"This has been a year where Morrisons resilience has been severely tested and I could not be more proud of the way the whole business has met that test. As we look forward to brighter times ahead, Morrisons is developing into a stronger, better business with deeper and closer relationships with our customers and the communities we serve."

Andrew Higginson
Chair

Proud of our colleagues

2020 marked my 40th year in business, and was the most extraordinary I have experienced. It has always been clear to me that, in a business like Morrisons, people come to work every day driven by a greater sense of purpose than simply making money for themselves or shareholders. Our primary role is to provide safe, delicious, good quality food at great prices, and make life a little better for our customers. It is maybe a somewhat modest claim, but never has it been more important than during the pandemic.

All businesses have worked hard for their stakeholders when called upon, and we did too, but our role was right on the front line. Just as most of Britain was being told to 'stay home, protect the NHS, save lives,' Morrisons colleagues were asked to go to work and help feed the nation.

We are so proud of our colleagues. They stepped up to the challenge with remarkable resourcefulness, determination and bravery, ensuring a smooth food supply chain and looking after our customers. Those colleagues can truly say "we played our full part".

There for all stakeholders

One of our ambitions for colleagues is 'A fair day's pay for a fair day's work', and I am delighted that we have been able to reward all that hard work and dedication. As soon as the pandemic started, we guaranteed a triple average annual bonus for 2020/21 for all front line colleagues, as David says, as a 'thank you'. We have also recently announced a new pay award for 2021/22 of at least £10 an hour for all Morrisons supermarkets colleagues. That is an annual increase of around 9%, and up by a fantastic 46% since 2015. It is an important and symbolic milestone, and we are the first major supermarket to reach £10 an hour.

And while our first priority has been protecting and looking after our colleagues and customers, I am pleased to say our financial performance was also strong in the year. Our supermarket sales were strong, both absolute and, importantly, relative to our key competitors as we grew market share. While the costs of managing through the pandemic were huge, we grew profit before exceptionals after adjusting for waived business rates relief. I am also pleased to say we did not take any other form of government support. In addition, we paid a previously deferred 4.00p special dividend to shareholders.

Proud of how we have responded

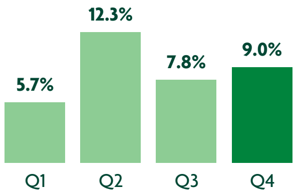
We are so proud of our colleagues. They stepped up to the challenge with remarkable resourcefulness, determination and bravery. They can truly say "we played our full part."

Our colleagues responded rapidly to local needs

We raised over £3m for our charity partner CLIC Sargent

2020/21 Group LFL sales (exc. fuel)

8.6% Full year LFL

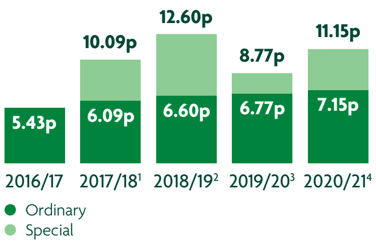


Definition

See the Glossary on page 157 for a definition.

Total dividend

11.15p



1 Including 4.00p special dividend.
2 Including 6.00p special interim dividend.
3 Including 2.00p special interim dividend.
4 Including 4.00p special dividend paid and declared in 2021.

We continue to target and expect further strong financial performance, and will do so while also aligning with broader ambitions for the environment, society and governance. One specific framework we will be adopting for the 2021/22 Annual Report will be the Task Force on Climate-related Financial Disclosures (TCFD), which will enable all companies to more effectively report climate-related financial disclosures around governance, strategy, risk management, and metrics and targets.

We are a local business, trading where people live, work and go to school. The pandemic has put Morrisons even more at the heart of local communities, and emphasised what an impact we can have and force for good we can be across many areas of society and the environment. David explains what we are doing to help with our impact on the environment and to support the communities we serve, and you will see the details of our plans for important areas such as carbon emissions, plastics, food waste, deforestation and animal welfare throughout this Annual Report.

We see all of these factors – being at the heart of local communities, being a responsible and accountable corporate citizen, and targeting strong financial performance – as complementary not contradictory. Achieved simultaneously, they will enable us to thrive.

Building on the momentum

We are building on the momentum we created during the year. We have demonstrated resilience, innovation, speed to market and a relentless focus on the customer. Our online channels are good examples of this, with sales tripling by the end of the year. We also leveraged and benefitted from our unique food manufacturing businesses, and were at the forefront of new ideas such as delivery boxes, doorstep deliveries and wholesale bulk supplies.

Looking forward, I am now more confident than ever that Morrisons can continue to grow and prosper, be quick to keep learning from the many lessons of the pandemic, and adapt to changing customer needs.

We can come out of COVID-19 even stronger. We are a successful, popular, much-loved, brand, and have always been a great mix of a modern business with traditional family values that has been able to adapt and flourish. We are also a British retailer and food maker, with nineteen food manufacturing sites, and a predominantly British supply chain that is well positioned, post-Brexit, to emphasise those credentials further for the benefit of all.

For all the successes, clearly it was a year of immense sadness under the most extreme and testing conditions. Our thoughts and reflections are with those affected, especially with the families and loved ones of all of those, including some Morrisons colleagues, who sadly passed away.

Board changes

We were very pleased to welcome three new Non-Executive Directors to the Board last year: Susanne Given, Lyssa McGowan and Jeremy Townsend, who was also appointed Chair of the Audit Committee. All bring a wealth of experience and a variety of skills that further strengthen the Board. Welcome all.

Andrew Higginson, Chair

Governance highlights

Board leadership and Company purpose p39

- The Company's purpose, values and strategy are aligned to its culture
- The views of all key stakeholders are considered in Board discussions and decision making
- The Board was strengthened by the appointment of three new Non-Executive Directors

Division of responsibilities p42

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

Composition, Succession and Evaluation p46

- All Directors are subject to re-election at our AGM
- The External Board Effectiveness Review found both governance and compliance to be strong, and that the Board operates in an effective and efficient manner
- KPMG conducted a review of governance confirming that Morrisons has a strong governance base

Audit, Risk & Internal Control p48

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

Remuneration p54

- The Board is satisfied that remuneration policies and practices support the strategy and promote long-term sustainable success
- We have further engaged with shareholders to understand feedback regarding the 2020 AGM policy vote
- The CEO's and COO's pension levels will be reduced to those available to the workforce by the end of 2022
- The CEO's shareholding requirement has increased from 250% to 300% of base salary