and responsible business practices. Through our terms of trade, monitoring processes, technology, supply chain management, certification and auditing we work hard to ensure compliance.	<ul style="list-style-type: none"> Supporting British farming through Morrisons Farming programme Helping farmers to reduce on-farm waste through launch of Wonky Veg Groceries Supply Code of Practice (GSCOP) supplier surveys to ensure good buyer/supplier relationships.
Industry	British Retail Consortium (BRC) working groups, IGD working groups, industry conferences, collaborative projects.	We know the positive impact working collaboratively as an industry can have to help tackle the issues that affect our society and environment. In some cases, joining forces is the only way to create meaningful change.	<ul style="list-style-type: none"> IGD food waste measurement working group Signatories to the UK Plastics PACT BRC Environment Steering Group.

EMBEDDING SUSTAINABILITY INTO OUR BUSINESS

Corporate governance facilitates effective, entrepreneurial and prudent management that delivers long term success. It is driven by the leaders of a Company who come together regularly. They operate within established values to determine strategy as distinguished from the day-to-day operational management. Our corporate responsibility programme is formally incorporated into our governance structures.

Executive Committee

Implementation measures and performance are reported to the Executive Committee which is chaired by our Chief Executive.

The Executive Committee is responsible, amongst other matters, for the development and implementation of our strategy (subject to the overall supervision by the Main Board), financial performance, reporting and control, risk management and the development of corporate policies and procedures for the Group. The central commitments and KPIs for the corporate responsibility programme are managed on an ongoing basis under the stewardship of relevant Executive Committee Directors who are assessed alongside their wider performance as part of their Professional Development Review (PDR).

Corporate Compliance and Responsibility Committee

Development and progress in our sustainability agenda are reported at the highest level to the Corporate Compliance and Responsibility Committee (CCR).

The CCR meets at least three times a year and performs an oversight, monitoring and advisory role for key areas of corporate governance and development, including health and safety, environment, competition, regulatory ethical compliance and corporate responsibility.



Corporate Responsibility commitments and KPI owners

Across the business we have a key contact for each commitment and KPI.

These contacts are responsible for day-to-day management and progress. They work alongside our stakeholders to ensure we are effectively managing the issues that matter to our business. Each contact is required to provide updates to the Corporate Responsibility team and their relevant Executive Committee Director.

“At our store we take corporate responsibility very seriously. It’s part of business as usual, whether it’s reducing our energy, removing unnecessary food waste, keeping our colleagues happy and motivated or working with local charities and food banks through our Community Champion activity.”

Morrisons Store Manager

“We are encouraged to put forward ideas to make our workplace better, it can be anything from colleague engagement to reducing waste or energy.”

Morrisons Manufacturing colleague

Store Managers

Morrisons CR agenda is embedded in a Store Manager’s operational activity in a variety of ways.

For example, stores are measured on their waste and markdowns as a percentage of sales, and water and energy use as profit and loss. Responsible business strategy is communicated to Store Managers via training, Internal Communications and retail operations.

Store Managers provide feedback on their performance centrally via reports, surveys and data management systems.

Site Managers

Site Managers are aware of the CR issues that are most prevalent for their site operations.

For example, health and safety, animal welfare, energy and waste are high on their agenda. Sites are required to report environmental data to the Environment Agency as part of their legal requirements. Health and Safety reporting is through line management and reported/collated by HR on site.

Responsible business strategy is communicated to Site Managers via training and Internal Communications.

Shop floor colleagues

Shop floor colleagues are asked to take part and drive Morrisons CR agenda through various internal initiatives and campaigns. For example, Energywise, unsold food to charity, community champion activity.

Site colleagues

Site colleagues drive Morrisons CR agenda through various on-site initiatives. For example, there are waste champions in every site that are responsible for removing unnecessary waste from their operations. Your Say forums are also in place to improve engagement and generate ideas for business efficiencies.

Performance summary

OUR FOCUS AREAS IN DETAIL

FOCUS AREA

Help British farmers to be sustainable, profitable and competitive



Ensure authenticity, provenance and safety of our products



ISSUE/TOPIC

AGREED COMMITMENT 2016/17




2017/18 UPDATE

Integrated dairy beef supply chains.	To secure 10,000 dairy cattle per year through alliances with our milk processors and their farmers by 2018.	7,000 calves placed on farms in 2017.
High quality, competitive British beef.	Establish Beef Shorthorn as the breed for The Best range of beef in all stores by 2019.	Shorthorn established and on sale in 380 stores under 'The Best' range.
Improving quality.	To establish a programme to improve eating quality of British fresh pork in stores by 2018.	Hampshire Pork launched under 'The Best' range.
Animal welfare.	Create a reference guide for all our pig farmers on environmental enrichment to improve animal welfare by 2017.	Completed. AHDB guide for environmental enrichment is also available.
	Create a reference guide for all our pig farmers on free farrowing to improve animal welfare by 2018.	Free farrowing project started and will be available in early 2018.
	All own brand fresh shell eggs will be from non-caged hens by 2025.	Acquisition of free range egg producer, Chippendale Foods, will help to bring forward our commitment date.
	NEW: Refresh and communicate welfare policies and introduce measures /indicators for welfare issues.	
Food safety and animal welfare.	To roll out Red Tractor Plus standard across our fresh British pork by 2018.	Red Tractor Plus standard rolled out to all farms; progress/compliance audits will be completed in 2018.
Overuse/misuse of antibiotics in farming.	To establish monitoring of antibiotic use and continuous improvements in chicken, eggs and pork by 2017.	Policy developed and shared. Monitoring established for chicken supply; have developed the process for eggs and pork, with results coming in 2018; set up monitoring and reporting for milk.
	NEW: Implement reduction policies across all species. Introduce measures and metrics for restricted Critically Important Antibiotics (CIAs), and the elimination of colistin and routine use.	
Foodborne bacteria.	We will meet FSA targets on campylobacter levels year-on-year.	In 2017, only 0.8% of our chickens had the higher levels of contamination from a total of 477 chickens tested.
Provenance of international foods.	We will build closer working relationships with our growers through engagement with our international 'at source' Technical team.	'At source' international team in five countries including Spain, Chile, Holland, South Africa and Peru.

Performance summary

OUR FOCUS AREAS IN DETAIL


continued

FOCUS AREA	ISSUE/TOPIC	AGREED COMMITMENT 2016/17	2017/18 UPDATE
Reduce general operational waste and carbon emissions  	Carbon reduction.	30% absolute reduction in operational carbon emissions by 2020 (2005 baseline).	Achieved two years ahead of target. 34% absolute reduction in operational carbon emissions (2005 baseline). A new science-based target will be developed in 2018/19.
	Water reduction.	20% absolute reduction in operational water consumption by 2020 (2012 baseline).	Target closed due to lack of accurate usage data. We will work with internal and external stakeholders to consider a new target for operational water use in 2018/19.
	Packaging.	NEW: By 2025 all own brand plastic packaging will be recyclable, reusable or compostable.	
Reduce food waste  	Measurement.	We will report publicly on our operational food waste data.	2017/18 store operational food waste by weight was 11,028 tonnes, with 796.89 tonnes of edible unsold food redistributed through our unsold food programme. Scope and criteria of our reporting can be found on page 48.
	Redistribution.	To double the amount of food redistributed by 2020 (2016 baseline).	3.4 million (1.1 million or 796.89 tonnes in 2017/18) products donated through stores unsold food programme since 2016; 59.5 tonnes redistributed to FareShare through manufacturing sites in 2017/18; 1,599 tonnes redistributed to Community Shop/Company Shop in manufacturing and logistics in 2017/18.
	Hotspots.	Food waste hotspots projects delivered through WRAP.	Operational review by WRAP of Morrisons Farmers Boy manufacturing site to reduce pie waste within their Greenside site.
	Customer food waste.	We will help to reduce the amount of food and drink our customers waste in the home.	On pack changes to help customers reduce food waste. Continued support of Love Food Hate Waste campaign.

Performance summary

OUR FOCUS AREAS IN DETAIL



continued

FOCUS AREA	ISSUE/TOPIC	AGREED COMMITMENT 2016/17	2017/18 UPDATE
<p>Look after our colleagues</p> 	<p>Training and development.</p>	<p>We will continue to invest in MyJob training, providing colleagues with the skills to do their job properly.</p>	<p>We continued our MyJob programme with all store managers, people managers and commercial buying teams continuing to develop their technical and leadership skills. We extended this to all our store managements teams, manufacturing, supply chain and logistics, with a total of 2,500 taking part in the programme.</p>
		<p>We will hold a career conversation with every colleague each year to establish their career aspirations and how we can support those aspirations.</p>	<p>As part of our performance cycle we now offer all colleagues a career planning meeting to map out their goals and pathways to achieving this.</p>
		<p>We will deliver programmes across the business to enable colleagues to progress in their career.</p>	<p>We introduced Pathway programmes for colleagues in retail (Team Manager Pathway, Senior Manager Pathway, Store Manager Pathway) manufacturing and logistics as well as a buyer pathway programme for colleagues to progress to a Buyer level in commercial. In 2017, c.1,000 colleagues applied for the Pathway programmes.</p>
		<p>We will maximise the potential of our apprenticeship levy to enable colleagues to gain new skills and progress in their career.</p>	<p>In 2017, we initiated the following apprenticeship schemes across the business: Degree Apprenticeship, Floristry, Butchery, Bakery, Fishmonger, Asset Care, Engineering, CIMA, Software Development, CIPD, Abattoir & Butchery and Food Science. 545 colleagues have now started their apprenticeships.</p>
		<p>We will fill 70% of appointments internally.</p>	<p>We have filled 80% of appointments internally.</p>
	<p>Diversity.</p>	<p>Through our career programme, we will continue to progress a diverse range of colleagues reflective of the communities we serve.</p>	<p>Increased the number of female store managers from 34 (7%) to 86 (18%) in 2017. Diversity working groups established in five key priorities - gender, culture, disability, parents and careers and LGBT+.</p>
	<p>Engagement.</p>	<p>We will continue to increase overall engagement through Your Say forums year-on-year.</p>	<p>Regular Your Say forums in place across the business with two national Your Say forums taking place providing colleagues with the opportunity to discuss their point of view to the Chief Executive and Group People Director.</p>
		<p>Your Say survey – Continued improvement scores on ‘My manager helps and supports me’ year-on-year.</p>	<p>Response rates for the Your Say survey increased by 10% from 2016 with 81,294 colleagues completing the survey. Each business area improved overall engagement scores. The category relating to my manager and support improved from 67% to 70% and the questions “my manager helps and supports me” improved from 73% to 75%.</p>

Performance summary

OUR FOCUS AREAS IN DETAIL


continued

FOCUS AREA	ISSUE/TOPIC	AGREED COMMITMENT 2016/17	2017/18 UPDATE
Look after our colleagues continued 	Wellbeing.	<p>In 2017, we will implement wellbeing calendars tailored to each divisional need.</p> <p>In 2017, we will establish a wellbeing programme tailored to specific challenges within each function.</p> <p>We will review colleague benefits to improve financial wellbeing by end of 2017.</p>	<p>Calendar was introduced in January 2017 and has been issued monthly to retail, manufacturing and logistics.</p> <p>Introduced Health Surveillance schemes across both manufacturing and retail. Physio provided to our sites to support colleagues to maintain attendance or return to work quicker.</p> <p>Introduced MyPerks online discount site to help our colleagues money go further. Introduced a new pension scheme to allow lower earnings the option to save for retirement and also benefit from much improved life assurance cover.</p>
	Safety.	We will improve preventable colleague absence year-on-year.	Absence percentages have decreased in 2017 to 3.17%, previous year was 3.54% Trialed preventative physio in retail for colleagues with musculoskeletal problems.
	Source responsibly 	Sustainable seafood.	<p>Maintain seafood policies and improvement projects to reduce the environmental and social impacts of the seafood we buy.</p> <p>Support the work of Project UK for six UK fisheries to achieve Marine Stewardship Council certification by 2018.</p> <p>NEW: Revision of seafood sourcing policy.</p>
Timber.		All timber and timber derived products must be third party certified sustainable.	87% of wood and wood derived products were Forest Stewardship Council (FSC) certified approved alternatives or recycled in own brand household and beauty products and 72% FSC approved alternatives or recycled in own brand home and leisure products.
	Palm oil.	Continue to monitor supplier compliance to RSPO certified palm oil, palm kernel oil and derivatives.	We continue to survey own brand first tier suppliers as part of an annual survey and compliance to RSPO membership. We will work to improve data collection and reporting of RSPO certified palm oil, palm kernel oil and derivatives in our own brand products.

Performance summary

OUR FOCUS AREAS IN DETAIL



continued

FOCUS AREA	ISSUE/TOPIC	AGREED COMMITMENT 2016/17	2017/18 UPDATE	
Supplier working conditions 	Internal education and awareness.	<p>Deliver bespoke Ethical Trading training to commercial and supply chain colleagues in the UK and Hong Kong.</p> <p>People Management representative from each manufacturing and logistics site to attend a Stronger Together Workshop.</p> <p>Tackling Modern Slavery Toolkits to be implemented at all sites by June 2017.</p>	<p>Eight workshops delivered in 2017 covering more than 80 colleagues. Additional sessions held for people, manufacturing and technical teams.</p> <p>Started annual programme to deliver Stronger Together training to our manufacturing and logistics people managers.</p> <p>Toolkits have been implemented at all 24 manufacturing and logistics sites, including new manufacturing site Carnoustie.</p> <p>E-learning training delivered to 537 key colleagues in manufacturing and logistics.</p>	
	Clothing.	Recruit additional Ethical Trading resource to enhance our approach to tackling modern slavery risk in our Nutmeg clothing business.	Ethical Trading Manager appointed into the business.	
	Policy.	NEW: We will review and relaunch the Morrisons Ethical Trading Policy & Supplier Handbook to ensure it remains relevant, practical and effective at identifying issues in our supply chain and supports our suppliers to deliver meaningful improvement.		
	Modern slavery.	<p>Publish the Modern Slavery and Human Trafficking statement by the end of June 2017.</p> <p>NEW: We will commission and deliver bespoke Modern Slavery training for our Produce, People and Site Managers in collaboration with the GLAA.</p> <p>NEW: We will undertake Independent Modern Slavery risk assessment programme at our own manufacturing and logistics sites in collaboration with anti-slavery charity Hope for Justice.</p> <p>NEW: We will develop and roll out updated and revised, bespoke Modern Slavery toolkits in our UK supply chain.</p> <p>NEW: We will deliver Modern Slavery e-learning to an additional 400 first line managers.</p>	<p>Published and available at www.morrisons-corporate.com</p>	

Performance summary

OUR FOCUS AREAS IN DETAIL

continued

FOCUS AREA	ISSUE/TOPIC	AGREED COMMITMENT 2016/17	2017/18 UPDATE
Healthy customers 	Customer choice.	'Eat Smart' Counted, Balanced and Endorsed range to be launched and rolled out in 2017.	Complete and rolled out to all stores.
	Sugar reduction.	Working towards Public Health England's Sugar Reduction guidelines, reducing sugar in key categories which contribute to children's sugar intake.	Exempt from the sugar tax levy on soft drinks following reformulation work. 2017/18 sugar reduction activity: <ul style="list-style-type: none"> • 60.6 tonnes sugar removed from biscuits • 149 tonnes sugar removed from breakfast cereals • 59.3 tonnes from cakes and morning goods • 126.8 tonnes sugar removed from ice cream • 185.8 tonnes sugar removed from puddings • 34 tonnes sugar removed from sweets • 21.1 tonnes sugar removed from yoghurts.
	Strategy.	Health and wellbeing strategy launched and delivered in 2017.	Strategy launched and the Working Group, comprising senior colleagues from across the business including Commercial, Corporate Affairs, Technical, Own Brand and Nutrition meet monthly to drive the Strategy.
Supporting local communities 	Charity partnerships.	Raise at least £2.5m each year for charity partner CLIC Sargent.	£3.2m raised – a record breaking year.
	Colleague/customer fundraising.	Support important campaigns including Poppy Appeal, Children In Need, Marie Curie Daffodil Appeal and Walking With The Wounded.	Poppy Appeal – £1.7m Children In Need – £222,000 Daffodil Appeal – £554,000 Walking With The Wounded – £34,000.
		Respond quickly to opportunities to support other causes close to the hearts of our colleagues and customers.	British Red Cross – £697,000 Grenfell Tower Fire – £147,000 Bradley Lowery Foundation – £71,000 DEC Appeals – £72,000.
	Local community engagement.	Continue to make a positive difference in local communities by donating over £7.5m in grant awards through the Morrisons Foundation.	£10m+ donated to hundreds of charities across England, Scotland and Wales.
	Support the causes our colleagues care about by donating £250,000+ in match funding to the charities closest to their hearts through the Morrisons Foundation.	£500k+ in match funding – the Foundation's biggest year since launch.	
	Use the positive sentiment generated by grant donations to engage with the media and strengthen relationships with local communities.	More than 250 pieces of positive news coverage relating to the Foundation's donations.	

INDEPENDENT LIMITED ASSURANCE REPORT

to the Directors of Morrison (WM) Supermarkets plc

The Board of Directors of Morrison (WM) Supermarkets plc (“Morrison’s”) engaged us to provide limited assurance on the information described below and set out in Morrison’s Corporate Responsibility Report 2017/18 for the period ended 4 February 2018.

Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information for the period ended 4 February 2018 has not been prepared, in all material respects, in accordance with the Reporting Criteria.

This conclusion is to be read in the context of what we say in the remainder of our report.

Selected Information

The scope of our work was limited to assurance over the information on page 48 titled ‘KPIs Assured and Basis of Preparation’ in Morrison’s Corporate Responsibility Report 2017/18 (the “Selected Information”).

The Selected Information and the Reporting Criteria against which it was assessed are summarised in the table below. Our assurance does not extend to information in respect of earlier periods or to any other information included in the Corporate Responsibility Report 2017/18.

Selected Information	Reporting Criteria
Selected information consists of the 4 KPIs on pages 48 titled ‘KPIs Assured and Basis of Preparation’ of the Corporate Responsibility Report 2017/18.	The reporting criteria as included on pages 48 titled ‘KPIs Assured and Basis of Preparation’ of the Corporate Responsibility Report 2017/18.

Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) ‘Assurance Engagements other than Audits and Reviews of Historical Financial Information’, issued by the International Auditing and Assurance Standards Board. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

Our Independence and Quality Control

We applied the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply International Standard on Quality Control (UK) 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. Our work was carried out by an independent team with experience in sustainability reporting and assurance.

Understanding reporting and measurement methodologies

The Selected Information needs to be read and understood together with the Reporting Criteria, which Morrison is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time. The Reporting Criteria used for the reporting of the Selected Information are as at 4 February 2018.

INDEPENDENT LIMITED ASSURANCE REPORT

to the Directors of Morrison (WM) Supermarkets plc, continued

Work done

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information. In doing so, we:

- made enquiries of Morrisons' management, including the Corporate Responsibility (CR) team and those with responsibility for CR management and group CR reporting;
- obtained an understanding of the design and operation of the controls in place in relation to the collation and reporting of the selected information, including controls over third party information (where applicable);
- made enquiries of relevant company management, personnel and third parties;
- performed analytical procedures related to the Selected Information;
- considered the significant estimates and judgements made by management in the preparation of the Selected Information;
- performed limited substantive testing on a selective basis of the Selected Information at corporate head office and in relation to a number of sites to check that data had been appropriately measured, recorded, collated and reported; and
- considered the disclosure and presentation of the Selected Information.

Morrisons' responsibilities

The Directors of Morrisons are responsible for:

- designing, implementing and maintaining internal controls over information relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- establishing objective Reporting Criteria for preparing the Selected Information;
- measuring and reporting the Selected Information based on the Reporting Criteria; and
- the content of the Corporate Responsibility Report 2017/18.

Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the Directors of Morrisons.

This report, including our conclusions, has been prepared solely for the Board of Directors of Morrisons in accordance with the agreement between us, to assist the Directors in reporting Morrisons' corporate responsibility performance and activities. We permit this report to be disclosed in the Corporate Responsibility Report 2017/18 for the period ended 4 February 2018, to assist the Directors in responding to their governance responsibilities by obtaining an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors and Morrisons' for our work or this report except where terms are expressly agreed between us in writing.



PricewaterhouseCoopers LLP

Chartered Accountants
Leeds

4 May 2018

KPIs ASSURED AND BASIS OF PREPARATION

The following KPIs have been prepared for the 52 weeks ended 4 February 2018, except for KPI 1 relating to own brand primary packaging which has been prepared for the year ended 31 December 2017.

KPI	BASIS OF PREPARATION
1) 81.4% own brand primary packaging was recyclable by weight	<ul style="list-style-type: none"> Percentage figure represents own brand primary packaging placed on to the market during 2017 calendar year sold in 491 stores and online as well as in-house purchasing figures for own brand packaging. 'Primary packaging' is defined as packaging placed on to the market that a Morrisons customer will take home. 'Recyclable' is defined by UK On Pack Recycling Label scheme as: <ul style="list-style-type: none"> 'Widely recycled' used when 75% or more of local authorities have kerbside collection facilities for that packaging type in their area; or 'Recycle with bags at larger stores' PE Wrap/Film/Bags. <p>Exclusion Gibraltar store is excluded from this report.</p>
2) Store operational food waste by weight, 11,028.8 tonnes	<p>Data represents food wasted in all 491 stores during 2017/18 financial year.</p> <p>Material type The scope of the calculation includes both edible and inedible parts, e.g. avocado including stone and skin.</p> <p>Data sources Food wasted via handheld terminals (HHT) recorded as 'waste - out of date' (option 1 on HHT) and 'waste - damaged' (option 2 on HHT). Monthly breakdown data is provided by the HHT Support team.</p> <p>Calculations Third party data analysts, Valpak, analyse each individual product line removing the weight of packaging for each product leaving a weight for food. The weight of the packaging is based on their existing calculations they hold for own brand packaging data. Assumptions are made when a store scans a box of loose fruit to be wasted (e.g. box of bananas or apples) that the box is assumed to be full.</p> <p>Destinations At present, a proportion of edible food that is wasted is used in colleague canteens and in colleague sales, however this is not currently captured on the HHTs. Food is placed in waste bins at the back of stores and is collected by waste contractors to go to anaerobic digestion, composting, controlled combustion and as a last resort landfill. For a breakdown of store waste collected at the back of stores and its recycling, please refer to page 24 of this Report.</p> <p>Categories included</p> <ul style="list-style-type: none"> Pre-pack dairy and meat Plant bread and cakes Butchery Bakery Cake shop Fruit and vegetables Cans, packets and bottles Sandwiches Freezers Fish <p>Exclusions Food wasted in cafés, staff canteens, operational waste at counters and salad bar are excluded in this calculation. Food wasted that is edible and has been donated to local community groups.</p>
3) 1.1 million products donated to local community groups through Morrisons unsold food programme	<p>Data represents cumulative donations of 3.4m as 2016/17 (2.3m) and 2017/18 (1.1m) financial years. A single 'product' is defined as an item or multiple items packaged together as follows:</p> <ul style="list-style-type: none"> A single product which is sold in our stores with a price per unit, for example a mango. A multi-pack, for example a pre-packaged bag of apples. A package of multiple items, for example a punnet of strawberries. Multiples of loose produce of the same type packaged into one back, for example loose onions.
4) 537 site colleagues trained on Modern Slavery	<p>Data represents 2017/18 financial year. E-learning module training delivered to on-site colleagues who interact with other colleagues and are responsible directly or indirectly for other colleagues welfare as well as additional relevant colleagues.</p>

KPIs ASSURED AND BASIS OF PREPARATION continued

Management's Statement

The Directors of Wm Morrison Supermarkets PLC are and shall be responsible for this Management's Statement and for reporting the four KPIs as at 4 February 2018 in accordance with the reporting criteria set out on page 48. In doing so we have:

- designed, implemented and maintained internal controls and processes over information relevant to the measurement and preparation of the four KPIs that is free from material misstatement, whether due to fraud or error;
- established objective reporting criteria for measuring and preparing the four KPIs and applied them consistently;
- presented information, including the criteria, in a manner that provides relevant, reliable, comparable and understandable information; and
- measured and reported the 4 KPIs based on the reporting criteria.



Steven Butts

Head of Corporate Responsibility

On behalf of Wm Morrison Supermarkets PLC

4 May 2018

Assurance statement

Feedback and contact information

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Visit our website:
www.morrisons-corporate.com/cr

Our 2017/18 Annual Report and
Financial Statements can be found at:
www.morrisons-corporate.com/annual-report-2018



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