

# Chair's statement



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Andrew Higginson, Chair

## Looking forward in a competitive market

Last year was another packed full of retail incident. The market remained very competitive and crowded, with Brexit uncertainty a persistent concern for customers.

Further retailer failures, especially in non-food, were reminders of both the pressures on the UK high street and how critical it is to stay relevant for customers. The Competition and Markets Authority's (CMA) decision on the Sainsbury's/Asda deal seems to block large-scale, intra-sector mergers for the foreseeable future, but also raises some uncertainty regarding what both companies may do now. In addition, two of our major competitors announced they will soon be changing Chief Executive.

In this context, our consistent, sustained progress was pleasing, with another year of profit growth, strong free cash flow, and the payment of both an ordinary and special dividend, all of which have been constant features of Morrisons Fix, Rebuild and Grow strategy over the last few years. Since 2014/15, the balance sheet has strengthened considerably and we have paid and declared 64.7p per share in dividends to shareholders, equivalent to over £1.5bn. It is particularly pleasing that the continuity of the Morrisons team effort is being maintained from within, as home grown management talent is coming through.

While this broad-based progress is encouraging, sales momentum did ease somewhat. Perhaps after several years of strong, uninterrupted growth, some degree of slow down was to be expected. That is not really the way that Morrisons is wired though. We are looking to get back to being the best we possibly can, and do the best possible job for customers.

## Turnaround momentum

As always, we will take some learnings into next year. I am confident that, despite the competitive, crowded market, Morrisons can thrive.

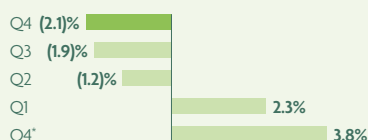
We will keep improving in key areas such as price, service and availability and we have, in our shops and our colleagues, the ability to be more on the front foot this year in delivering an even better shopping trip for customers.

As the Fresh Look programme and the innovations from the new stores are rolled out across the estate, Morrisons stores are looking more and more like a great fit for today's customers. They are neither too big nor too small, located in the heart of communities, with the emphasis on great value and good, British quality.

As I said last year, we are investing more and more into our Market Street butchers, bakers, fishmongers and other skilled craftspeople just as some of our competitors are coming out of service counters, a trend that accelerated further last year.

Our unique British fresh food manufacturing businesses give us an unrivalled provenance just as issues such as local, traceability and sustainability are becoming even more important for customers. Sections of this Annual Report and our Corporate Responsibility Report deal directly with many of these issues and show some of the excellent work Morrisons is doing on behalf of its multiple different types of stakeholder.

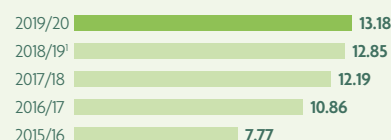
### 2019/20 quarterly Group LFL sales (exc. fuel)



#### Definition

See the Glossary on page 152 for a definition.  
\* 2018/19

### Basic earnings per share before exceptionals (pence)



<sup>1</sup> Restated for application of IFRS 16 'Leases'.

#### Definition

See the Glossary on page 153 for a definition.

## Governance highlights

### Board leadership and Company purpose

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- The Company's purpose, values and strategy are aligned to its culture
- The views of key stakeholders are considered in Board discussions and decision making

### Division of responsibilities

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- The Board comprises a majority of Non-Executive Directors
- There is an appropriate mixture of skills and experience on the Board
- Rooney Anand is the Senior Independent Director
- Tony van Kralingen is the Non-Executive Director designated to engage with colleagues on behalf of the Board

### Composition, Succession and Evaluation

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- All Directors are subject to re-election at our AGM
- The internal Board effectiveness review found the Board to be effective, with a well balanced set of capabilities, experiences and expertise

### Audit, Risk & Internal Control

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- The Audit Committee is satisfied that the Group's statutory auditor, PwC, who were appointed in 2014/15 are independent and performing effectively
- The Board is satisfied with the effectiveness of internal control and that risk is being managed effectively across the Group

### Remuneration

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- The Board is satisfied that remuneration policies and practices support the strategy and promote long-term sustainable success
- The updated Directors' Remuneration Policy will be tabled for shareholder approval at the 2020 AGM

## Strong management succession plans

Complementing the best colleagues in our shops, is a talented senior team.

We were delighted to strengthen the Board with the appointment of a third Executive Director, Michael Gleeson, as Chief Financial Officer. Michael is a chartered accountant and joined Morrisons in 2014, initially as Group Financial Controller and then Supermarkets Finance Director. For the last three years he has been Trading Director, latterly responsible for ambient grocery, frozen, dairy, fuel and services. Both at Morrisons and before, he has a first-class track record and extensive financial, commercial and retail experience.

We were also delighted to promote Trevor Strain, already a proven business leader, to the new role of Chief Operating Officer. Trevor has been an Executive Director of Morrisons since 2013, initially as Chief Financial Officer and, for more than a year, as Group Chief Finance and Commercial Officer. In his new role, Trevor's responsibilities will include commercial, manufacturing, supply chain, logistics, operations development, online and wholesale.

The Board and I welcome both Michael and Trevor to their new roles and wish them every success in the future.

Together with changes to the Executive Committee that David describes, these important appointments are the result of a careful planning process that is bringing new generations of talent through, from within the Morrisons ranks. Continuity and management succession are vital parts of the turnaround and ones the Board will keep focusing on very closely as the evolution of the senior Executive and Non-Executive team continues.

## COVID-19

At the time of writing, in mid-March, there is unprecedented challenge for our country, with the COVID-19 pandemic affecting almost everyone in the UK. The confidence in food supply is one of the key stabilising elements of a public health crisis and it is our duty to steer the Company through this period and support the country more widely. As a food maker ourselves, much of our supply chain is in our own hands, and we are all working incredibly hard throughout Morrisons to keep the shelves stocked, to keep store standards high and to serve our customers. Managing the business through the crisis, getting on the front foot, doing our best work, building our resilience and becoming even more central to the communities we operate in will help us beat this pandemic together.

Andrew Higginson, Chair