

We are responding

Wm Morrison Supermarkets PLC
Sustainability Report 2020/21



Supporting
British
farming

£10m

to help restock
the nation's
foodbanks



650,000+
doorstep deliveries
to the vulnerable



100%
FREE
RANGE



A FAIR DAY'S
PAY FOR
A FAIR DAY'S
WORK



COMMITTED
TO REMOVING
PLASTIC BAGS



**SAVING
ALMOST
300k
TONNES
OF CO₂
SINCE 2017**



About this Report

We recognise that the long-term success of our business depends on the commitment and trust of our colleagues, suppliers and communities. And, as a food retailer, we know we also depend on a healthy planet to produce the products our customers enjoy.

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Morrisons Sustainability Report relates to activity from 2020/21.

It should be read together with our 2020/21 Annual Report and Financial Statements, which can be found at: www.morrisons-corporate.com/investor-centre

Our purpose, 'to make and provide food we're all proud of where everyone's effort is worthwhile so more and more people can afford to enjoy eating well', has been at the heart of what drives us as a business every day.

In 2020 it became the animating force behind our response to COVID-19.

Alongside our wider commitments to people and the planet, this year's Sustainability Report tells the story of how our colleagues stepped up to play their full part in Feeding the Nation.

If you would like to comment on our approach to sustainability, the report itself or any of the issues we highlight, please email: sustainability@morrisonsplc.co.uk.

Our reporting covers the period 1st February 2020 to 31st January 2021.

Introduction	Our strategy and approach	Our purpose	Our planet	Our people	Our performance	Assurance
Who we are	Our business model	CEO's introduction	What we've achieved in 2020/21	Key global challenges		

Who we are

We are a British born and bred food retailer. We have grown from a market stall to the UK's fourth largest supermarket. We're both food makers and shopkeepers, which makes us different from our competitors.

Food is at our heart, and 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.

Our colleagues are our biggest asset. We have more skilled specialists on hand to prepare fresh food in store than any other retailer, with over 5,500 fully trained craftspeople including butchers, bakers, fishmongers and cheesemongers. Our Market Street is a unique point of difference.

Every week our customers make over 9 million transactions and our 118,000 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 the right prices. To grow sustainably, we must continue to listen and respond to societal changes and serve more and more customers better every day.

Established in

1899

8.6%

Group like-for-like sales (exc. fuel)

£254m

Operating profit

497

stores across the north, central and south

19

manufacturing facilities

8

regional distribution centres



9m

customer transactions each week



118,000

colleagues



5,500

trained butchers, bakers and fishmongers

Our business model

Resources and relationships

Customers

- Around 9 million customer transactions every week
- A well-loved brand becoming more relevant and accessible to more customers
- 497 conveniently located supermarkets
- A rapid expansion of online capacity

Colleagues

- Colleagues are our key asset
- Over 118,000 friendly and skilled colleagues, supported by a high quality management team

Suppliers

- Trusted and collaborative relationships
- Our focus with our partner suppliers is on quality and innovation

Shareholders

- A strong balance sheet, with a largely freehold estate and low debt
- A net pension surplus
- Continued focus on cash generation

Environment and Communities

- Investment in energy efficient solutions to reduce environmental impact
- Community champions to support the communities we serve

Our business is different in many ways...



Food maker

Our food making skills provide customers with products that are fresh, good quality, great value and made by us

We are a diverse team, united by our ways of working and our food maker and shopkeeper credentials

- Over half of the fresh food we sell we make ourselves
- Every day, our skilled food makers on Market Street make fresh food for our customers
- We make fresh food in our manufacturing sites across the UK
- Our automated production lines increase productivity and efficiency, and reduce waste
- We work with our suppliers to carefully source the products we do not make ourselves



Distributor

By controlling the whole supply chain, we know where our food comes from and can provide our customers with what they want, when they want it

Our national distribution network moves the food we make and buy

- Our stores are serviced by eight regional distribution centres and one national distribution centre
- This network supports our growth through all channels
- Technology simplifies the links between sites and stores



Wholesaler

Through stores, manufacturing, online and our wholesale partners, we can leverage our brand to achieve meaningful and sustainable capital light growth

We are a wholesaler, providing products to retail partners and wholesale customers

- We aim to make our brands more popular and accessible, and to increase volume through our existing assets
- We leverage the strength of our brands and manufacturing capability to deliver good quality products at great value
- We have the Safeway brand which we provide for wholesale partners



Retailer

Understanding our customers powers the decisions we make. Customers love our brand and see us as competitive and locally relevant

We sell the products we make and buy, in our stores and online

- Listening informs the improvements we make
- Our Morrisons price list provides good quality fresh food and great value
- Our shopkeepers care deeply about service
- Our online and home delivery offer has expanded at an unprecedented pace
- Most customers across Britain have access to several different options to shop with us, with almost every Morrisons supermarket now offering at least one home delivery service

...delivering through our seven priorities...

1. Be more competitive
2. Serve customers better
3. Local integration and serving the community
4. Simplify and speed up the organisation
5. Naturally digital
6. Pride in hygiene
7. Creating and scaling for profitable growth

...and supported by our six ways of working

1. Customers first
2. Teamwork
3. Listening hard, responding quickly wherever possible
4. Freedom in the framework
5. Driving sales, tough on costs
6. We care

Outcomes

Responding to our customers

- An easy shopping experience with everything always available
- Good quality groceries and a wide choice
- Friendly colleagues who care about customers and the community
- Market Street and Market Kitchen investment
- Fresh food, good and trusted quality which is always great value
- Online delivery service available to over 97% of British households

Rewarding our colleagues

- Everyone is welcome and celebrated at Morrisons
- Colleagues can have their say and are treated with respect
- Managers who help and support
- The opportunity to succeed
- The tools and training to do the job

Working with suppliers

- Easy to buy, easy to order, easy to fill and easy to sell
- Achieve profitable growth
- Always do what we say, build trust and collaborative relationships
- Focus on quality, innovation and protecting the environment

Delivering returns to our shareholders

- Focus on the core
- Growth
- Keep a strong balance sheet
- Create shareholder value

Protecting the environment and supporting communities

- Leading on reducing our carbon, plastic, pollution and food waste footprint
- Buying from sustainable, ethical and resilient supply chains
- Growing British agriculture
- Making a positive contribution to every local community we serve

Chief Executive's introduction

“Whilst I would not want to repeat the year we’ve had, it has taught us some valuable lessons and has reinforced our unwavering commitment to doing what’s right for our customers, colleagues and wider stakeholders.”



David Potts
Chief Executive

Playing our part

2020/21 was a year when, more than ever, we listened hard and responded.

We’ve had a clear focus on social and environmental issues for the better part of two decades, but with COVID-19 we often found ourselves in uncharted territory, following our instincts and doing what we felt was the right thing.

For example, in the early months of the pandemic we took the decision to run our manufacturing sites for an extra hour each day, donating £10m of food to help restock the nation’s food banks. And our doorstep delivery service – a simple telephone order service – was set up in a matter of days. It has gone on to make over 650,000 deliveries to some of the most vulnerable people in our communities and those that are self-isolating or shielding.

The impact of COVID-19 has been felt in less obvious ways too. For example, the closure of restaurants in the first lockdown meant that farmers and fishermen suddenly had less demand for some of the higher value cuts of meat like steaks and specialty fish. As British farming’s biggest direct customer, we wanted to play our part to help drive demand for these products previously destined for the restaurant trade, so opened our ‘Steak and Seafood Bars’ to encourage customers with great deals, which really helped turn the tide on falling farmgate prices.

Our Sustainability Report this year shares more examples like these. What connects them is a desire to make sure nobody is left behind.

Beyond COVID-19

Despite at times feeling like COVID-19 has been all encompassing, we have not taken our eye off the longer-term issues facing our business and the wider world.

At the front of my mind is climate change. I’m pleased to say, despite having more vehicles on the road, we have made yet another year-on-year reduction in our operational carbon footprint.

In addition, we’ve set out more details on our 2030 Net Zero Agriculture target, which will see us working with our 3,000 farmers and growers to produce affordable net zero carbon meat, fruit and vegetables. We’re continuing to make progress against our target to reduce own-brand plastic packaging by 50% by 2025. As part of this, we conducted a trial this year to see whether we could viably remove plastic bags from our stores and to replace these with sustainable paper-based alternatives. The feedback has been positive and we’re gearing up for a full roll out in 2021.

Under our commitment to a ‘fair day’s pay for a fair day’s work’ we’ve broken the £10 an hour barrier for store colleagues. It’s a symbolic and important milestone that represents another step in rewarding the incredibly important work that our colleagues do up and down the country. We’ve also made progress on our diversity journey by signing up to Business in the Community’s Race at Work Charter.

Looking ahead

Whilst I would not want to repeat the year we’ve had, it has taught us some valuable lessons and has reinforced our unwavering commitment to doing what’s right for our customers, colleagues and wider stakeholders. You’ll see in this report we have created a new ‘Sustain’ governance structure to help us to keep pushing forward our sustainability plans as we move towards more normal times.

Last, another word on our wonderful Morrisons colleagues. You truly were there at a time of desperate need to help feed the nation. Thank you.

David Potts, Chief Executive

What we've achieved in 2020/21

Our purpose

We removed child-friendly characters from products with high levels of fats, sugars and salts



DOORSTEP DELIVERY

We launched our Doorstep Delivery service to support elderly, vulnerable and those self-isolating, with their shopping

1p

We added eggs to our 'For Farmers' range with farmers receiving 1p for every 'For Farmers Chuckle Eggs' medium egg sold

GOOD CALF AWARD

We achieved the from Compassion in World Farming

Our planet

We sold over 100,000 'Magic Bags' through Too Good To Go, helping to drive down food waste



100,000 MAGIC BAGS

RETURN AND REFILL

We piloted a 'return and refill' service for milk with local farm, Our Cow Molly




11% REDUCTION

We have reduced our own-brand plastic packaging by 11% since 2017

Our people

We moved our head office colleagues to a four-day working week to support better work/life balance




£5m

COMMUNITY CHAMPION INVESTMENT


We invested the equivalent of an extra £5m, (around 450,000 hrs) into our network of Community Champions

WE SIGNED UP TO BUSINESS IN THE COMMUNITY'S RACE AT WORK CHARTER



WE DONATED £10m

OF ESSENTIAL FOOD TO HELP COMMUNITIES THROUGHOUT THE PANDEMIC



Key global challenges

With 497 stores, our own manufacturing sites and an extended supply chain, Morrisons is well placed to contribute solutions to the social and environmental challenges we collectively face.

p18

Climate crisis



Global greenhouse gas (GHG) emissions are now at their highest levels in history. Climate change is already affecting the way we live today through extreme weather, rising temperatures and sea levels.

How this relates to Morrisons

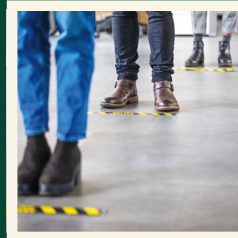
Climate change has the potential to impact our business in a number of ways including extreme weather and water scarcity, which could impact food availability from certain countries. Reducing our emissions helps to minimise these risks and builds trust with our stakeholders, including customers, colleagues and communities. It may also help drive efficiencies, cost savings and create new market opportunities in the longer term.

How we are responding

We have set a target to achieve net zero emissions in our own operations by 2040, covering scope 1 and 2 emissions.

As British farming's biggest customer we have also committed to Net Zero Agriculture by 2030. This forms part of our scope 3 footprint.

COVID-19 has been considered throughout our reporting this year



COVID-19

COVID-19, an infectious disease caused by a newly discovered coronavirus, became a pandemic in 2020. Countries across the world have responded by introducing new health measures, whilst vaccines are developed.

How this relates to Morrisons

Many of our customers have been unable to visit our stores during the lock-down due to the need to shield or self-isolate at home, affecting our vulnerable and elderly customers in particular. Our colleagues in stores have had to adjust to new ways of working, and the pandemic has the capacity to worsen food insecurity in communities as the economic impacts are felt.

How we are responding

We introduced our Doorstep Delivery service to support elderly, vulnerable and those self-isolating, and helped to restock food banks with a £10m donation. We also took steps to protect our colleagues, including introducing robust health and safety initiatives in stores, such as screens at checkouts.

p20

Plastic waste



Plastic is a highly versatile and useful material which can help to extend the life of fresh products. However, if released into the environment, it can persist for hundreds of years. Circular models of business, which emphasise the need to remove, reduce, reuse, recycle, are becoming increasingly commonplace in the market.

How this relates to Morrisons

Our customers want us to do more to help them live their lives with less plastic, providing alternatives as part of their shopping experience with us. By reducing the amount of plastic we use, this also supports us to operate more sustainably, helping to keep costs lower.

How we are responding

We've set challenging targets to reduce our own-brand plastic packaging by 50%, and to make all own-brand plastic packaging recyclable, reusable or compostable by 2025.

We continue to introduce a number of initiatives in store and online including encouraging customers to bring their own containers and increasing our range of loose fruit and vegetables.

p25

Human rights



Global food supply chains are complex and complicated, relying on millions of workers to produce the food we sell to our customers. Challenges exist throughout these supply chains, which can make it difficult for workers to access their rights and often disproportionately impacts those with additional vulnerabilities including migrants, women and small-scale farmers.

How this relates to Morrisons

As a business, we have a responsibility to respect the internationally recognised human rights of the people who make and sell our products across our entire value chain. This includes fair working conditions, health and safety in the workplace, gender equity and respect for the diverse communities in which we operate.

How we are responding

Our Ethical Trading Policy and Code establishes key requirements for all suppliers, and details our process to identify, prevent and mitigate risk. We actively monitor compliance through an extensive third-party audit programme and provide support for suppliers when issues are identified. We also work in collaboration with civil society organisations and multi-stakeholder initiatives to understand where adverse impacts could occur and identify opportunities for improvement.

Our sustainability strategy

Our sustainability strategy starts with our core purpose to help more and people to afford to enjoy eating well. This is our reason for being and the main way we create value for all our stakeholders.

We recognise that the long-term success of our business depends on the commitment and trust of our colleagues, suppliers and communities. And, as a food retailer, we know we also depend on a healthy planet to produce the products our customers enjoy.

We are continually listening and responding to the issues our stakeholders care about (see page 9) and our sustainability reporting this year has therefore been expanded to cover additional topics. These include affordability and animal welfare.

We have also updated our performance section to give readers a clearer view of the progress we are making towards our public targets.

Morrisons remains fully supportive of The UN Sustainable Development Goals (the Goals). These came into force in 2015 and aim to end all forms of poverty, fight inequalities, and tackle climate change on a global scale by 2030. We indicate where our activities and partnerships contribute towards the Goals (pages 26-33) alongside our Key Performance Indicators. In some instances we have interpreted the Goals to apply on a UK or a local basis.

Further information on the Sustainable Development Goals can be found at www.globalgoals.org.

Our purpose

Our core purpose:
To make and provide food we're all proud of, where everyone's effort is worthwhile, so more and more people can afford to enjoy eating well.

Making good food affordable for everyone

Supporting British farming

SUPPORTING BRITISH FISHERIES

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Enhancing animal welfare	p16

Our planet

Our planet

SAVING ALMOST 300k TONNES OF CO₂ SINCE 2017

25p DISCOUNT FOR USING OWN CUP*

Helping to save 100,000 meals from going to waste

*During the pandemic, we made the process contactless, helping to keep our customers safe whilst continuing to reduce single-use cups.

Tackling the climate crisis	p18
Reducing food waste	p19
Rethinking how we use plastics	p20
Sourcing global resources sustainably	p21

Our people

Our people

THANK YOU TO ALL UNSUNG HEROES FEEDING THE NATION

10% TEACHER DISCOUNT

NHS hour

#thankyou

Looking after our colleagues	p23
Supporting the communities we serve	p24
Respecting human rights	p25

Engaging our stakeholders

We continue to take into account the views of a wide range of stakeholders to develop and evolve our sustainability strategy.

	Who are they?	Why do they matter to us?	What do they expect from us as a sustainable retailer?	How do we engage with them?
Customers	Everyone who buys our products, including through our stores or online. This also includes our wholesale customers, such as charities	Our customers are at the heart of everything we do – they are the reason our business exists	Customers expect us to offer affordable, high quality food, which is made and sold in a way that's good for people and the planet Results of our customer insight survey can be found on page 10	Customer listening groups, sales of products, customer insight surveys, social media
Colleagues	Everyone who is directly employed by Morrisons	Our colleagues make Morrisons – without them we could not run a successful business	Our colleagues expect a fair day's pay for a fair day's work, opportunities to progress in the business, and being made to feel welcome regardless of their gender, ethnicity or background. They also expect us to take steps to protect their health and safety Read more about how we look after our colleagues on page 23	Colleague 'Your Say' forums and surveys, internal communications, colleague social media platforms
Suppliers	Any organisation that supplies Morrisons with products or services	Strong working relationships with suppliers means we can continue to provide high quality products for our customers	Suppliers want a relationship built on mutual trust and respect	Conferences, meetings, visits, audits and surveys
Communities	Those who live in areas where we have stores, offices or sites. They include local residents, schools, community groups and charities	Our communities give us a social license to operate; which is required to be both a trusted employer and retailer	Our communities want us to focus on the causes that matter to them in their local area Read more about how we support the communities we serve on page 24	Community Champions in each store, letters, enquiries and surveys, local news, social media, engagement through local government and council
Shareholders	Individuals or organisations which invest in Morrisons through share or bond issuances	Investors provide the capital we need to run our business	Investors expect us to be staying ahead of evolving social and environmental risks, and reporting our progress transparently	Enquiries, surveys, Annual General Meeting and meetings
Government and regulators	The UK government, devolved governments, local government, specific regulators	Government and regulators set the laws and rules by which we operate	Government expect us to positively contribute to shared environmental and social goals, engage with formal enquiries and adhere to legislation	Formal enquiries and correspondence, meetings, trade associations, social media
Non-Governmental Organisations (NGOs)	Organisations which function independently of governments	NGOs give us unique first-hand insight into environmental or social issues and help to hold us to account	NGOs expect us to prioritise environmental and social issues when doing business	Enquiries, surveys, collaborative projects, visits, meetings, blogs and social media

Listening to our customers

Every year, alongside engagement with other stakeholders (see page 9), we ask our customers which sustainability issues matter most to them. Used in conjunction with other sources of insight, this helps us to set priorities and informs our approach to reporting.

This year, we worked with 'Business in the Community', the Prince's Responsible Business Network, to help us identify a 'long list' of sustainability issues material to the food retail sector. These were supplemented with our own internal research. We then worked with market research experts 'ResearchBods' to prepare the survey, and invited 5,000 customers, from a range of age groups, to take part.

The top issue our customers care about has remained 'food safety', with 'selling affordable food', 'providing good employment, pay and conditions' and 'improving the recyclability of packaging and products' new to the top ten. Plastic-related issues feature three times, demonstrating the importance customers continue to place on action from Morrisons.

This year we also asked customers about our response to the pandemic. Three quarters of our customers said they thought we had done the right things by them, and more than 40% said they now trusted us more as a result.

5,000
customers completed our
online survey in early 2021

2019/20 top 10 issues results		2020/21 top 10 issues results	
1	Ensuring food safety	1	Ensuring food safety
2	Reducing plastic packaging	2	Supporting British farmers
3	Supporting British farmers	3	Selling affordable food
4	Reducing packaging waste	4	Providing good employment, pay and conditions
5	Ensuring animal welfare	5	Reducing plastic packaging
6	Reducing food waste	6	Improving the recyclability of packaging and products
7	Protecting natural habitats, woodlands and forests	7	Ensuring animal welfare
8	Selling British products	8	Reducing food waste
9	Addressing climate change	9	Selling British products
10	Tackling modern slavery and human trafficking	10	Reducing packaging waste

Governance

In 2020 we refreshed our approach to sustainability governance to unlock more innovation and encourage cross-functional working. This reflects the growing importance of non-financial related performance at Morrisons.

Our new Sustain Group comprises of leaders from across our business and is responsible for ensuring we deliver sustainable growth with a lower environmental and positive supply chain impact; and that we play our full part supporting the lives of our colleagues and the communities we serve.

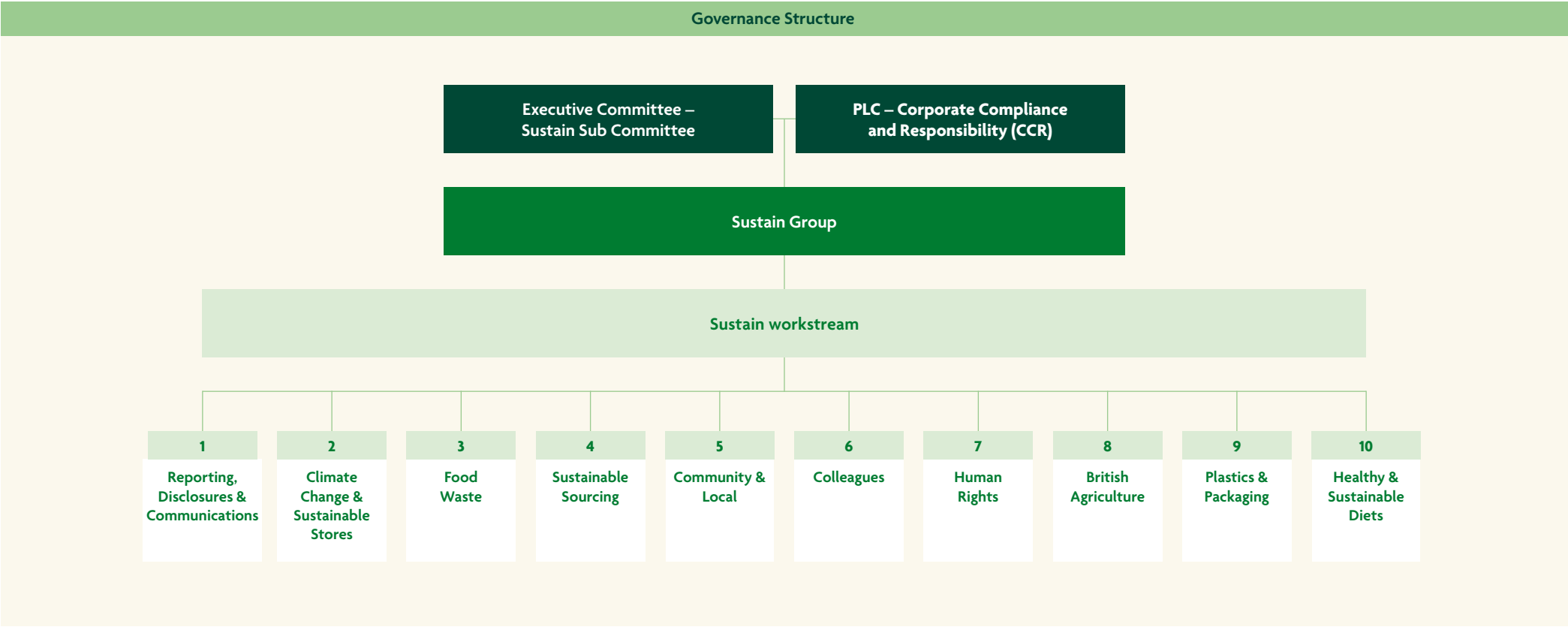
Alongside reporting to the Sustain Sub Committee of the Executive Committee, updates are provided directly to the Executive Committee and Corporate Compliance and Responsibility Committee. Meetings are held every four weeks.

The Sustain Sub Committee of the Executive Committee comprises of our Chief Operating Officer and other senior leaders from across the business. It is responsible for reviewing the progress and recommendations proposed by the Sustain Group. This committee meets quarterly.

Our Sustain workstreams focus on specific sustainability topics and are headed up by an appropriate leader, who reports directly into the Sustain Group.

Our Sustain governance structure will help us to maintain our focus on existing sustainability issues, such as plastic reduction and sustainable sourcing, and will give us the right structure to respond to emerging topics, such as the links between health and sustainable diets, which are not yet covered under our reporting.

Due to the timing of publication, our reporting does not currently cover all of our Sustain workstreams.



Our purpose

Our long-term success depends on having a clear reason for being.

Helping our customers to eat well
page 13



Ensuring food safety
page 14



HELPING
BRITISH
GROWERS



Enhancing animal welfare
page 16



Supporting British farming

Supporting British farmers
page 15

Why it matters

As the fourth largest food retailer in the UK every decision we make, from choosing to source from British farms to investing in new food safety systems, can have a significant impact on the many stakeholders we serve (see page 9).

Our approach

We work hard to embed a sense of purpose with our colleagues, so they can make the right decisions. During the COVID-19 crisis it helped us to respond at pace to keep shelves stacked and to support those in vulnerable circumstances to eat well.

Our performance

During the year we made 650,000 doorstep deliveries to people in vulnerable circumstances and provided our farmers with £3.5m extra income through our 'For Farmers' range.

See pages 26–28 for more metrics

What's next?

We're launching healthier products, introducing full ingredient lists on products to comply with Natasha's Law, continuing to back British farmers and ensuring high animal welfare standards at all times.

Helping our customers to eat well

Why it matters

The pandemic has made the availability and affordability of food even more of a priority for families across the UK. At the same time, customers expect us to offer healthy and nutritional products.

Our approach

During the pandemic Morrisons temporarily changed its corporate purpose to 'feeding the nation' and we focused on helping those most vulnerable.

Our performance

8.6bn

Reduction in calories in 2020

See page 26 for more metrics

What's next?

We will continue to expand the use of our 'Healthier Living Icon' to more producers and will extend our 'Nourish' range of products, which focuses on positive nutrition such as higher levels of protein and fibre.

Keeping food affordable

Over the past year we invested in over 1,200 price cuts backed up by stable prices every day, to make good food affordable for our customers. We continue to offer a wide range of products across our own-brand range, which offer our customers even more ways to save on their shop.

Introducing doorstep deliveries

During the COVID-19 crisis we received many calls from customers who were self isolating, elderly, vulnerable and not able to visit a shop. To play our full part in feeding the nation, we launched our 'Doorstep Delivery' service, which enables customers to order food for next day delivery from their nearest store. Since launching we made have made over 650,000 deliveries through the service.



During the pandemic we made 650,000 deliveries through our Doorstep Delivery service

Providing free school meals

As schools reopened, we launched a new meal delivery service for primary school children who were eligible for free-school meals and needed to self-isolate. The Morrisons Kids Meal Pack was developed in partnership with our company nutritionist and was designed to provide healthy and balanced meals. To make it as easy as possible, schools were able to order the Pack directly from the Morrisons Doorstep Delivery team for it to be sent directly to children's homes.

Reformulating products

Morrisons remains committed to supporting the government's reduction and reformulation agenda to tackle obesity and to help adults and children to live healthier lives. We continue to reformulate products and in 2020 we have removed 8.6 billion calories, 832 tonnes of sugar and 44.4 tonnes of salt from own-brand products.

Plant based

We continue to make plant based products more accessible to our customers and have expanded our plant based offer, increasing our V Taste range by 50%.

3

stringent nutrition profile tests underpin products carrying our Healthier Living Icon



50

lines of fruit and vegetables per week on promotion¹

Improved labelling

We continue to support front of pack (FoP) nutrition labelling and include calorie labelling on alcohol. We also launched the Morrisons 'Healthier Living Icon', which, using three stringent nutrient profile tests, is designed to help customers to make more informed choices.

Expanding health ranges

We have launched Nourish, a new healthier food range designed to provide our customers with positive health benefits. This includes products that are specially designed to provide different benefits, including supporting bone, gut, heart, skin health or immunity. We have also expanded our 'Counted' range which provides calorie-controlled alternatives to customers' favourite ready meals, soups and dressings.

Responsible marketing

Building on our work taking chocolate and sugar confectionery away from checkouts, in 2020 we took the decision to voluntarily remove all child-friendly characters from children's products with high levels of fat, sugar and salt, including cereals and confectionery. This remains a focus and will be completed in 2021.

¹ On average.

Ensuring food safety

Why it matters

Food safety continues to be ranked as the most important sustainability issue for our customers. We know it underpins us remaining a trusted retailer.

Our approach

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

Our performance

1.3%
of chickens tested positive for **Campylobacter**. This continues to be below Food Standards Agency targets
See page 27 for more metrics

What's next?

We will upgrade our printing technology and labels to accommodate additional information to comply with Natasha's Law.

Preparing food safely

All of our own-brand manufacturing sites must meet our food manufacturing standard and maintain certification against the British Retail Consortium Global Standard for Food Safety, which is internationally recognised. We conduct approval audits to ensure suppliers meet our food safety standards before supply commences and hold routine audits to monitor ongoing compliance. Our retail food safety systems are designed to meet all legal requirements and take account of industry guidance and codes of practice.

Supplier visits

Due to Covid-19 challenges we utilised remote/virtual audits and visits to support our suppliers. This was balanced, where appropriate with 'in person' visits including visits from our overseas 'At Source' teams.

Managing allergens

Natasha's Law was introduced to provide additional protection for allergy sufferers by ensuring all pre-packed foods, including those packed in the same premises from which they are sold, are labelled with full ingredient lists. Our packaged foods already have labels showing allergen information, however we are now working hard to ensure that the labels of all of the many hundreds of products we prepare and pack in store carry full ingredient lists in advance of 1 October 2021 when the law comes into effect.



829

Number of times we declined use of a pesticide for use in 2020/21



We are working hard to ensure that the labels of all of the many hundreds of products we prepare and pack in store carry full ingredient lists

Product withdrawals and recalls

The ability to withdraw products identified as presenting safety issues quickly and reliably plays a vital role in protecting our customers. As our business has become more complex, communicating the need to withdraw a product from sale across our various channels has grown more challenging.

In 2020 we launched our internet-based Product Withdrawal System, which provides targeted instructions to help our colleagues to act swiftly when products need removing from sale. The same system is used to distribute customer-facing signage to be displayed in our stores and to update our wholesale partners should a product be subject to recall.

Pesticides

Produce suppliers to Morrisons must submit proposed pesticide usage to our expert service provider and pesticide consultants before supply. This ensures that every crop and country is risk assessed against the following criteria: environmental impact, operator safety, consumer safety and risk of illegal residues.

Morrisons pesticide monitoring programme is targeted at crops and countries where pesticide residues are most likely to be found. A total of 352 samples were analysed in 2020. 32.4 % had no detectable residues. 65.9% had residue detections within safe and legal limits and 1.7% of samples had a residue that exceeded the EU legal limit, but below the acute reference dose. 0% of samples exceeded the limit deemed to cause consumers potential harm.

This compares favourably with the corresponding 2019 annual UK official monitoring, which showed 3.4% of samples with a residue level exceeding that of the GB legal limit.

Compliance to our requirements is monitored through our technical teams supported by our pesticides monitoring programme. Pesticides considered as posing an unacceptable risk are not permitted to be used. On this basis we declined the approval of a pesticide on 829 occasions in 2020/21.

Trusted accreditations

Produce growers supplying fruit and vegetables to Morrisons must undergo annual audits to maintain Global GAP, Red Tractor Assurance (within the UK) or Organic certification. These farm assurance programmes evaluate growers against Good Agricultural Practice standards and are based on the principle of Integrated Crop Management. This encompasses integrated pest management, an approach to disease and pest control within agricultural systems which promotes the use of non-chemical methods of crop protection.

Supporting British farmers

Why it matters

As British farming's biggest supermarket customer, we rely on the efforts of farmers who work hard all year round, producing good quality, local food, farmed in a sustainable way.

Our approach

We play our full part in growing and developing British agriculture by working as a team with the farming industry, buying directly from over 2,700 British farmers and growers and supporting the next generation of farmers.

Our performance

£18.5m

given back to farmers through our For Farmers range since 2015

See page 28 for more metrics

What's next?

We're focused on growing opportunities for British farmed produce through business support; and connecting customers, colleagues and farmers.

Faster payments

COVID-19 has been an unprecedented challenge to many of the farmers, fishermen and other food makers that supply us. From March 2020 we paid all of our small suppliers, defined as firms with a turnover of up to £1m, immediately to help them weather any difficulties they may face. In addition, and as a thank you, all of our farmer suppliers have been eligible for a 5% discount on their shopping from Morrisons.

Backing British

At the height of the pandemic, meat and fish producers were unable to sell certain products that might have otherwise been destined for cafes and restaurants. Our 'BBQ and Steak Bar' and 'BBQ and Seafood Bar' stepped in to offer a wider selection of steaks, joints and seafood to our customers, helping to stimulate demand and stabilising prices at the farm gate.

We also launched a British Food Box, containing some products from our For Farmers range. £1 from each sale was donated to British Farming Charities via The Prince's Countryside Fund.

For Farmers range

We launched our range of For Farmers products in 2015, and became the first supermarket to give part of the retail price directly back to farmers. The range, which now includes milk, cream, cheese and butter, has so far given back £18.5m directly to British farmers.

In 2020 we added eggs to our range with farmers receiving 1p for every 'For Farmers Chuckle Eggs' medium egg sold. The money raised is intended to support farmers to create better free-range farmland to create a healthier environment for happier hens, who naturally tend to lay more eggs.

Inspiring the next generation

In 2019 we launched a £2m farming apprenticeship fund to encourage the next generation and prepare them for the future of farming. The scheme funds any farm employers with the college training fees for any student aged 19 or over, taking part in an apprenticeship programme at their local agricultural college. For Morrisons suppliers, we supplement the programme with mentoring alongside customer insight experiences in our stores.

In 2020 through our For Farmers range we sold:¹



¹ Totals: 16,315,813 litres of milk; 1,635,058 pots of cream; 398,239 blocks of cheese; 6,526,440 eggs.

PIONEERING EDUCATION FOR THE EGG SECTOR

Despite eggs being one of the UK's fastest growing protein sectors, there is very little training available for farmers and workers in this area.

In response, we launched a pioneering 'British Egg Academy' in 2020 offering further education for farmers and those working in the laying hen (egg) sector, including industry led teaching and access to a level 2 Diploma in Agriculture.

We launched the British Egg Academy in 2020 offering further education for farmers



During the pandemic we helped farmers and fishermen and find a home for their produce.

Building resilience

We have supported The Prince's Farm Resilience Programme, which offers free business skills training to family farms across the UK, since 2016. In 2020 we funded an additional two farming groups in Yorkshire and Lancashire. Evaluation of the programme has shown that participating farmers have improved their business skills, confidence, and productivity, with 68% reporting that they are more optimistic about the future of their family farm after being on the programme.

Celebrating farmers

We continued our sponsorship of Farm24, an initiative which celebrates British Farming for 24 hours. The event reached across more digital channels than ever before, sharing stories from our farmers and local suppliers and giving customers and colleagues a chance to learn more about British agriculture.

3.5m

Our For Farmers range provided over £3.5m of additional support for farmers in 2020 alone



Enhancing animal welfare

Why it matters

We believe every animal in our supply chain has the right to be content and to a good life. Our customers agree, consistently ranking animal welfare as one of the top sustainability issues for us to get right.

Our approach

We have a zero-tolerance approach to breaches in animal welfare standards and work closely with a range of partners to ensure we are aligned to best practice.

Our performance

100%
of shell eggs now come from free-range production
See page 28 for more metrics

What's next?

We will continue our unannounced audit programme to focus attention on the need for high standards at all times, and trial a new incentive system for farms to champion higher welfare and farm production standards.

Setting high standards

We are committed to continually improving the standards and reporting of animal health and welfare in our own supply chain and through our third-party suppliers. We maintain policies and standards, including not allowing animal cloning, genetic engineering or growth promoters, and continue to promote good animal husbandry practice and humane slaughter.

We record farm animal welfare assurance standards in use throughout our own-brand food supply chain, and for full transparency we publish an annual report on Farm Animal Health and Welfare policy and effectiveness.

We've launched a new target for 100% of chickens to be barn born and raised by 2025



We received a Good Calf Award in 2020



We met our target to take 100% of our shell eggs from free-range production in 2020 - five years ahead of schedule



100%
of fresh milk supply is aligned to and compliant with the industry leading Arla UK 360 standard

Chicken

80% of our fresh chicken is now sourced from farms where chicks are 'born in the barn'. Following farm trials in 2020/21, we will introduce a range of chicken grown more slowly and with more space and indoor space in 2022. We will also support the launch of the UK's first 'Windstreek' farm which offers a range of sustainability benefits such as greater use of natural light and lower energy use.

Eggs

We met our target to take 100% of our shell eggs from free-range production in 2020, 5 years ahead of target. By 2025, all our eggs in ingredients and processed foods will be from cage-free systems. 55% of our ingredient eggs currently achieve this status.

Our 'For Farmers' range also gives customers the option to pay more for eggs from farms which are investing in biodiversity and welfare measures (see page 15).

Beef

Compassion in World Farming recognised our commitment to improve the health and welfare of beef from the dairy chain with a Good Calf Award in 2020. This was in recognition of our joint venture partnership with Arla Foods and Buitelaar to set up a new higher welfare dairy beef scheme. By 2025, we aim for all Morrisons beef sourced from the dairy herd to reach this higher welfare commitment.

Pork

To improve welfare, we continued our research into environmental enrichment with the University of Leeds and introduced new farm standards requiring all supplying farms to undertake additional stockmanship and welfare training alongside having CCTV installed. We started unannounced audits in our pork supply chain to further improve standards.

Dairy

Our fresh milk supply continues to be the only retail group in the UK to be 100% aligned to and compliant with the industry leading Arla UK 360 standard. This includes the policy to ensure every calf has a value. Our range of 'For Farmers' has now returned over £18.5m to farmers to advance health, welfare and environmental measures.

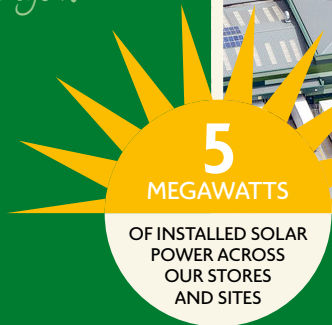
Antibiotics

Managing the responsible use of antibiotics has remained a key area of focus and we do not permit routine use. In 2020 we took the additional step of banning the use of colistin – an antibiotic deemed as a last resort treatment for human health.

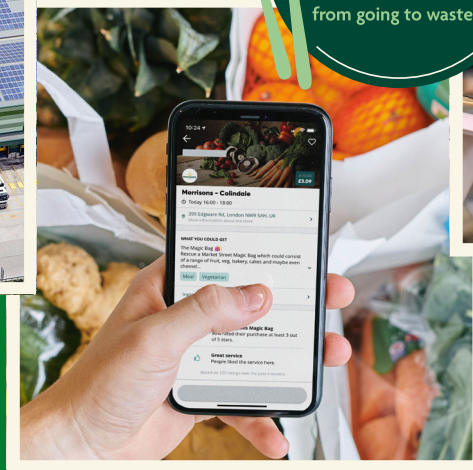
Our planet

Our long-term success depends on the sustainable use of the planet's resources.

Tackling the climate crisis
page 18



Helping to save
100,000 meals
from going to waste



Reducing food waste
page 19

Rethinking how we use plastics
page 20



Sourcing global resources sustainably
page 21



Why it matters

The climate crisis, deforestation, and overuse of natural resources are putting significant pressure on our planet, which could impact the food systems we all rely on.

Our approach

We have set challenging targets to reduce the impact of our products and business operations, but we know we can't do it alone. We continue to partner with expert organisations and to align our activities with the wider industry, such as joining the British Retail Consortium's Climate Roadmap.

Our performance

We reduced our operational carbon footprint by 32%, food waste by 13%, and have sourced 27% of the cotton used in our Nutmeg clothing to the Better Cotton standard.

See pages 29–31 for more metrics

What's next?

We are broadening our environmental focus to our wider value chain, including setting scope 3 carbon targets, bringing our manufacturing sites under our food waste reporting, and starting work to map water scarcity in our own-brand supply chains.

Tackling climate crisis

Why it matters

The societal and economic impacts from COVID-19 act as a poignant warning to take bold action to tackle the climate crisis. Left unchecked rising temperatures increase the chance of extreme weather events and threaten global food supplies.

Our approach

As a leading retailer we know we must play our part, which is why we are taking action in our own operations and within our wider value chain to reduce our carbon footprint.

Our performance

32%
reduction in operational emissions (scope 1 and 2) since 2017
See page 29 for more metrics

What's next?

We will set a target for our scope 3 emissions relating to emissions from our wider value chain.

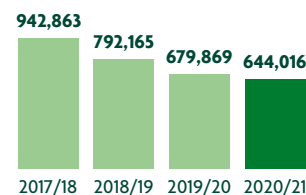
Reducing our footprint

Morrisons has set a target to reach Net Zero emissions by 2040 – this means achieving an end state where no greenhouse gases are emitted, or where residual emissions are balanced by removing an appropriate amount from the atmosphere.

Our current target, covering our direct emissions, so those from our stores or vehicles on the road, is to reduce operational emissions on an absolute basis against a 2017 baseline by 33% by 2025, 53% by 2030 and to reach net zero emissions by 2040.

In 2020 we reduced our footprint by 5%. This was despite increased emissions associated with haulage due to growth in online sales. Since 2017 we have reduced our footprint by 32%.

Group greenhouse gas emissions (tonnes of CO₂e)



See page 29 for a detailed breakdown of emissions and our Annual Report and Accounts 2020/21 for full Group greenhouse gas (GHG) emissions methodology.

Energy efficiency initiatives

During 2020 we introduced shelf-edge technology to around 200 of our stores – this technology draws cold-air back into the fridge and helps reduce electricity consumption. We also continued to invest in LED lighting and to control voltage in stores to reduce power demand.

A reduction in gas consumption has been achieved through our boiler replacement programme and the reinstatement of 'heat harvest' technology, which uses heat from the refrigeration to provide hot water in store. Building Management System upgrades have also allowed Morrisons to improve the control of electricity and gas associated with heating and ventilation.

Onsite renewable energy

Alongside energy efficiency, we continue to consider the role of onsite renewables. We currently have five Megawatts of onsite solar power installed across 28 sites and prioritised optimising these panels to maximise generation during 2020.

Efficient transport

Our logistics division has continued to undertake a number of activities designed to reduce distance travelled and fuel consumed while delivering to our stores. This includes careful scheduling to minimise mileage, longer semi-trailers, and using vehicle telematics systems to encourage drivers to reduce harsh braking, acceleration and engine idling time.

Scope 3 emissions

Analysis from the Carbon Trust found the majority of our emissions (97%) are within our wider value chain (known as scope 3), as opposed to within our own operations. Over the next year we will be setting a science-based target for our scope 3 emissions and will be encouraging our suppliers to work with us on this shared goal.



Championing lower impact farming

As British farming's biggest supermarket customer, we believe we are in a unique position to lead changes in environmental practice which can help the industry to decarbonise. For this portion of our scope 3 footprint, we have committed to achieving Net Zero emissions by 2030. This will cover products from the UK farmers sourced directly for our own brand products in beef, pork, lamb, potatoes and eggs.

Transparent disclosures

We have been reporting our carbon footprint since 2007, transparently showing the impact of the emissions from our operations (scope 1 and 2) on the climate. We have responded to the Carbon Disclosure Project's requests for disclosure for climate change since 2018 and in 2020 were rated C for climate change.

The UK Government has introduced the Task Force on Climate-related Financial Disclosures (TCFD) as a mandatory requirement for all publicly listed companies in the UK. Established by the Financial Stability Board this is designed to factor climate change into investment, credit, and insurance underwriting decisions. This year's Annual Report includes additional disclosures under TCFD as we move towards becoming fully compliant in next year's (2021/22) Annual Report.

We are also proud to be a signatory to the British Retail Consortium's (BRC) Climate Change Roadmap, which sets key milestones for our industry to work towards.

Reducing food waste

Why it matters

Food waste is a significant contributor to climate change and, as a food retailer, also adds cost into our business. By redistributing food to communities that need it, this can help address food insecurity.

Our approach

We take care to forecast what we think we can sell, but where surplus food does arise we work with a range of partners to put it to good use in our communities.

Our performance

13%
reduction in food waste in 2020/21 compared to 2016/17
See page 30 for more metrics

What's next?

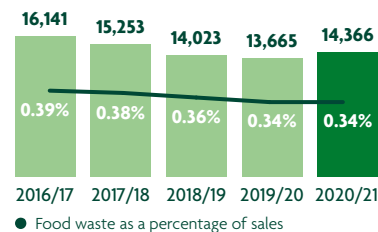
We will be widening our scope of food waste reporting to include our manufacturing and distribution sites.

Reducing food waste in our stores

As a food retailer, despite our best efforts, waste does occur. However, we take all available steps to minimise it, including investing in tools to increase forecasting accuracy, ordering only what we think we can sell and, where products are close to their use by or best before date, offering these at reduced prices to customers. Where surplus food does arise, we work with a range of partners to redistribute as much as possible.

We continue to work with Too Good To Go and over the last year we sold over 100,000 'Magic Bags' through the app, which gives customers access to high quality products at a fraction of the retail price. Each bag is sold for £3.09 and contains a variety of fresh products worth at least £10. This has helped save almost 100 tonnes of food from being wasted in 2020.

Food waste (tonnes)



We also recognise the ongoing need for fresh food, which has been felt particularly acutely during the pandemic. Through our 'Unsold Food' programme, our stores are empowered to give surplus food to local causes, such as food banks, and during 2020 redistributed 3 million products.

Where food cannot be redistributed, we send it to anaerobic digestion to generate renewable energy.

Reducing food waste at our sites

Our manufacturing sites and distribution centres also work with expert organisations to redistribute surplus food to where it is most needed in communities:

3.4 million

meals redistributed through Company Shop

2 million

meals redistributed through Fareshare

1 million

meals redistributed through The Bread and Butter Thing

WONKY RANGE SAVES HIGH QUALITY PRODUCE FROM GOING TO WASTE

Normally supplying fish and chip shops, Scutt Farming experienced a 95% drop in sales during the first COVID-19 lockdown. We worked with the family to temporarily bring their potatoes into our Wonky range, providing an alternative market and preventing high quality produce from going to waste.



Reducing food waste in the field

Our Naturally Wonky range has gone from strength to strength in 2020. We now offer 51 varieties of fruits and vegetables, which might be misshapen, have skin blemishes or growth cracks, or are much smaller or larger than average. Alongside helping to keep food waste to a minimum in the field, it gives farmers alternative ways to sell their products, and gives our customers access to affordable fresh fruit and vegetables.

Our customers bought the equivalent of 40,000 tonnes of fruit and vegetables from our Naturally Wonky range. During the pandemic, we also started to include Wonky Vegetables in our Vegan boxes to give customers an easy way of ordering essentials.

We redistributed 3 million products through our Unsold food programme in 2020, helping good causes and cutting food waste

Rethinking how we use plastics

Why it matters

We recognise the negative impact plastic pollution is having on our planet. Customers continue to tell us it is one of the most important sustainability issues Morrisons should be working to address.

Our approach

We want to help our customers live their lives with less reliance on plastic, and each year we remove more from our products. We're also working towards making all our own-brand plastic packaging recyclable, reusable or compostable.

Our performance

11%
reduction in own-brand plastic packaging since 2017. 84% of the plastic packaging we sell is recyclable
See page 30 for more metrics

What's next?

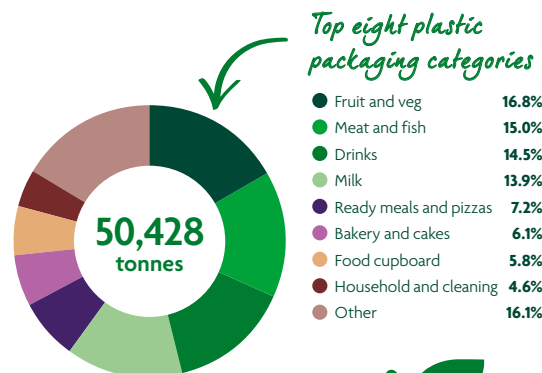
We will continue to work towards our target to reduce own-brand primary plastic packaging by 50% by 2025. In addition, we will stop the sale of plastic 'bag for life', removing 3,200 tonnes of plastic a year.

Reducing plastic packaging

We continue to reduce and remove plastic packaging across our own-brand range of products. For example, removing plastic trays from fruit and vegetables, including asparagus, carrots and tomatoes has saved 300 tonnes of plastic. We have also removed secondary lids on many products such as 'The Best' coleslaw, saving another 80 tonnes. In addition, we have started to use cardboard wrap on multi-pack cans, such as baked beans and canned tomatoes, which our customers can easily recycle.

Moving to 100% paper bags

In 2020, as part of a trial, we removed all plastic 'bags for life' across eight stores and replaced these with a paper alternative. With one in three customers already making the shift, we have taken the decision to extend this to all stores in 2021, which will remove approximately 3,200 tonnes of plastic a year. Our paper bags can carry heavy weights up to 16kg and are 100% PEFC certified, meaning they are sourced from forests that are managed responsibly. They are also manufactured at an eco-powered site in Wales.



This Christmas we completely removed glitter across all our own-brand ranges



Cutting down on milk bottles

Milk bottles are one of the biggest contributors to our plastic footprint. In 2020 we started a pilot scheme in Sheffield with a local supplier, 'Our Cow Molly', to offer our customers a 'return and refill' model for milk. Customers purchase milk in glass bottles, and on their next trip into the store drop them off for cleaning and reuse. So far this has saved over 7,000 plastic bottles from being used, and is enabling customers to directly support local farmers.

Encouraging reuse

We give customers a 25p discount in our cafes for using their own cups. During the pandemic, we made the process contactless, helping to keep our customers safe whilst continuing to reduce single-use cups. We also introduced water taps in all our stores to encourage customers to refill on the go.

Increasing our range of loose fruit and vegetables

We introduced dedicated areas to buy loose fruit and vegetables to 63 stores during 2019, offering up to 127 loose varieties. In 2020 we extended the reach of this range to 332 of our 497 stores, meaning more customers can benefit from plastic-free alternatives.

Glitter free Christmas

We have completely removed glitter from our products, which can be an ecological hazard if it becomes dispersed on land, rivers and oceans – across all our own-brand ranges. For Christmas, Soluble inks, foil and paper reliefs were instead used to decorate Morrisons FSC certified paper cards, wrap and bags to give them a festive feel, and we introduced 100% plastic-free Christmas crackers.

Tackling ocean plastics

We are sponsors to Odyssey Innovation's Net Regeneration Scheme, which is the only recycling scheme for all types of fishing nets in the UK. The start-up works with fishermen to bring ashore previously lost nets that they have recovered during their fishing operations. Since we started supporting the programme over 100 tonnes of plastic netting has been recycled.

Towards recycled polyester in our clothing

Some lines within Nutmeg clothing contain plastic in the form of polyester. We've committed that all our polyester fabrics will contain recycled sources by 2025, reducing the demand for virgin plastics.

Sourcing global resources sustainably

Why it matters

From illegal logging to overfishing, our natural world is under significant pressure. Our customers care about where their food comes from and want to know that our products are contributing to a sustainable future.

Our approach

We align our policy and targets with leading standards and work with a range of partners to help challenge and support us.

Our performance

27%
of our cotton was sourced as Better Cotton in 2020, and we are aiming to reach 100% by 2025
See page 31 for more metrics

What's next?

We will define our policy on water stewardship and reduction in our own-brand supply chains in areas of water scarcity. We will also set a water reduction target for our own operations.

Deforestation

Every year, 32 million acres of natural forest are destroyed due to illegal logging, poor forest management, and increasing demand for forest and agricultural products. Deforestation is a contributing factor to biodiversity losses and climate change.

We have committed to zero deforestation in our supply chains by 2025 – this includes both the use of palm oil and soya.

In 2020 we have continued our use of 99% Roundtable on sustainable Palm Oil (RSPO) certified palm derived products and increased our use of segregated oils to 67%. We also implemented a sustainable soy sourcing policy, setting out stretching standards and targets for soy in both ingredients and animal feed, and became members of the UK Roundtable on Sustainable Soy, committing to public reporting.

Fish

We continued to offer the broadest range of fresh British fish of any major retailer, helping customers to make more sustainable choices which are not threatened by overfishing.

We recognise the need to work in collaboration to manage international stocks, and in 2020 we became a member of the Global Tuna Alliance. This is a sector wide, multi-stakeholder initiative of partners to build a shared, global and non-competitive solution to sustainability issues in the global tuna supply chain.

We reported our use of 99% Roundtable on Sustainable Palm Oil in 2020



ZERO
DEFORESTATION IN OUR SUPPLY CHAINS BY 2025



27% of our cotton was sourced as Better Cotton in 2020

Our volumes of Global Sustainable Seafood Initiative certified fish fell this year to 66% after north east atlantic mackerel fisheries lost certification in 2019. As part of our approach to responsible sourcing we are now working as part of the North Atlantic Pelagic Advocacy Group to help support and resolve issues in this key fishery.

Textiles

We continue to make progress towards our sustainability targets across our Nutmeg clothing range. We are increasing the amount of recycled polyester that we use within our ranges and, as part of our commitment to zero deforestation, we are making progress towards all our viscose being sourced from responsibly managed forests.

We are also part of the Better Cotton Initiative, which makes global cotton production better for the people who produce it, better for the environment it grows in, and better for the sector's future. 27% of our cotton was sourced as Better Cotton in 2020, and we are aiming to reach 100% by 2025.

Water

Access to fresh water under increasing stress from our changing climate. In response, we will be developing a water stewardship and reduction plan for our own-brand supply chains in areas of water scarcity. In addition, in 2020 we started installing automated water meter readers across our sites to better understand our own usage. This will be used to set a reduction target.



Our broad range of British fish encourages consumption out of core species, helping to reduce pressure on these stocks

Our people

Our long-term success depends on the commitment and trust of our colleagues, suppliers and communities.

Looking after
our colleagues
page 23



THANK YOU TO ALL
**UNSUNG
HEROES**
FEEDING THE NATION



650,000+
doorstep deliveries
to the vulnerable

Supporting
the communities
we serve
page 24



Respecting
human rights
page 25



Why it matters

Morrisons employs 118,000 people and our wider supply chain employs many thousands more around the world. Their continued efforts help us to deliver on our purpose (see page 12).

Our approach

It's important that our colleagues reflect the communities in which we operate, and feel safe, supported and engaged to enable great customer service. We put in place clear policies for our suppliers to support strong labour standards in our supply chain, and we've set a strategy to become integrated into the communities we serve.

Our performance

We announced guaranteed pay of at least £10 an hour for our colleagues, committed £10m to restock food banks, and published extra human rights information about the factories which supply us.

See pages 32–33 for more metrics

What's next?

We're continuing to focus on diversity and inclusion in our business, raising vital money for our charity partners, and reviewing human rights risks across our global food supply chain.

Looking after our colleagues

Why it matters

Our food makers and shopkeepers have been working hard to keep our colleagues and customers safe, while also dealing with unprecedented new demands to produce, pick, pack, deliver, replenish and serve.

Our approach

During the pandemic we have taken steps to protect our colleagues across our network of stores, manufacturing sites, depots and offices. We believe in offering a fair day's pay for a fair day's work.

Our performance

602

Number of apprentices employed

See page 32 for more metrics

What's next?

To support our diversity ambitions, we will be piloting a summer internship programme, aimed specifically at second year university students from Black Asian Minority Ethnic (BAME) backgrounds.

Protecting our colleagues

During the pandemic we changed our procedures so that anyone with COVID-19 would receive sick pay, irrespective of whether they would normally be eligible. We also introduced more flexibility around shifts and annual leave; introduced hand sanitiser and other health and safety initiatives; cleaned our stores and sites thoroughly and very regularly; and, implemented social distancing measures.

To support colleagues who experienced a financial setback or were struggling to make ends meet as a result of the pandemic, we also created a discretionary colleague hardship fund open to anyone in the business.

Fair day's pay for a fair day's work

Recognising the contribution our colleagues have made in feeding the nation, and in line with our approach to offer a fair day's pay for a fair day's work, we became the first UK supermarket group to guarantee pay of at least £10 an hour from April 2021. The increase is applied to hourly pay, removing the uncertainty of a bonus payment and, for colleagues in London, we are also paying London weighting.

Introducing four-day working

To support better work-life balance, we have moved our head office colleagues to a four-day working week, and have reduced contracts from 40 hours to 37.5 hours. This sees colleagues doing nine-hours over four days with a six-hour Saturday shift once a month, designed to facilitate team working time.



During 2020 Morrisons employed 350 young people placed onto our graduate and apprentice degree programmes

We have signed up to the Race at Work Charter



The Prince's Responsible Business Network

Race at Work Charter signatory

Diversity and inclusion

We want to make sure everyone feels welcome and celebrated at Morrisons, and we remain committed to building greater representation of minority groups of colleagues across all areas of the business.

Alongside an Executive level sponsor for our overall Diversity & Inclusion programme, in 2020 we launched five distinct workstreams focusing on Women in Morrisons, BAME, LGBTQ+, ability, and family friendly and carers. Each of these areas of priority has a senior sponsor, at director level, responsible for driving forward plans across all four business areas.

Signing up to the Race at Work Charter

We've listened carefully to our BAME colleagues over the year, particularly in light of the Black Lives Matter protests. One of the practical steps we took in response was to sign up to Business in the Community's (BITC's) Race at Work Charter and over the next year we aim to:

1. Appoint an Executive Sponsor for race
2. Capture ethnicity data and publicise progress
3. Make it clear that supporting equality in the workplace is the responsibility of all leaders and managers
4. Take action that supports ethnic minority career progression
5. Commit at Board level

Supporting early careers

Our degree apprentice programme gives students the opportunity to study part-time, for a fully-funded degree at either Bradford or Sheffield Hallam University, whilst working at Morrisons. The COVID-19 crisis led to students across the country facing significant uncertainty over how grades would be awarded. We took the decision to guarantee offers to students regardless of their results.

Improving social mobility

90% of our stores are located in the bottom 10% of social mobility 'cold spots' in England. These areas suffer both in terms of educational measures and adulthood outcomes, giving young people from less advantaged backgrounds fewer opportunities to get on. We are well placed to make a difference here, whilst also giving us access to diverse talent.

Over 80% of our stores are partnered with a local school where our colleagues help pupils with their employability skills. In response to COVID-19, we have developed virtual workshops to continue our support, with sessions focusing on interview success, CV writing, success in assessment centres, and developing a personal brand.

Supporting the communities we serve

Why it matters

From a stall in Bradford Market, Morrisons now has stores across the UK. Each community we serve has its own diverse needs and they expect us to act in their best interests. This helps us to build and retain trust for the long term.

Our approach

Our stores are forging meaningful relationships, becoming more locally integrated into the communities they serve, and we use the scale and reach of Morrisons to raise money for important causes our customers care about.

Our performance

£5m

We invested the equivalent of an extra £5m (around 450,000 hrs) into our network of Community Champions

See page 32 for more metrics

What's next?

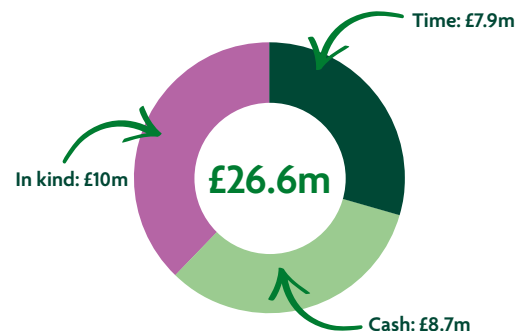
We have made the decision to extend our partnership with CLIC Sargent to February 2022 so that we can reach our fundraising target to raise £15m.

Strengthening our commitment

In response to the COVID-19 crisis, we strengthened our commitment to communities by investing the equivalent of an extra £5m (bringing our total for the year to £7.9m) into our network of Community Champions – in-store colleagues who work with the local community – so they can better respond to local needs.

As part of our strategy to become integrated into the communities we serve, our Community Champions across the country have undertaken an extensive 'listening' programme with stakeholders to better understand priorities in their local area. This has enabled each store to develop a robust Community Plan to focus their efforts on the most important issues.

Giving by Morrisons, its colleagues and customers



Tackling food poverty

In March 2020, food bank charities across the country began reporting significant reductions in donations whilst at the same time demand for their services was increasing. To help restock the nation's food banks, we donated £10m worth of dedicated stock, which was distributed locally by our Community Champions.

We set up Food Bank Hubs in our stores, places for customers to drop off food donations which we then distributed on their behalf. In addition, we introduced ways for customers to make monetary donations to the Trussell Trust when doing their online shopping.

CLIC Sargent

Our colleagues, customers and suppliers also raised over £3m for our national partnership with CLIC Sargent, a charity which provides vital support to young cancer patients and their families. The money was used to provide grants to help families with the financial costs of cancer and has funded the purchase of a property in Manchester which will open as a 'Home from Home' for cancer patients in late 2021.

National campaigns

As a strategic partner of the Poppy Appeal, we worked hard to adapt our support in light of the pandemic. Alongside implementing systems to collect donations at our checkouts and online, many of our in-store colleagues also volunteered to fundraise – together this helped us to raise over £1.25m. We also raised over £750,000 for Marie Curie's Great Daffodil Appeal in March 2020 and £65,000 for Children In Need in November.

Simon Community Scotland was one of 94 charities awarded with a grant of £8,000 from the Morrisons Foundation's homelessness fund

Photo: Ian McLean Photography



£30m
DONATED
SINCE
LAUNCH



Our colleagues, customers and suppliers raised over £3m for our national partnership with CLIC Sargent

MORRISONS FOUNDATION



In 2020, the Morrisons Foundation, which receives all its funding from Morrisons Plc, donated £3m in grants to registered charities. Since launch it has donated over £30m and has supported over 2,500 charities to make a positive difference in local communities.

The Foundation set up a dedicated fund to support charities working with homeless people throughout the pandemic. Over £500,000 was awarded to 94 charities across the UK providing shelter, hot meals and essential supplies to people experiencing homelessness, including rough sleepers who are particularly vulnerable to COVID-19.

Respecting human rights

Why it matters

Under the United Nations Guiding Principles on Business and Human Rights (UNGPR), we have a responsibility to respect the internationally recognised human rights of workers in our business and global supply chains.

Our approach

We continue to acknowledge the responsibility we share with our suppliers to respect the human rights of the people who make and sell our products.

Our performance

98%
of high-risk supplier sites in scope of our policy completed a third party ethical audit in the last year
See page 33 for more metrics

What's next?

We have commissioned an external third party to undertake an independent review of human rights risks across our global food supply chain. This was a commitment made in 2019/20 but delayed due to COVID-19.

Continuing to audit suppliers during the pandemic

COVID-19 significantly impacted our supply chains and presented wide-ranging challenges across our food, non-food, and Nutmeg divisions. The pandemic exacerbated existing vulnerabilities and created new issues relating to working conditions and human rights.

Restrictions on travel into and within countries due to COVID-19 presented a challenge for our normal audit process. We addressed this by allowing suppliers to defer ethical audits, supporting the development of virtual assessments and used detailed questionnaires to ensure we retained oversight of risk in our supply chain. By the end of 2020, 97% of planned audits had gone ahead and the remainder were picked up in early 2021.

Offering capacity-building webinars

During the pandemic we listened to the needs of our suppliers and responded quickly to provide guidance and support. This included working in collaboration with other UK supermarkets to develop free capacity-building webinars on topics ranging from furloughing staff responsibly to managing impacts on worker mental health. These webinars reached 3,993 participants in 56 countries and were supported later in the year by the establishment of the www.foodfarmhelp.com website to provide additional guidance for the UK food sector during subsequent waves of the pandemic.

Improving transparency

We are members of the Supplier Ethical Data Exchange (Sedex) and utilise their platform and tools to understand and assess key areas of risk in our own-brand supply chain. We want to make it possible for customers and other stakeholders to raise concerns directly with us, so in 2020 we published details of all first tier factories producing our Nutmeg branded range of clothing and our own-brand food and non-food products. This information will be reviewed and updated on an annual basis.

In addition, we have signed up to the UN Women's Empowerment Principles, which are designed to advance gender equality and women's empowerment in the workplace, marketplace and community.

10,000

Modern Slavery and Labour Exploitation training was delivered to over 10,000 colleagues in 2020

Training

We developed bespoke Modern Slavery and Labour Exploitation e-learning and face-to-face training for our Manufacturing and Logistics operations. This was delivered to over 10,000 colleagues in 2020 and supported by enhanced worker welfare questionnaires and conversations.

Collaborating for greater impact

Fresh produce and flower supply chains in East Africa were heavily affected by the pandemic. Through our relationship with the Ethical Trading Initiative, we were able to support a Foreign, Commonwealth & Development Office sponsored project in the region to address immediate needs, deliver targeted training workshops and establish a stakeholder network to deliver improvement over a longer term. From 2021, this project aims to provide support for the health and wellbeing of around 10,000 workers, and increase the resilience of the sector against future impacts.

We supported COVID-19 awareness for workers in Latin American fresh produce supply chains by sponsoring a number of TV and radio slots to communicate guidance on social distancing and PPE.

Marking UK Anti-Slavery Day

To mark UK Anti-Slavery Day, we hosted a free virtual event in partnership with Invest in Bradford and invited local businesses to attend. We worked with a number of charities and organisations to deliver a varied and impactful agenda including Bradford Council, Stronger Together, Hope for Justice, Slave Free Alliance, and Bright Futures, with the event closed by the West Yorkshire Police and Crime Commissioner, Mark Burns-Williamson OBE.





Offering placements

We committed our support for the Bright Futures initiative in the UK, which supports survivors of modern slavery back into work. We will welcome the first survivors on to placements in our Manufacturing operations in 2021.



Key performance information

Our purpose
Helping our customers to eat well

Our commitment	SDG alignment	Target/measure	2019 performance	2020 performance	Progress
To be an accessible retailer		Number of deliveries to vulnerable customers through doorstep deliveries	Service introduced in 2020	650,000	⊖
Help our customers live healthier lives		Nutrient profiling 65% of our own-brand products classified as non-HFSS (High Fat Sugar Salt) by 2025 according to 2004 nutrient profiling model	48%	54%	○
		Reformulation Calorie reduction across 12 food groups by 2024 (2017 baseline) ¹	Target revised in 2020 ²	8.6 billion calories	○
		20% sugar reduction across ten food categories by 2022 (2015 baseline) ³	5% ⁴ /642 tonnes	8% ⁴ /832.3 tonnes	○
		Compliance against salt content reduction across 84 food categories by 2024	Target revised in 2020 ⁵	37% compliance ⁶ across 84 food and drink categories/ 44.43 tonnes	○

¹ 9 categories defined by Public Health England (PHE) and a further 3 defined by Morrisons as part of PHE voluntary calorie targets. Calorie reduction targets are set at a category level: 5% sandwiches; 5% crisps & savoury snacks; 5% added value meat & alternatives; 5% meal accompaniments; 5% dips & sandwich fillers; 10% ready meals; 10% meal centres; 10% breaded & battered products; 10% processed potato; 10% bread with additions; 20% pizza; 20% pastry products.

² We set an overall 20% reduction target in our 2019/20 report. We have since aligned this target with PHE guidance with reductions defined at a category level.

³ Our target is in line with PHE's voluntary sugar reduction programme. Our target date has been extended to 2022 to coincide with our nutrition improvement strategy.

⁴ Based on Sales Weighted Average.



⁵ 92% of own-brand products were compliant to 2017 PHE salt targets in 2019/20. Our revised target is in line with PHE's voluntary salt reduction targets introduced in 2020.

⁶ Compliance to absolute targets (average and max where applicable) to each of the categories defined by PHE.

Key performance information

Our purpose


**Ensuring
food safety**

Our commitment	SDG alignment	Target/measure	2019 performance	2020 performance	Progress
To meet FSA target to minimise <i>Campylobacter</i> contamination (<7% of products)		Percentage of chickens positive for <i>Campylobacter</i> with more than 1,000 cfu/g	4.1% (below FSA target level)	1.3% (below FSA target level)	○
To limit pesticide residue on our foods		Percentage of foods with residues	387 samples 37.5% No detectable residues 61.2% Residue detections within safe and legal limits 1.3% Residue that exceeded the EU legal limit, but below the acute reference dose 0% of samples exceeded the limit deemed to cause consumers potential harm	352 samples 32.4% No detectable residues 65.9% Residue detections within safe and legal limits 1.7% Residue that exceeded the EU legal limit, but below the acute reference dose 0% of samples exceeded the limit deemed to cause consumers potential harm	⊖

Key performance information





Our purpose

Supporting British farmers

Our commitment	SDG alignment	Target/measure	2019 performance	2020 performance	Progress
Play our full part in growing and developing British agriculture to strengthen the nation's food security		Extra income to farmers through 'For Farmers' range	£15m	£18.5m	⊖

Our purpose

Enhancing animal welfare


Our commitment	SDG alignment	Target/measure	2019/20 performance	2020/21 performance	Progress
To improve welfare for chicken in our fresh supply chain		100% of chickens barn born and raised by 2025	New target for 2020	80%	⊕
To only use cage free eggs in Morrisons products		100% of own brand products use eggs from cage-free systems by 2025	78% cage-free shell eggs 55% cage-free ingredient eggs	100% free range shell eggs 55% cage-free ingredient eggs	⊕
To use antibiotics responsibly on farms at all times		Proportion of fresh supply chain where antibiotic use is reported directly to Morrisons ¹	100% Chicken 100% Eggs 7% Beef 0% Pork 7% Lamb 100% Dairy (milk)	100% Pork 100% Beef 14% Lamb 31% Dairy 14% Poultry 100% Eggs	⊖
To ensure no viable bull calf is shot, slaughtered or euthanised on dairy farms		Proportion of dairy farmers complying to Arla UK 360 standards which prohibit the shooting, slaughter or euthanising of healthy bull calves	100%	100%	⊖

¹ 100% of our fresh supply chain measures its use antibiotics as part of the Red Tractor Standard, but this is not necessarily reported to Morrisons.

Key performance information

Our planet

Tackling the climate crisis

Our commitment	SDG alignment	Target/measure	2019 performance	2020 performance	Progress
Achieve Net Zero emissions from our own operations by 2040		Reduce operational emissions against a 2017 baseline by 33% by 2025, 53% by 2030 and to reach Net Zero by 2040 (2017 baseline)	28%	32%	○
		MW of installed renewable electricity capacity at our stores and sites	5MW	5MW	⊖

2019/20 update

32% reduction in operational carbon emissions since 2017.

Group greenhouse gas emissions for the year ending 31 December 2020 (Tonnes of CO₂e)

Emission source	2017/18 Baseline Year ⁶	2019/20 Prior Year	2020/21 Current Year	Change vs baseline	Change vs 2019/20
Combustion of fuel and operation of facilities					
Natural Gas	166,154	141,572	130,353	22%	8%
Haulage ¹	135,029	139,164	170,634	(26%)	(23%)
Company Cars ²	1,791	2,140	1,221	32%	43%
Fugitive Emissions					
Refrigerant	183,207	85,039	68,011	63%	20%
Total – Scope 1	486,181	367,914	370,218	24%	(1%)
Energy purchased for Own Use (Scope 2)					
Electricity ³	456,682	311,954	273,799	40%	12%
Total – Scope 1 and 2⁴	942,863	679,869	644,016	32%	5%
Intensity Ratio: Tonnes of CO ₂ e per m ² GIA	0.356	0.252	0.236	34%	6%
Underlying Energy Use (MWh)					
Electricity	1,299,017	1,220,479	1,174,396	10%	4%
Natural Gas	902,207	770,039	708,610	21%	8%
Haulage	508,955	455,917	567,022	(11%)	(24%)
Company Cars ⁵	7,308	8,537	5,207	29%	39%
Total	2,717,487	2,454,972	2,455,235	10%	(0%)

1 Haulage data includes scope 3 Well-to-Tank emissions which takes into account the extraction and transportation of fuel bringing reporting in line with our science-based targets.

2 Company Car data does not include scope 3 – employee commuting.

3 Transmission and distribution, electricity excludes scope 3. Data taken from most recent invoice data which includes subsequent adjustments for rebilling; re-baselining of site inclusions/exclusions; and adjustments to the way data is apportioned across the year to ensure ongoing consistency. Electricity is reported using location-based approach, focusing on absolute reductions rather than sourcing.

4 Plus scope 3 Well-to-Tank emissions for Haulage.



5 Company Car data – revision to MWh conversion 2019.

6 Re-baselining of site inclusions/exclusions where material.

Key performance information

Our planet







Reducing food waste

Our commitment	SDG alignment	Target/measure	2019 performance	2020 performance	Progress
To reduce operational food waste		50% reduction in operational food waste in stores by 2030 (2016 baseline)	13%	13%	

Store operational food waste	2016/17	2017/18	2018/19	2019/20	2020/21
Total food sales (tonnes)	4,097,841	4,041,575	3,911,799	3,986,312	4,192,589
Total food waste (tonnes)	16,141	15,253	14,023	13,665	14,366
Food waste as % of sales	0.39%	0.38%	0.36%	0.34%	0.34%
Ingredients (from products produced in store) are excluded from our food waste reporting as they were not included in the original 2016 baseline. These accounted for an additional 134 tonnes in 2020/21.					
Surplus food donated (units)	2.3m	1.1m	1.7m	1.8m	3m

Our planet





Rethinking how we use plastics

Our commitment	SDG alignment	Target/measure	2019 performance	2020 performance	Progress
To remove, reduce, reuse and recycle plastic		50% reduction in own-brand primary plastic packaging by 2025 (2017 baseline)	9.6%	11%	
		100% of own-brand plastic packaging will be recyclable, reusable or compostable by 2025	83%	84%	
		100% of primary plastic packaging used on Nutmeg clothing will contain recycled content by 2025	34%	33%	
		100% of plastic packaging used on Nutmeg clothing will be recyclable by 2025	66%	67%	
		All Nutmeg clothing containing polyester will include recycled content by 2025	0%	3%	

Key performance information

Our planet


Sourcing global resources sustainably

Our commitment	SDG alignment	Target/measure	2019 performance	2020 performance	Progress
Zero deforestation in key forest risk supply chains by 2025		All palm oil and derivatives used as an ingredient in Morrisons branded products must be sourced through a Roundtable on Sustainable Palm Oil (RSPO) certified supply chain system	99%	99%	○
		Increase volumes of RSPO segregated palm oils used in our products	53%	67%	⊖
		Proportion of soy used in animal feeds certified to a Morrisons accepted standard or assured as deforestation free	9%	14%	⊖
To source seafood responsibly, and support an ambition for all fish and seafood sold in the UK to come from sustainable sources		Proportion of wild caught seafood sourced from fisheries certified to a Global Sustainable Seafood Initiative recognised fishery management standard	79%	66%	⊖
		Proportion of wild caught fish sourced from credible fishery improvement programmes	8%	14%	⊖
		Proportion of farmed seafood sourced from supply chains certified to a Global Sustainable Seafood Initiative recognised standards	99%	99%	⊖
To source commodities sustainably in a way that protects the environment and respect the rights of workers and indigenous communities		100% of the cotton used in Nutmeg clothing will be in line with the Better Cotton Initiative by 2025 (2020 baseline)	0%	27%	○
		100% of the viscose used in Nutmeg clothing will be sourced from responsibly managed forests and produced using closed loop manufacturing by 2025 (2020 baseline)	0%	10%	○

Key performance information


Our people

Looking after our colleagues

Our commitment	SDG alignment	Target/measure	2019 performance	2020 performance	Progress
A great place to work where everyone's effort is worthwhile and everyone can progress and make a contribution		Number of apprentices employed	454	602	⊖
		Customer assistant pay rate	£9.00	£9.20	⊖
		Response to the statement 'I am happy at work and enjoy my job' in Your Say colleague survey	68%	71%	⊖

Our people


Supporting the communities we serve

Our commitment	SDG alignment	Target/measure	2019 performance	2020 performance	Progress
Make a positive impact in every local community we serve		In-kind contributions	£0	£10m	⊖
		Cash giving (£)	Total: £9.79m Corporate giving: £2.56m Customer, colleague, supplier: £7.23m	Total: £8.77m Corporate giving: £3.44m Customer, colleague, supplier: £5.33m	⊖
		Employment of community Champions expressed in time and equivalent monetary contribution	£2.75m equivalent value of hours	£7.9m equivalent value of hours	⊖
		Corporation tax paid	Morrisons made net payments of £1,178m to the UK Government of which £611m was borne by Morrisons and the remaining £567m was collected on behalf of our colleagues, customers and suppliers	Morrisons made net payments of £1,260m to the UK government of which £633m was borne by Morrisons and the remaining £627m was collected on behalf of our colleagues, customers and suppliers	⊖

Key performance information

Our people

Respecting
human rights
in our supply
chains

Our commitment	SDG alignment	Target/measure	2019 performance	2020 performance	Progress
Ensure human rights are respected		Percentage of supplier sites in scope of our policy who are linked to Morrisons on the Supplier Ethical Data Exchange (SEDEX)	98%	99%	⊖
		Percentage of high-risk supplier sites in scope of our policy who have completed a third party ethical audit in the last year	92%	98%	⊖

Independent Assurance Statement

Scope of engagement

Challenge Sustainability Limited (“Challenge Sustainability”, “us” or “we”) were commissioned by Wm Morrison Supermarkets PLC (“Morrison”) with the objective to provide assurance of specified Subject Matter (defined below) within Morrison Sustainability Report 2020/21 (the “Report”), for the 2020/21 Financial Year. Our agreed objective was to obtain a ‘limited’ level of assurance for the Subject Matter, to meet the requirements of the International Standard on Assurance Engagements (ISAE) 3000 revised.

Subject Matter

The scope and boundary of our work is restricted to the following key performance indicators:

- Greenhouse Gas Emissions, scope 1 and 2 (tonnes CO₂e)
- Operational retail food wasted (%)
- Morrison own-brand primary plastic packaging that is recyclable (%)
- Morrison own-brand primary plastic packaging generated (tonnes)

To assess the Subject Matter, which includes an assessment of the risk of material misstatement in the Report, we have used Morrison Basis for Calculation (the “Reporting Criteria”), which are found on page 36 to 39 of the Report. The Management of Morrison are responsible for preparing the Report in accordance with the Reporting Criteria. We have not performed any work, and do not express any conclusion, on any other information that may be published in the Report or on Morrison website for the current reporting period or for previous periods.

Our conclusion

Based on the procedures we have performed and the evidence we have obtained, in our opinion, the Subject Matter is fairly stated and has been prepared, in all material respects, in accordance with the Reporting Criteria. This conclusion relates only to the Subject Matter, and is to be read in the context of this Assurance Statement, in particular the inherent limitations explained below.

Responsibilities of the Management of Morrison

The Management of Morrison has sole responsibility for preparing and presenting the Subject Matter in accordance with the Reporting Criteria. Morrison responsibilities also include maintaining effective internal controls over the information and data, resulting in the preparation of the Subject Matter in a way that is free from material misstatements.

Responsibilities of Challenge Sustainability

Our responsibility is to plan and perform our work to obtain assurance over whether the Subject Matter has been prepared in accordance with the Reporting Criteria and to report to Morrison in the form of an independent assurance conclusion, based on the work performed and the evidence obtained. The intended users of this assurance statement are Morrison and its stakeholders. We do not accept, or assume responsibility to anyone else, except to Morrison for our work, for the conclusions that we have reached. We have not been responsible for the preparation of the Report.

Standards and level of assurance

For the Subject Matter, we performed our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 revised – ‘Assurance Engagements other than Audits and Reviews of Historical Financial Information’ (revised), issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain a specified level of assurance. We obtained a limited level of assurance and planned and performed our work to obtain the evidence we considered sufficient to provide a basis for our opinion, so that the risk of this conclusion being in error is reduced but not reduced to very low.

Independent Assurance Statement continued

Inherent Limitations

All assurance engagements are subject to inherent limitations as selective testing (sampling) may not detect errors, fraud or other irregularities. Non-financial data may be subject to greater inherent uncertainty than financial data, given the nature and methods used for calculating, estimating and determining such data. The selection of different, but acceptable, measurement techniques may result in different quantifications between different entities.

Our assurance relies on the premise that the data and information provided to us by Morrisons have been provided in good faith. Challenge Sustainability expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Independent Assurance Statement.

Our competence, independence and quality control

Challenge Sustainability has established policies and procedures that are designed to ensure that our team maintain independence and integrity. Challenge Sustainability had no additional engagement with Morrisons during the reporting year that would constitute a conflict of interest or otherwise compromise our independence. This engagement was carried out by an independent team of sustainability assurance professionals. Further information on our competencies and experience can be found at www.challengesustainability.com.

Basis of our conclusion

We are required to plan and perform our work in order to consider the risk of material misstatement of the Subject Matter. Our work included, but was not restricted to:

- Assessing the appropriateness of the Reporting Criteria for the Subject Matter;
- Reviewing the effectiveness of internal controls and the processes for collecting and consolidating relevant data and information;
- Conducting remote interviews with Morrisons Management to obtain an understanding of the key processes, systems and controls in place to generate, aggregate and report relevant data and information;

- Remote meetings with staff at Morrisons Head Office to review the processes for gathering and consolidating relevant data and information and checking its consolidation;
- Examining, on a sample basis, source evidence to support the reported Subject Matter, specifically to establish the relationship between data and information aggregated at Head Office level, with the data and information gathered at an operational level;
- Reviewing the evidence, measurements and their scope provided to us by Morrisons for the Subject Matter to assess whether it was prepared in line with the Reporting Criteria; and

Reviewing the Report and narrative accompanying the Subject Matter in the Report with regards to the Reporting Criteria.



For and on behalf of:
Challenge Sustainability Limited
United Kingdom

11th May 2021



Challenge
Sustainability

KPIs assured and Basis of Preparation

KPI	Basis of Preparation
<p>1. Greenhouse Gas (GHG) emissions of 644,016 t CO₂e, comprised of CO₂, CH₄, N₂O, HFCs, PFCs, and SF₆ emissions, during the calendar year of 2020.</p> <p>Of which Scope 1 GHG emissions of 370,218 t CO₂e Scope 2 GHG emissions of 273,799 t CO₂e</p>	<ul style="list-style-type: none"> • Scope 1 emissions relate to the combustion of natural gas (kWh), transport fuel (litres), diesel (litres) and fugitive emissions resulting from the use of refrigeration and air conditioning equipment (kilograms). • Scope 2 emissions relate to purchased electricity (kWh). • 2020/21 GHG reporting covers the calendar year 1 January to 31 December 2020, remaining consistent with our historical footprint report and baseline year verification. • Reporting is aligned with the Greenhouse Gas (GHG) Protocol 'Operational Control' approach under which a company accounts for 100% of emissions from operations over which it or one of its subsidiaries has operational control. • We exclude our Hong Kong office, Bos Brothers Fruit & Vegetables BV, one supermarket which consumes fuel oil (representing less than 0.1% of the total footprint). We also exclude liquid CO₂ at Winsford, a new process identified which we will look to include going forward. • Where subsidiaries, sites or joint ventures are deemed not to be under operational control of the Group or are not material to the Group, their energy and fuel usage have not been included within the scope of the GHG emissions reported. • CO₂, CH₄, N₂O, HFCs, PFCs, and SF₆ emissions are measured. NF₃ emissions are not included in the organisational boundary. • Accuvio is the third-party software provider which has been used to consolidate the carbon data and apply emissions factors. It has been used to calculate the final Scope 1 and Scope 2 GHG emissions. • CO₂e emissions for the Group have been determined on the basis of measured or estimated energy and fuel use, multiplied by the relevant emission factors from the calculated GHG emissions consisting of the combined Scope 1 and Scope 2 emissions within the organisational boundaries of the Group. The source of the emissions factors is from the following source: <ul style="list-style-type: none"> – https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2020 • Emission sources included in the scope of GHG emissions reported which are deemed material to the Group include: <ul style="list-style-type: none"> – Electricity consumption (location-based reporting). – Gas consumption. – Refrigeration – static sites and haulage. – Transportation (vehicles under operational control of the Group) – haulage, staff travel, business miles and delivery.

KPIs assured and Basis of Preparation continued

KPI	Basis of Preparation
<p>1. Greenhouse Gas (GHG) emissions of 644,016 t CO₂e, comprised of CO₂, CH₄, N₂O, HFCs, PFCs, and SF₆ emissions, during the calendar year of 2020.</p> <p>Of which Scope 1 GHG emissions of 370,218 t CO₂e Scope 2 GHG emissions of 273,799 t CO₂e continued</p>	<p>The following assumptions have been made when calculating the following source of emissions:</p> <p>Electricity</p> <ul style="list-style-type: none"> Where actual electricity use for any operation or period of time is not available, an estimate of usage is made based upon the best available information (i.e. applying an average across a similar period). Electricity is reported on a location-based approach. <p>Natural Gas</p> <ul style="list-style-type: none"> Gas consumption has been based on invoiced amounts, but where data for a period of time is not available, an estimate of usage is made based upon the best available information (i.e. applying an average across a similar period). <p>Refrigerants</p> <ul style="list-style-type: none"> Refrigerants data is based on data obtained by the third-party supplier. <p>Haulage</p> <ul style="list-style-type: none"> All haulage data is attributable to Morrisons distribution activities. Kilometre per litre conversion is based on Morrisons own fleet and applied to contractors where litre reports are not available. Includes Scope 3 well to tank emissions which takes into account the extraction and transportation of fuel bringing reporting in line with our science based targets. <p>Company Cars</p> <ul style="list-style-type: none"> Business mileage is obtained from the third-party car leasing company based on actual mileage claims submitted by employees. Kilometre per litre conversion is based on an 'unknown car' average applied by Accuvio to the inputted business mileage. The emissions from business miles excludes air and rail travel. Company car data does not include Scope 3 – employee commuting <p>Adjustments</p> <p>To ensure all asset disposals and acquisitions, relevant to Scope 1 and 2 emissions have been taken into account, the energy team conduct an annual review of the Morrisons estate, at the time of compiling the annual carbon footprint, in partnership with the Morrisons estate management team. If an asset disposal or acquisition has an effect on a prior year's consumption an adjustment is made accordingly.</p>

KPIs assured and Basis of Preparation continued

KPI	Basis of Preparation
<p>2.</p> <p>14,366 tonnes of operational retail food wasted excluding unsold food items donated in 2020/21 financial year.</p>	<p>Data represents food and drink wasted in all stores during the 2020/21 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 and drink wasted via handheld terminals (HHT) is recorded as either 'waste – out of date' (option 1 on HHT) or 'waste – damaged' (option 2 on HHT). This wastage data is provided to Valpak from our Business Intelligence data and IT teams for analysis. Valpak is our third party data analyst who apply weights to wasted products.</p> <p>Calculations Valpak analyse each individual product line using the product description to identify the product weight. Morrisons technical systems, Morrisons Create and Morrisons Recipe, were used to validate and where necessary correct these product weights. For loose produce sold by weight, the wasted amount recorded is the sales value.</p> <p>To calculate food waste weight for these products, the March 2020 retail price has been used, rather than price as at the time the product was wasted.</p> <p>Destinations A proportion of surplus food and drink that is wasted via HHTs is used in colleague canteens and in colleague sales. Food waste 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.</p> <p>Exclusions A proportion of food and drink wasted in cafés, staff canteens and third-party franchises are excluded in this calculation. Surplus food that has been donated to local community groups, provided through the 'Free Fruit for Kids' scheme or sold through the 'Too Good to Go' app has also been excluded.</p>
<p>3.</p> <p>84% of Morrisons own-brand primary plastic packaging is recyclable, being products that have been sold in all stores and online for the 2020 calendar year.</p>	<ul style="list-style-type: none"> Recyclability is calculated by multiplying sales volumes of all own-brand products with primary plastic packaging by the packaging weight for all products classified as 'recyclable' 'Recyclable' is defined by the UK On-Pack Recycling Label (OPRL) scheme as where 75% or more of UK local authorities collect that type of packaging which is then effectively sorted, processed and sold as recycle for use in new packaging or products. 'Primary packaging' is defined as packaging placed on to the market that a Morrisons customer will take home, including packaging relating to products produced in store. Where the exact material of an element of plastic packaging was not known, recyclability has been allocated using the known proportions of recyclability for that type of packaging. Where data over the colour of a packaging layer is not available, an assumption is made that the colour is that of the most common recyclability for that type and material composition.

KPIs assured and Basis of Preparation continued

KPI	Basis of Preparation
4. 50,428 tonnes of Morrisons own-brand primary plastic packaging generated in the 2020 calendar year. This is a reduction of 11% from the baseline 2017 calendar year.	<ul style="list-style-type: none"> • Data represents all Morrisons own-brand primary plastic packaging sold through till sales at all stores and online for the 2020 calendar year. • 'Primary packaging' is defined as packaging placed on to the market that a Morrisons customer will take home, including packaging relating to products produced in store. • Data is recorded in the RMS system as part of sales volumes recorded. Breakdown data is provided to our third-party data analysts, Valpak, from our Business Intelligence data and IT teams for analysis. • Valpak analyse each individual product line. The weight of the plastic packaging is based on the calculations they hold for own brand packaging data. This weight is multiplied by the sales volumes for each product.

Management Statement

The Directors of Wm Morrison Supermarkets PLC are and shall be responsible for this Management Statement and for reporting the four KPIs as at 31 January 2021 in accordance with the reporting criteria set out on pages 36-39. 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

11th May 2021



Wm Morrison Supermarkets PLC
Hilmore House, Gain Lane
Bradford BD3 7DL
Telephone: 0845 611 5000

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

Our 2020/21 Annual Report and
Financial Statements can be found at:
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