

J Sainsbury plc

**Annual Report and
Financial Statements
2024**

**Good food
for all of us**

We make good food joyful, accessible and affordable for everyone, every day

Offering delicious, great quality food at competitive prices has been at the heart of what we do since Sainsbury's was founded in 1869. Today, inspiring and delighting our customers with tasty food remains our priority.

Our Next Level Sainsbury's strategy is about giving customers more of what they come to Sainsbury's for – outstanding value, consistently excellent quality and great service.

Performance highlights

Financial highlights

6.8%

Retail sales growth (excl. fuel) versus the 2022/23 financial year. Including fuel sales increased 3.2%

£701m

Underlying profit before tax, up 1.6% versus the 2022/23 financial year

22.1p

Underlying basic earnings per share, down 3.9% versus 23.0p in the 2022/23 financial year. Basic earnings per share 5.9p

£639m

Retail free cash flow, versus £645 million in the 2022/23 financial year. Statutory net cash generated from operating activities was £1,965 million, versus £2,170 million in the 2022/23 financial year

£966m

Retail underlying operating profit, up 4.3% versus the 2022/23 financial year

£277m

Statutory profit before tax down 15.3% versus the 2022/23 financial year

8.3%

Return on capital employed, up 70 basis points versus the 2022/23 financial year

Non-financial highlights

£780m

Invested in lowering prices over the past three years, since the launch of Food First strategy

£500m

Invested into colleague pay over three years

51.7%

Reduction in absolute greenhouse gas emissions within our own operations, from our 2018/19 baseline

£36m

Raised for good causes

12.9%

Relative reduction in own brand plastic packaging, from our baselines in 2018 for food and 2020 for general merchandise

 See our **KPIs** on pages 44 to 45

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Chair's letter



We had another strong year at Sainsbury's, continuing to deliver for our customers, colleagues and shareholders and deepening our relationships with suppliers.

As we look back on our performance over the last year, our results reflect the success of our three-year Food First strategy and provide a strong platform from which to grow as we progress our new Next Level Sainsbury's plan.

Reflecting on Food First

The Food First strategy has transformed Sainsbury's, creating a stronger business with a much sharper value position and a refreshed focus on innovation. Customers have recognised the progress we've made, as our market share gains have shown.

The sector continues to face huge pressures, with an increasingly complex and cost-heavy legislative environment. We have proven our resilience against significant macroeconomic challenges and, against this backdrop, we have supported our customers and colleagues. We invested £780 million over the last three years in value and passing on cost savings to customers, helping transform our value proposition. We also invested £500 million in colleague pay over three years, including our biggest ever single investment in colleague pay in March of this year.

We delivered on our priorities and continue to make bold decisions to speed up the pace of change and development across the business. Over the course of Food First, we delivered a £1.3 billion cost savings programme, improving the structural efficiency of the business and enabling us to continue to invest at scale where it matters most. Our programme to transform our Argos store estate has also been significantly progressed, driving the digitisation and resilience of Argos.

Over the last year, we have also made necessary decisions to improve our business model. In January, we announced the completion of a strategic review of our Financial Services division which will, over time, result in a phased withdrawal from our core Banking business.

We remain firmly committed to protecting our planet, helping customers move to healthier and more sustainable diets and supporting our suppliers, colleagues and the broader communities we operate in. Our accelerated carbon reduction targets have been approved by the Science Based Targets Initiative and we have reduced plastic packaging from our own brand products by 12.9 per cent in relative terms versus our baseline. Read more on our Plan for Better progress on page 15.

Our updated strategy and commitments

We have spent the past three years putting food back at the heart of the business and now, as we look ahead at the next three years, our new Next Level Sainsbury's strategy will build on this momentum. We have reset our competitive position and created a strong financial platform from which we will grow, invest in further strengthening the business and deliver enhanced returns to shareholders.

To progress our Next Level Sainsbury's plan, we are making eight commitments that we will deliver over the three years to March 2027. First, we will deliver grocery volume growth ahead of the market. This commitment is underpinned by our transformed value perception, great range and consistently high levels of customer service.

Next, we commit to deliver profit leverage from sales growth. This means we'll put more volume over our largely fixed cost base. We will invest to bring more of our range to more customers, particularly enhancing choice in fresh food, and will create more space for food in many locations. We expect this to be a key driver of grocery volume gains.

We've built a leadership position on customer satisfaction over the other full choice competitors in the market and we're really committed, over the life of this plan, to build on this level of performance. Our core belief is that well-motivated and engaged colleagues deliver excellent service, leading to higher productivity. This is why we will maintain our commitment to invest in our people and continue to improve productivity over the course of this plan, with colleague engagement ahead of where we are now by March 2027.

We're fully committed to our goal of reaching net zero by 2035 in our own operations and to delivering all of our commitments across healthier diets, climate, nature and people. This is why Plan for Better is integrated into each of our four key outcomes and will continue to underpin our ambitions into the future.

We're also committing to deliver £1 billion of structural cost savings over the life of this plan, improving efficiency, offsetting operating cost inflation and enabling us to continue to invest in the customer offer.

Our strong financial position and momentum mean we're able to invest more capital to drive growth and strengthen the key strategic capabilities of this business in areas like technology and automation. We will be investing with a clear focus on efficiencies and productivity, helping drive higher returns. We will capitalise on our scale and invest at a time when many others can't, further building on our competitive advantage and reducing our cost base.

This higher level of capital investment is balanced with a reinforced commitment to strong free cash flow generation – at least £500 million every year, growing as we deliver higher profits.

We have committed to delivering stronger returns for our shareholders. Specifically, a progressive dividend from the start of the next financial year and a share buyback programme, starting with a £200 million buyback this financial year.

Building a business for the future

As we look ahead to the next three years and well beyond, we're driven by a clear purpose: to make good food joyful, accessible and affordable for everyone, every day. Our new purpose is all about how we deliver for our customers, how we do business and how we work right across our industry to create a more sustainable UK food system. Central to this is our Plan for Better. It is a core part of our broader strategy and is fully integrated into the way we operate as a business, driving improved commercial and sustainability outcomes. The way we partner with our suppliers is vital to this, with longer term relationships that will help to drive the resilience of our businesses and the broader food system.

Through our Plan for Better, we have reduced our carbon emissions by transitioning to 100 per cent renewable electricity across the whole of our store estate through the long-term purchasing of new-to-planet energy, significantly reducing our reliance on fossil fuels. In February, we were the only UK supermarket awarded an A rating for our environmental commitments on climate change for the tenth consecutive year by the Carbon Disclosure Project and we were also recognised as a 2023 Supplier Engagement Leader.

We continue to build on this progress and to evolve our ambitions around key issues, including healthy, sustainable diets; plastic and nature – growing sales of plant-rich foods, improving protein diversity, considering packaging holistically and protecting and restoring nature. We will continue to work with our entire value chain, supporting our suppliers wherever we can – including through longer-term partnerships. We also remain committed to supporting our colleagues and will be setting out new gender and ethnicity targets to further increase diverse representation.

Financial Review

We delivered another strong performance this year, demonstrating the success of our Food First strategy, with profit and free cash flow results above the top end of our guidance range. Our grocery performance was particularly strong, with record market share gains and volume growth accelerating every quarter. This delivered better profit leverage, with retail underlying operating profit of £966 million, up 4.3 per cent versus 2022/23 as the strong grocery performance and continued strong delivery of cost savings more than offset softer Argos trading. Including a weaker contribution year-on-year from Financial Services and higher finance costs, underlying profit before tax of £701 million, up 1.6 per cent versus 2022/23.

Statutory profit before tax was £277 million, which was down 15.3 per cent on 2022/23, with non underlying items predominantly reflecting impairments relating to the restructuring of the Financial Services division. Retail free cashflow was £639 million, broadly flat year-on-year.

Net debt including leases reduced by £790 million to £5,554 million, reflecting strong cash generation and a £372 million reduction as a result of the Highbury and Dragon property transaction. Underlying basic earnings per share was 22.1 pence and basic earnings per share was 5.9 pence, with both reflecting the impact of the increase in the corporation tax rate.

It should also be noted that over the last three years we have paid over £2.8 billion in taxes borne. This includes £1.38 billion of business rates, £646 million in Employer's National Insurance Contributions and £181 million in Corporation Tax, as well as other tax obligations. As we strive to invest in our colleagues and deliver consistently great value, a reformed business rates system would enable us to do even more. Long-term reform will not only benefit Sainsbury's, but boost growth, create jobs and revitalise our high streets.

More information on our financial performance can be found in the Financial Review on page 46.

Delivering for our shareholders

The Board proposed a final dividend of 9.2 pence, bringing the full-year dividend to 13.1 pence per share, which is in line with last year. Our policy of paying a dividend of around 60 per cent of underlying earnings has allowed us to maintain a full-year dividend which is flat year-on-year, despite the impact on underlying earnings per share of the higher corporation tax rate.

Remuneration

When determining incentive outcomes and total remuneration received by the Executive Directors, the Remuneration Committee carefully assesses performance against a framework – including several factors, like executive pay in the context of the broader workforce and investments – to ensure that incentive outcomes are aligned to the underlying performance of the business and the experience of shareholders.

Simon's remuneration for the year reflects the strong performance of the business over the period and considers the prevailing market and economic conditions. Under Simon's leadership, Sainsbury's has made great progress in delivering the Food First strategy as well as developing the Next Level strategy, including operating model changes that will deliver further cost savings.

For more information on this year's remuneration awards, please see pages 99 to 117.

Operating board changes

We move into the next phase of our strategy with a more focused structure for our Operating Board, now with eight members.

To help drive Next Level Sainsbury's, Graham Biggart has taken on new responsibilities as Chief Transformation Officer and General Merchandise Commercial Officer, helping to further accelerate both our transformation and our performance. Rhian Bartlett's role on the Operating Board is now Chief Food Commercial Officer, recognising the continued acceleration of our Food First strategy. This change to our leadership came as Paula Nickolds, General Merchandise Commercial Director, made the decision to leave the business, having led much progress across Argos, Habitat and Tu.

Jim Brown, Chief Executive Officer of Sainsbury's Bank, decided to retire. Jim joined the business in 2019 and his strategy to align Financial Services to loyal Sainsbury's customers resulted in the Bank paying its first dividend in 2022. Robert Mulhall has been appointed as CEO of Sainsbury's Bank, reporting into the Bank Board and connecting into the Sainsbury's Operating Board via Bláthnaid Bergin, our Chief Financial Officer.

Finally, Tim Fallowfield has decided to retire from his role as Company Secretary and Corporate Services Director at our AGM in July, after more than 22 years with Sainsbury's. Tim joined the business in 2001, becoming an Operating Board Director in 2004 and he has made a major contribution to Sainsbury's. His role as our Board sponsor for disability and carers and his leadership and support to the Government in raising awareness of the benefits of recruiting, retaining and developing disabled people led to his being awarded an OBE in the 2020 New Years Honours List.

I would like to personally thank Jim, Paula and Tim, who have each made an outstanding contribution to the success of Sainsbury's and we wish them all the very best for the future.

Final thoughts

I would like to thank all of my colleagues; you are at the heart of everything we do at Sainsbury's and your dedication to serving and helping every customer is critical to the long-term success of our business.

I also want to thank the Operating Board and Simon for their huge efforts and support over the past year. There is no clearer demonstration of the ability of this management team to execute than the progress the business has made in the last three years. The Board and I have seen the impact this has made throughout the organisation. When I look to the new Next Level Sainsbury's strategy we've set out, it is ambitious but it is also grounded in the progress we've made and I have every confidence in the ability of Simon and his team to deliver.



Martin Scicluna

Chair

24 April 2024

Chief Executive's letter



As we embark on the next phase of our strategy, Next Level Sainsbury's, Simon Roberts reflects on the last three years, why food is now firmly back at the heart of Sainsbury's and how we are delivering for customers, colleagues, communities and shareholders.

When John James and Mary Ann Sainsbury opened their very first store in 1869, their purpose was clear: to provide good quality food at affordable prices. More than 150 years later, I am proud to say Sainsbury's has stayed true to these values.

Over the last three years, we have reset the business and food is now firmly back at its heart. It's from this position that in February, we launched our new purpose: We make good food joyful, accessible and affordable for everyone, every day. This is a clear statement of our intent and commitment about what Sainsbury's is here to do consistently, every day. Above all else, it sets a high bar for our future ambition.

It is our purpose that has driven every decision we have made in building our strategy for Next Level Sainsbury's – and we believe that to deliver on our plan and purpose means us taking a leading role in building a more resilient UK food system. We are, first and foremost, a food company and we know that making the difference here will be fundamental to ensuring we develop and grow our business for decades to come.

The last three years

Food First was all about refocusing and resetting Sainsbury's core food business.

And we have delivered. We have significantly improved our value, innovation, availability and service. More customers are now doing more of their grocery shopping with us and this is driving record market share gains and volume growth.

When we launched Food First in November 2020 we were just too expensive. Since then we have invested £780 million into lowering our prices, fundamentally resetting our competitive position. While some of this investment has been in specific response to support our customers through a period of higher food inflation, our major strategic focus since 2020 has been to consistently deliver much better value for all our customers. We have transformed our value position and significantly improved price perception with customers.

Nectar Prices has been a game changer, bringing market leading offers across our food and grocery range: launched in April 2023 with just a few hundred products, Nectar Prices are now available on around 7,000 products across our stores and online, saving customers £12 on a typical £80 shop. We have also continued to grow Aldi Price Match, now with over 600 products, at least 75 per cent of which are Healthy or Better for you products. Most recently, we launched our newest value proposition, Low Everyday Prices, on over 1,000 big brand products, giving customers the reassurance that whatever is in their basket and trolley, they can always be sure of great value at Sainsbury's.

£780m

investment in lowering prices
over three years

Nectar Prices on around

7,000
products

While significantly improving our value position, we have not compromised on quality. In fact, we have made a step-change in our quality and product innovation, launching over 4,000 new products over the last three years and at the same time reformulating, or improving, thousands more. Our *Taste the Difference* product ranges have been particularly popular with customers and sales have grown to £1.6 billion this year. *Taste the Difference* is proportionately the biggest premium own label brand of the full choice grocers and has contributed to our market outperformance through every key seasonal event of the year.

Over the last three years, our Brands that Deliver – Argos, Nectar, Tu, Habitat, Sainsbury's Bank – have been refocused to ensure that they contribute positively in their own right and support our core food business. We have made real progress, but we still have further to go here.

Argos has been through a major transformation in the past three years, moving from a catalogue business to become a digital-first retailer – we have integrated Nectar, improved our same-day coverage and now 70 per cent of Argos sales start online. As a result of these changes and in response to changing customer shopping behaviours, nearly 70 per cent of online Click & Collect orders are now available for immediate collection from over 1,000 Argos collection points. All of this has enabled Argos to become a structurally more resilient business with a lower cost to serve than in previous years. We have taken more than three percentage points out of our costs to sales ratio and improved the core profitability of the business. The job of continuing to transform and improve Argos, of course, continues as this will always be a cyclical business. As technology and customer behaviour continues to change, there will always be more to do, which we are addressing through Next Level Sainsbury's.

Looking to our other brands, our trading approach on Tu over the period of Food First has delivered a more profitable sales mix, with higher full price sales and stronger gross margins. However, clothing sales declined over the last year, given both the more promotional market dynamics and more periods of unseasonable weather. Some of our clothing ranges also weren't where they needed to be and we had interruptions in availability in the final quarter. We have taken action to improve our ranges and availability as we look ahead.

Turning to our Financial Services business, we announced in January a phased withdrawal from core banking, so while it is business as usual for our customers for now, the financial services we continue to offer in the future will be provided by dedicated financial services providers through a distributed model.

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**We are a food first,
people first business.**

Simon Roberts
Chief Executive

We are really clear we are a food first, people first business. I am proud we again led our industry in improving colleague pay and in making the right decisions to support and invest in our people over the last three years. This is because we fundamentally believe that the more engaged our colleagues are, the better customer service we deliver and the more productive we can become. Our approach has led us to achieve improved customer satisfaction, ahead of our competitors over the last three years and more people are now choosing Sainsbury's more often.

Since 2018, we have increased colleague pay at Sainsbury's by 50 per cent. In January this year we became the first full choice supermarket to announce we would pay colleagues £12 per hour nationally, £13.15 in London. This brings our rate of pay in line with the new Real Living Wage and takes our three-year total investment in colleague pay to over £500 million. We also announced that we would extend free food during shifts and increase the frequency of additional colleague discounts.

Having a diverse workforce is so important to us. Three years ago we set ourselves ambitious gender and ethnicity targets because it matters that Sainsbury's is a place where everyone can thrive and where our leadership reflects the colleagues and communities we serve. While we haven't met all of our targets given the high bar we set, I am pleased to report we have made significant progress. Representation of women, ethnically diverse and black colleagues in senior leadership have all increased and we were one of only two retailers in the Times Top 50 list for gender equality. There is clearly still much more to do in working to build on our industry leading position and we will be setting out our gender and ethnicity targets for the next three years as part of Next Level Sainsbury's.

We work with over
15,000
British farmers

We have increased
colleague pay by
50%
since 2018

Chief Executive's letter continued

The last three years continued

Turning to our suppliers, we recognise the significant pressures faced in food supply chains, particularly with our farmers and growers. We work with over 15,000 British farmers, sourcing £2 billion worth of produce every year – and our close relationships give us real insight into the issues they are facing. From increasing business operating costs and climate change to policy challenges, we are committed to working together with our suppliers to build resilience in their businesses, benefitting not just our supply chain but ultimately, the resilience of the UK food system. That's why, over the past two years, we have moved increasingly to offering longer term contracts with a number of our key suppliers, providing them with the security they need to plan and invest in their businesses. We are also working in collaboration with many of our suppliers on new and emerging methods of production and with new technologies, allowing us to develop better surety of supply, while helping us towards achieving targets across our Plan for Better. For example, working with ABP Food Group and more than 540 trusted British farmers, in September we launched a new, first to market reduced carbon beef range, offering high quality, great tasting steak, with 25 per cent reduced carbon compared to the industry average.

I've addressed the investments and the consistent and balanced choices we have prioritised for our customers, colleagues, suppliers and communities over the last three years. None of these would have been possible without the significant cost savings delivered through our Save to Invest programme. We have achieved the £1.3 billion of cost savings we targeted since March 2021, doubling the rate of cost savings compared to the three years prior to Food First.

We have transformed and simplified our logistics operations and continued to implement leading automation and machine learning into our food supply chain, with new systems driving end-to-end efficiencies, reducing manual tasks and leading to better outcomes across supply chain, commercial and retail teams.

We made clear choices and deliberate investments over the course of our Food First strategy to become a more profitable and sustainable business, doing the right thing for our customers, colleagues and suppliers while ensuring we deliver for our shareholders. More customers are doing more of their shopping with us, we have more engaged and productive colleagues and strong relationships with our suppliers and partners. We continue to invest where it matters, growing our volumes and market share versus our key competitors and delivering strong financial results, creating long-term value for our shareholders.

Moving to the Next Level

Our updated strategy, Next Level Sainsbury's, is driven by our reset and refreshed purpose. Underpinning our strategy are four outcomes: First choice for food, Loyalty everyone loves, More Argos, more often and Save and invest to win. These build on the success of our Food First strategy and ultimately, will give customers more of what they come to Sainsbury's for – outstanding value, unbeatable quality and great service.

First choice for food

While Food First was about refocusing and resetting back on the core food business, First choice for food represents a very different ambition to bring more customers to do more of their shopping with us. Currently, only 15 per cent of our 600 supermarkets offer our full food range and so our key focus is investing to bring more of our range to more customers. We will be adding more chilled space to offer more choice from our fresh food range and improving the look and feel of 180 of our highest potential stores. Through making more of our food range available to more of our customers, we have a unique opportunity to drive grocery volume gains by becoming first choice for more customers.

Within the 180 stores, we will tighten the range and space allocated to general merchandise, aligning our offer more closely to customers' grocery shopping missions. By providing customers with more of the right products they want and in combination with improved profit densities from food, we will generate significantly better sales and profit returns from our store space.

We will also build on the strength of our supermarket locations and customer traffic, by investing in our Smart Charge ultra-rapid EV charging network. We launched Smart Charge at 40 supermarkets this year and will increase our network over the new financial year as we build on the strength of our supermarket locations and customer traffic, helping customers to reduce their carbon emissions.

Over the last three years, we have fully integrated our Plan for Better into the way we operate and work as a business to drive improved customer, commercial and sustainability outcomes – and in the way we partner with our suppliers. Our new purpose is about how we show up for customers, how we do business and how we work right across our industry. The UK food system requires significant change – we all know that – and we're committed to play a leading role in improving it, focusing on how we source our products and how we help our customers to have access to good food.

Over the next three years, we are making a clear commitment to enable and drive food system change, collaborating with all parts of our industry, our suppliers and policy makers to begin to realise the change we need to see.

Loyalty everyone loves

Our Nectar ecosystem is split in two halves: our customer-facing Nectar loyalty scheme, rewarding customers with pricing and reward points to be spent at Sainsbury's or with one of our nine redemption partners, and Nectar360, our fully integrated loyalty, insights and media services agency.

Over the last three years, we have made strong progress in developing our Nectar loyalty scheme, moving towards a more digital customer experience and building our personalisation capability. However, the major transformational change has been the introduction of Nectar Prices, which has been one of the key drivers in our improved value perception.

We are learning more about the importance of loyalty in grocery for customers and we have a clear plan to continue growing and strengthening Nectar within our business, increasing personalisation, improving digital integration and growing the coalition, while always remaining transparent with customers over how we use their data.

Our retail media business, part of Nectar360, allows brands to advertise to our customers in a tailored way to ensure both brands and customers benefit. We believe retail media has huge untapped potential in the UK and we aim to build on our first-mover advantage and become world-leading in our capabilities. We expect Nectar360 to deliver an incremental £100 million of profit contribution over the next three years.

More Argos, more often

We have been progressing well with our plans to transform Argos, significantly reducing the standalone store estate and opening many more Argos stores and collection points inside Sainsbury's making it a more profitable business. We have also made changes to how and where we move and hold our stock, driving efficiencies through our local fulfilment network and making sure we have the right stock close to customers, at the right time.

Looking ahead, we have a real opportunity. Half of households in the UK shop with Argos and the customer feedback on what is most important is clear: value, convenience and ease. But we are not always front of mind for customers. By providing a more inspiring range of desirable brands and design-led own label and encouraging more frequent browsing occasions, we have ambitions to grow customer basket sizes, frequency of visits and encourage customers to shop across our full range of products. We also have plans in improving our digital proposition, increasing awareness of our market-leading Click and Collect service and will be continuing our programme of transforming our operating model, benefitting customers while providing efficiencies in our business.

Save and invest to win

Our Save to Invest programme has been at the very heart of delivering Food First, creating the fuel to reinvest back in the customer proposition and reset our value position. We've changed the way this business approaches cost and we've made bold decisions as a team about what really matters, doubling the rate of our cost saving delivery.

We achieved some big structural wins early in Food First, saving £1.3 billion over the course of the strategy, and we will continue this momentum with our new Save and invest to win outcome.

We're confident we can maintain our current run rate of cost savings, and so unlock another £1 billion worth of cost savings over the next three years. Our high returning investments in technology and automation will drive big steps forward in our efficiency and in improving what we deliver for customers. We've signalled before that we will be unlocking productivity benefits more and more through these end-to-end programmes, taking cost out of an entire cross functional chain of costs, rather than just looking at siloed divisional savings.

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We enter this next phase of our strategy with a clear plan, strong momentum and the necessary focus to realise our goals, deliver for our customers, colleagues, communities and shareholders and take Sainsbury's to the Next Level.

Simon Roberts
 Chief Executive

And it's not just cost and productivity that are benefitting: Plan for Better targets are integrated across all our outcomes. We are rolling out the latest in integrated refrigeration and heating technology, removing the need for fossil fuel gas heating and running on natural CO₂ refrigeration. We have also committed to buy 100 per cent of the electricity produced by Longhill Burn Wind Farm, which when all turbines are operating at maximum capacity has the capability to power up to 33 per cent of our estate. We have also started to roll out double-decker trailers in our fleet, which will reduce the number of vehicles on the road, thereby reducing our carbon footprint, while maintaining the same levels of stock movement.

Save and invest to win is about driving more cost out of our business, improving our people and technology capabilities, fuelling investment in our customer proposition and as a result, improving our performance. In moving to the next level, we are making strategic and deliberate choices to invest capital in a very targeted way and with a clear focus on unlocking further efficiency, driving new capabilities and productivity and enabling our growth.

Taking Sainsbury's to the Next Level

We firmly believe that our plan for the next three years will lead to strong delivery and returns for our shareholders. We are also committing to a progressive dividend policy from the start of 2024/25 and to the start of a share buyback programme, with £200 million of share capital to be bought back over the course of the year.

We have a fantastic team right across Sainsbury's. Our people are at the heart of everything we do and I want to thank every one of my colleagues for the brilliant job they do in delivering for our customers, supporting each other and looking after this business.

I feel inspired by our renewed purpose, to make good food joyful, accessible and affordable for everyone, every day. And to deliver on this, we will be ambitious and proactive in collaborating with all our stakeholders to drive the change that will enable a more resilient UK food system.

We enter this next phase of our strategy with a clear plan, strong momentum and the necessary focus to realise our goals, deliver for our customers, colleagues, communities and shareholders and take Sainsbury's to the Next Level.




Simon Roberts
 Chief Executive
 24 April 2024

Our business model

We make good food joyful, accessible and affordable for everyone, every day

We want to be first choice for food, attracting many more people to choose Sainsbury's as the place they come to for good food – and play a leading role in creating a sustainable food system in the UK. We create value for stakeholders by building on the heritage and scale of our food business and our strong assets. Everything we do is underpinned by data and technology innovation. And the infrastructure that supports our brands enables us to drive value and efficiency.

 Find out more about **Plan for Better** on page 15

Building on our brand and strong assets



Sainsbury's brand and own brand heritage



Scale advantage
Second largest full choice supermarket



Reputation for **service, quality and range**



Growing customer base



Volume growth



Nectar and Nectar360 investment in loyalty and personalisation



Financial strength



Strength in real estate and online scale and capability



Strong **supplier relationships**



Winning culture and higher productivity

Underpinned by data, technology innovation and capability



Our Plan for Better is integrated into everything we do and critical to building long-term resilience in our business and across our supply chains. We are committed to playing a leading role in creating a more sustainable UK food system.

Creating value for our stakeholders

Customers

Colleagues

Communities

Suppliers

Shareholders

The Sainsbury's difference

Sainsbury's brands

Sainsbury's is a trusted, well-loved brand that has been bringing high quality, great value food to customers for over 150 years. Argos, Nectar, Tu, Habitat, Smart Charge and Sainsbury's Bank are complementary brands and give customers more reasons to shop with us.



Scale advantage

We offer customers a choice of quality products. We have scale positions in both food and general merchandise and can profitably deliver a wide range of products and services to customers. Our scale also gives us the unique ability to drive collaboration and action towards a more sustainable UK food system.

Reputation for service, quality and range

Customers come to Sainsbury's for our outstanding customer service and our 148,000 colleagues are integral to our long-term success. Our consistent quality, responsible sourcing and tailored assortment in each store provides customers with everything they need.

Growing customer base

Sainsbury's is a trusted brand, loved by millions of customers across the UK. We serve an attractive, growing customer base. Around 70 per cent of the UK population have shopped with Sainsbury's over the last year with a bias to a more affluent sociodemographic than key competitors.

Volume growth

The investments we are making, particularly in our fresh food range, are helping us to continually grow grocery volumes ahead of the market, driving profit leverage.

Nectar and Nectar360

Nectar aims to be a world-leading loyalty programme and provides a vital competitive advantage to our food business, our brands and a wide range of partners. It has strong profit growth prospects through data monetisation and growing coalitions. It enables us to offer our customers personalised, joyful rewards for their loyalty. We are committed to a transparent use of data.

Financial strength

Our strong financial position allows us to reinvest in our customer offer and make targeted investments in areas like technology, while also paying dividends and strengthening the balance sheet.

Strength in real estate and online scale

Our stores are well-placed, with a strong presence in the South and in high footfall convenience locations. This helps us offer customers complementary products, through Tu, Argos, Habitat and carefully selected concession partners, as well as complementary services such as Smart Charge.

We continue to improve the productivity of Groceries Online, consistently improving the speed of items picked. Last year, Argos was the UK's fourth most visited retailer website; we are making good progress to reduce the number of Argos standalone stores we have and to offer more Argos stores inside Sainsbury's stores.

Strong supplier relationships

We are proud of our strong supplier relationships and we work collaboratively with them over the longer term to grow and strengthen the resilience of our business and theirs. By improving technology and simplifying processes we are making it easier for our suppliers to do business with us.

Winning culture and higher productivity

We invest in our colleagues. By creating an engaged workforce that is invested in the progress of the business and the role they play in our success, and unlocking productivity benefits, we achieve high retention rates and deliver superior customer service.

Our strategy

Purpose

We make
good food
joyful, accessible and affordable
for everyone, every day

Outcomes

First
Choice
For Food

Loyalty
Everyone
Loves

More Argos,
More Often

Save &
Invest
To Win

Valued Behaviours

Own
It

Make It
Better

Be
Human

Sainsbury's



 habitat

Tu

 Smart
Charge

In February 2024, we set out our Next Level Sainsbury's strategy, driven by our new purpose.

Focusing on four key outcomes, our strategy is designed to give customers more of what they come to Sainsbury's for: outstanding value, unbeatable quality food and great service.

First choice for food

Attract many more people to choose Sainsbury's as the place they come to for good food – and play a leading role in creating a sustainable food system in the UK

- More food choice for more customers
- Consistent value, every day
- The leader in freshness, availability and innovation
- A complementary range of relevant products and services
- A more resilient food system

Loyalty everyone loves

Build a world-leading loyalty platform – more personalised, joyful, rewarding and transparent – for everyone

- Personalised, rewarding and integrated loyalty
- Joy and connection beyond transactions
- World-leading Nectar360 capabilities
- Strong coalition of partners
- Always transparent use of data

More Argos, more often

Unleash and transform Argos around the three things that have always made it brilliant – curated range, famously convenient experience and great value – so more customers buy more complete baskets more often

- Famous for convenience
- Inspiring choice, always great value
- Supercharged digital capabilities
- Accessible and relevant credit, care and services
- Next level service, efficiency and stock flow

Save and invest to win

Save £1 billion and invest in transforming our capabilities – taking another big leap forward in efficiency, productivity and customer focus, continuing to build a platform for growth

- £1 billion of structural cost reduction
- Well-invested technology platform protecting, competing and unlocking the next level
- Simplified, automated, more process-led business
- Right-sized organisation, set up to win

Plan for Better

Our Plan for Better is fully integrated through the way we operate as a business to deliver commercial and sustainability outcomes.



Find out more about **Plan for Better** on page 15

Delivering on our outcomes

In February we announced our Next Level Sainsbury's strategy, building on the success of the Food First strategy launched in 2020. Food First put food back at the heart of Sainsbury's, reset our competitive position and created a strong financial platform from which we will grow, invest in further strengthening the business and deliver enhanced returns to shareholders. Next Level Sainsbury's is underpinned by a new purpose: We make good food joyful, accessible and affordable for everyone, every day. The strategy focuses on four key outcomes: First choice for food, Loyalty everyone loves, More Argos, more often and Save and invest to win.

First choice for food

Our work on improving value, innovation and service has driven volume market share gains over the course of our Food First plan. Our performance was particularly strong over the last financial year, with volume growth every quarter and at an accelerating rate of growth. More customers are choosing Sainsbury's and we are growing primary and secondary customers ahead of all full choice competitors⁹⁾.

Value that sticks

We reset our pricing position over the course of Food First, investing £780 million to improve our value versus all competitors. We are now the most competitive we have ever been⁹⁾ and we are gaining volumes from all key competitors⁹⁾. In 2023/24, we invested £220 million in lowering prices on the products customers buy most often and we passed on less inflation than our competitors⁹⁾. We also launched Nectar Prices in April 2023, rapidly rolling out to around 7,000 products over the year. Customers are noticing, with value perception scores improving through the year and now the strongest they have been for six years⁹⁾.

In January we doubled the number of products price matched to Aldi, with over 600 products now included across fresh, grocery and household ranges. We also made it easier for customers to identify lower prices in store by moving all of our entry price point products into a single brand, *Stamford Street* and by introducing Low Everyday Prices, which has replaced Price Lock and includes over 1,000 products, primarily branded.

Innovate to lead

We are being bold and ambitious on innovation, bringing more new products to customers. We launched over 4,000 products over the course of Food First and grew our *Taste the Difference* brand from £1.2 billion in 2019/20 to £1.6 billion in 2023/24. We launched nearly 1,200 new products in the year, 40 per cent of those in *Taste the Difference*, growing the *Taste the Difference* range by 7 per cent year-on-year. More customers are choosing to treat themselves: sales of our Premium tier grew 12 per cent year-on-year and significantly ahead of the market⁹⁾. Ready-prepared meals, Bakery, Food to Go and *FreeFrom* all performed particularly well.

Customer favourites across the year included our *Taste the Difference* Mushroom, Mascarpone and Truffle Pizza, our Signature Beef Burger and at Christmas, our Buttermilk Turkey Crown with maple cured bacon and buttery sage and onion stuffing.

We consistently outperformed the market at every seasonal event⁹⁾, finishing Q4 with a strong Valentine's Day, with standout sales across flowers, confectionery and our *Taste the Difference* meal deal, which was the best value in the market. We are well set up to continue our momentum in events and began 2024/25 with a record-breaking Easter week, performing ahead of the market⁹⁾ with our biggest ever Easter grocery sales.

A more resilient food system

Our strong, long-term relationships with suppliers put us in a strong position to play a leading role in creating a resilient and sustainable food system in the UK. We continue to make investments and changes to the way we work with and support British farmers. This year, for example, we have introduced a cost model with a predictable margin for our potato suppliers, working closely together to protect supply. On a global scale, working in collaboration with longstanding partner Fairtrade, we are contributing towards paying banana workers a living wage three years ahead of the industry commitment.

Alongside this, we are increasingly moving to more long-term partnerships with key suppliers to enable them to invest for the future with confidence. For example, in March 2023 we began a new long-term partnership with Moy Park which has provided our chickens with 20 per cent more space than

industry standard along with environmental enrichments such as perches and play bales. Results indicate that our birds are happier and more comfortable. We have made this change while keeping our price position as sharp as ever and our chicken market share has grown since launch⁹⁾.

We were the first large supermarket to launch a dedicated 'Best of British' page on our Groceries Online website, better championing British grown and produced products. The page highlights over 450 products which are 100 per cent British sourced, including popular fruit, vegetable, meat, dairy, eggs and chilled essentials.

More food choice for more customers

Our strengths in fresh food, range and innovation are at the heart of Sainsbury's heritage and brand promise, Good Food For All Of Us. However, we do not currently offer our full range to enough customers in enough locations, with just 15 per cent of our supermarkets offering our full range. We are investing to bring more of our range to more customers, particularly enhancing choice in fresh food, focusing on around 180 of these highest-potential stores over the next three years. While carrying out these changes we are also updating the look and feel of many stores and selectively introducing innovations which we have trialled in a number of stores in recent months, bringing customer and efficiency benefits.

We opened two new supermarkets in Q4, Talbot Green and Southport, both centred around a food hall designed to help customers rediscover the joy of food. Offering our full range, both stores also feature new digital signage and displays designed to help customers feel more inspired and make the stores easier to navigate. To support our Plan for Better targets, each store has a unified refrigeration, ventilation and heating system that removes the need for fossil fuel gas heating and runs on natural CO₂ refrigeration, with 100 per cent LED lighting throughout. These new supermarkets are performing significantly ahead of expectations.

Products and services that complement the Food offer

We are tightening our general merchandise and clothing ranges, aligning them more closely to customers' shopping missions. In combination with a more profitable food offer where it's needed, this will generate significantly better sales and profit returns on store space.

Tu clothing continued to maintain a disciplined trading approach in the year. Versus a 2019/20 base, this trading approach has created a more profitable sales mix over the last three years, with higher full price sales, significantly lower markdowns, stronger gross margins, higher average selling price and lower stock. This helped protect profitability over 2023/24 in a seasonally weak and promotionally-driven market. However, our performance during the year and particularly the fourth quarter, when we were further impacted by stock shortages, was below expectations and we have taken action to improve ranges in the year ahead.

We continue to expand our Habitat range, with our new home fragrance collection performing ahead of expectations. Looking ahead, Habitat will celebrate its 60th birthday in May with an innovative 60 Years of Design collection in partnership with designers including Sebastian Conran, son of Habitat's founder.

In January, we launched our Smart Charge ultra-rapid EV charging network, now in 45 supermarket locations with 371 charging bays. Smart Charge provides a quick and reliable offer using 100 per cent renewable energy. We will build further on the strength of our supermarket locations and customer traffic, investing in Smart Charge to increase our network of reliable ultra-rapid charging bays.

Engaged colleagues deliver leading customer service

In January we announced that we would be investing £200 million to increase colleague pay in line with the new Real Living Wage, increasing pay to £12 per hour nationally and £13.15 for colleagues in London; leading the market and taking our investment in colleague pay over three years to more than £500 million. Over the course of Food First, we have improved our colleague engagement scores by nine percentage points⁹⁾. We believe more engaged colleagues deliver better service, and our overall customer satisfaction scores were ahead of full choice competitors in the year, leading in areas including speed and ease of checkout and friendliness and availability of colleagues⁹⁾.

Convenience sales grew ten per cent, with overall customer satisfaction improving by five percentage points⁵. We grew Groceries Online ahead of the market in the second half⁶, supporting our strong grocery sales momentum. Increased customer numbers are driving higher sales volumes and we have improved customer satisfaction and retention through better availability and the launch of Your Nectar Prices on Groceries Online⁷. We have expanded our On Demand business to 1,157 stores, resulting in 69 per cent sales growth year-on-year.

We are always looking for ways we can improve customer experience while saving money to invest back into our product offer. We have made significant progress in our programme of automating some simple customer services functions to provide a more seamless customer experience and free up colleague time to provide customers with better service.

Plan for Better

Plan for Better is at the heart of how we will deliver our new purpose, to make good food joyful, accessible and affordable for everyone, every day. We are committed to playing a leading role in offering affordable, high quality food that supports healthy and sustainable diets and helps customers reduce their impact on the planet. We know how important it is for our customers, colleagues, communities and shareholders that we deliver on our Plan for Better goals. We are making good progress on our plan, investing in resilient supply chains and continue to make progress towards our targets.

We have a long history of providing good food and leading change to help our customers eat healthier, more sustainable diets. Our Healthy and Better for you sales tonnage as a proportion of total sales is at 80.9 per cent and we recognise there is more to do as we work towards our target of 85 per cent by 2025. Our progress is reflected in our market outperformance of Produce volume sales⁸, the fact that 87 per cent of our own-brand sales are Healthy and Better for you choices and that our primary customers rate us ahead of our competitors for making it easy for them to choose food that is healthy. We have also designed our value offering to complement this work and this year at least 75 per cent of our Aldi Price Match campaign featured Healthy or Better for you products like fresh produce, wholewheat pasta, salmon and alternative milk products.

Plastic reduction initiatives launched in the year will save nearly 1,800 tonnes of plastic per year and we reduced relative plastic packaging by 2.8 per cent year-on-year and 12.9 per cent relative reduction from our baseline. We became the first UK retailer to switch from plastic to paper packaging across our entire own-brand toilet paper and kitchen towel ranges, saving 485 tonnes. Other plastic saving initiatives included leading the market in changing our range of babywear to cardboard hangers and reducing plastic in meat packaging ranges.

In the last year, we raised £36 million for good causes and redistributed 57.8 per cent more surplus food to communities through our partnership with Neighbourly. Over the course of this partnership, we have donated over 23 million meals to communities. Our stores now support and donate to over 2,500 good causes across the UK. We also moved from use-by dates to best-before dates across our own-brand milk range, helping reduce food waste and impacting 730 million pints of milk sold by Sainsbury's every year⁹.

We have restated the 2022/23 result for food waste to anaerobic digestion reported in the 2022/23 Annual Report from 23,443 tonnes to 30,399 tonnes due to an identified reporting error. The 2019/20 baseline is restated from 31,615 tonnes to 34,609 tonnes. This means that in 2022/23 we reduced absolute food waste by 12.2 per cent rather than the 25.8 per cent reported versus our 2019/20 baseline. This year we have reduced food waste to anaerobic digestion by 12.5 per cent absolute and 13.9 per cent relative to total tonnes handled versus our 2019/20 baseline. We are focused on accelerating our progress and have put in place a number of new measures including a partnership with Olto to redistribute 'use by' foods from all of our stores and are extending trials on new ways to repurpose food waste for animal feed.

We are building the resilience of our business and accelerating our emission reduction commitments. In February, our revised commitments for lowering greenhouse gas emissions in our own operations and in our value chain were formally validated by the Science Based Targets initiative. In the same month, the Carbon Disclosure Project awarded us an A rating for our environmental commitments on climate change for the tenth consecutive year – the only UK supermarket to be recognised at this level.

Loyalty everyone loves

We are continuing to build a world-leading Nectar loyalty platform, offering personalised, rewarding and integrated loyalty and market-leading retail media capabilities. This platform has been a key component in transforming our value offering and value perception. It has delivered ahead of our plan and is playing an ever-greater role for customers and within our business, with over 17 million digital subscribers.

We launched Nectar Prices in April last year and rapidly rolled it out across our ranges. It is now available on around 7,000 products and is saving customers an average of £12 on a typical £80 shop. The customer response to Nectar Prices has exceeded our expectations, strengthening value perception and driving Nectar participation levels, with more than five million new Nectar Digital Collectors since launch. In October, we also introduced Your Nectar Prices on Sainsburys.co.uk and our grocery app, with plans on track to roll this out more widely. Your Nectar Prices is powered by Nectar's personalised offers which are world-leading in their scale, generating over 280 million different personalised offers each week.

Nectar360 is well positioned within the fast-growing UK retail media market, with a scaled dataset and deep media capabilities. Nectar360 serves over 870 brands directly and has built partnerships with the 10 key agency groups. Over the last year we signed two new partners, allowing advertisers to better target campaigns and launching a new supply chain data sharing and insight platform for our suppliers. We also announced the expansion of our connected digital screen network to over 800 screens. To continue to build stronger digital engagement and deliver even more value to Nectar customers, we are investing in high return growth by expanding our team and unifying our capabilities across instore, onsite and offsite. As we continue to build our coalition of strong partners, we are also investing further in the integration of Nectar across all our digital platforms and into payment solutions.

Our Next Level Sainsbury's strategy will continue to build a world-leading loyalty platform – one that's even more personalised, joyful, rewarding and transparent – for everyone. We expect to generate an incremental £100 million of Nectar360 profit contribution over the three years to March 2027.

More Argos, more often

We are focused on transforming Argos around the three things that have always made it brilliant – curated range, famously convenient experience and great value – so that more customers buy more complete baskets more often. Over the last three years, we have significantly improved Argos's profitability by transforming our store operating model, reducing the standalone store estate and opening more Argos stores inside Sainsbury's. This has reduced the fixed cost base while expanding the number of points where customers can conveniently collect products.

Argos sales and gross profit last year were impacted by poor seasonal weather against tough comparatives in challenging market conditions, but lower fixed costs helped reduce the impact of weaker sales on Argos profitability.

Famous for convenience

Customers love and recognise Argos for the convenience and consistently great value we provide and this has remained at the heart of the Argos proposition over the last year. Half of UK households shop at Argos every year¹⁰ and we have the fourth most visited retail website in the UK¹¹. More than 70 per cent of sales start online, 70 per cent of sales are collected in store and nearly 70 per cent of online Click and Collect orders are available for immediate collection. Over the next three years our focus will be on building customer awareness of our great service and convenience, with an ambition to drive greater frequency of customers shopping with Argos.

Delivering on our outcomes continued

More Argos, more often continued

Inspiring choice, always great value

Our aim is to inspire customers to shop bigger baskets with Argos more often by continuing to improve our ranges and enhance customer experience. Gaming remains a strong contributor to growth, powered by strong Black Friday deals, consistent availability and continued demand for hardware and accessories. Mobile phone sales have also been strong, particularly iPhones, where we have had better stock allocations and as a result have grown market share. Premium product sales continue to perform well.

Argos's key brand health metrics significantly increased versus last year¹⁾ and customer satisfaction improved over the course of the year in appealing promotions, value for money, quality and variety of items²⁾.

Supercharged digital capabilities

We are supercharging Argos's digital capabilities by further developing the website, app and customer relationship management capabilities, with the aim of driving traffic, basket spend and conversion. We continue to improve the digital customer journey by testing new promotional and personalisation mechanics and enhancing search and browsing experiences – making checkout easier and faster. We recently re-launched our delivery checkout, providing a better customer experience and more stable platform.

Accessible and relevant credit, care and services

Having the right range of accessible and relevant credit solutions is important to help our customers buy what they want, when they want it. We announced in January the completion of a strategic review of our Financial Services division which will over time result in a phased withdrawal from our core banking business. Whilst financial services will continue to be an important part of the Argos proposition, we expect to move to third party provision of Argos financial services products, improving the range and quality of payment solutions we can offer customers and increasing penetration, currently 21 per cent of sales.

Next level service, efficiency and stock flow

We have significantly transformed Argos to be a digital first business and have integrated Nectar. At the same time, we have moved from standalone stores towards a store-in-store model, increased the number of our collection points and continued to build a market-leading fulfilment network, as well as completing our withdrawal from the Republic of Ireland.

We have made significant changes to how and where we move and hold stock, driving efficiency and improving availability by making sure we have the right stock closer to customers when they need it. The next phase of our store operating model refinement is moving to a clustering model, which will replace a one-size-fits-all approach. This approach will unlock efficiencies and reduce operational complexity. As a result, we will have better tailored ranges, availability and service, delivering cost-to-serve reductions alongside improved customer satisfaction. An example of this is our Croydon store, where we've already moved from three floors to one, resulting in faster service and improved customer satisfaction.

Save and invest to win

We have delivered £1.3 billion in savings over the last three years – double the rate of savings during Food First compared to prior years which has been central to the delivery of our strategy. This has created the fuel to invest in what matters for our customers and has reset our value position. In the next three years, we will create a further £1 billion in savings, more than offsetting cost inflation and taking another big leap forward in efficiency, productivity and customer focus.

Our investments in technology and automation are driving big steps forward. More agile, flexible systems are bringing greater efficiency to decision-making and accelerating the speed at which we can improve customer experience. For example, we are unlocking significant savings through accurate real-time grocery forecasting that optimises the sales, waste and stock equation.

We have already migrated all of our ambient grocery products to machine learning forecasting, resulting in availability gains of 170bps year-on-year³⁾ – the equivalent of 150 more products available in each of our supermarkets, driving up basket size. We are underway with rolling this out across our Fresh ranges, with the migration due to be completed by Summer 2024.

We are also simplifying our technology processes using cloud technology. This is helping with allocation and replenishment processes, enhancing customer personalisation and rewards and supporting the safety and stability of our ongoing operations. By automating some of the processes within our contact centre, we are delivering a more seamless customer experience and faster resolution times, while saving colleagues' time.

We are making bold decisions on business structure and propositions. We are simplifying our Store Support Centre structure and looking at where we can work more effectively with third party partners. We are also making good progress on the programme we began in 2022 to transform our eat-in, takeaway and home delivery food and drink offer, with fewer Sainsbury's cafés and more third-party outlets.

A smaller proportion of cost savings will be driven by structural changes in the future, but we continue to transform our food service offerings to reduce cost and complexity across our business while enhancing our customer offer. For example, leading the market on freshly baked goods is an important part of our ambition to be First choice for food. We are well underway with a programme to move many stores to a more efficient way of freshly baking products in-store, improving range and quality but also unlocking significant savings.

Plan for Better is fully integrated into our Save and invest to win initiatives. We are rolling out the latest integrated refrigeration and heating technology, delivering both a saving on energy and helping reduce our carbon footprint. The Longhill Burn Wind Farm was completed in August and the wind turbines are the largest and most powerful onshore in the UK. When all the turbines are operating at maximum capacity together they can provide enough electricity to supply up to 33 per cent of our total electricity needs. We have also started to roll out double decker trailers in our fleet, which will reduce the number of vehicles on the road, thereby reducing our carbon footprint, while maintaining the same levels of stock movement.

- a) Nielsen Panel data. Total FMCG excl. Kiosk and Tobacco. Customer numbers YoY growth, 52 weeks to 2 March 2024
- b) Value reality, 2023/24; Acuity, internal modelling. Data available from 2016
- c) Nielsen Panel data. Total FMCG excl. Kiosk and Tobacco. Sainsbury's to/ from net volume switching, 52 weeks to 2 March 2024
- d) Nielsen Panel data. Total FMCG excl. Kiosk and Tobacco. Top 100 SKUS Average 4 weekly Trended ASP (Average Selling Price) vs Total Market - 52 weeks to 2 March 2024
- e) YouGov Brand Index – Supermarket Value for Money Perception metric %
- f) Nielsen Panel Premium Own Label Volume Growth YoY - Total FMCG excl. Kiosk and Tobacco. 52 weeks to 2 March 2024
- g) Nielsen EPOS data. JS volume growth YoY% difference to Total Market growth YoY% for key events week growth versus last year events week
- h) Nielsen Panel data, volume market share % growth YoY, FY23/24 vs FY22/23, Chicken category (raw chicken)
- i) eSAT scores March 2024 vs April 2021
- j) CSAT Supermarket Competitor Benchmarking data – FY23/24 scores
- k) Lettuce Know Convenience customer satisfaction scores, FY23/24 vs FY22/23. Overall Satisfaction measure
- l) Nielsen, Sainsbury's Online market share, 24 weeks to 2 March 2024
- m) Lettuce Know Groceries Online customer satisfaction scores, FY23/24 vs FY22/23. Overall Satisfaction measure
- n) Nielsen panel data, Produce category, volume growth YoY, 52w to 2nd March 2024
- o) Includes all fresh and organic milk sold across England, Scotland, and Wales
- p) Kantar Worldpanel. UK households vs ONS Total UK households 2022
- q) SimilarWeb traffic share, 52 weeks to 2 March 2024
- r) YouGov – General Retail Brand Health metrics
- s) Argos E2E CSAT Survey
- t) Q3 23/24 YoY improvement in availability

Plan for Better

For over 150 years, providing affordable and good quality food for all has been at the heart of who we are and everything we do.

Today, we face significant global challenges, from climate change to social inequality to nature loss, and we need to do even more to build the resilience of our planet, our communities and our business.

Our Plan for Better

Our new purpose is to make good food joyful, accessible and affordable for everyone, every day. Delivering good food will only be possible by building resilience into our food system and only by collaborating across our industry. We need our many suppliers and partners to work together with us to build a resilient supply chain which enables us to offer good food to our customers, now and in the future. Without action, the challenges we already face such as climate change, resource pressure and biodiversity loss will become more intense and make our purpose increasingly difficult to achieve. Plan for Better sets out our ambition to play a leading role in creating a more sustainable food system. To create a new culture of collaboration and long-term partnership and enable a food system which supports farmers and growers, improves planetary outcomes, helps enable a healthier population, and drives economic growth and shared value across the system.

We continue to support our colleagues, customers and suppliers, which is why we made further investments across the value chain this year. We supported our customers, making good food affordable through strong price investment and promotions such as Aldi Price Match, which included at least 75 per cent Healthy or Better for you choices. We supported our colleagues through our biggest ever single investment in colleague pay, well ahead of inflation and the government's 2024 National Living Wage.

And we supported our suppliers both in the UK and internationally, building security through investment and longer-term partnership contracts, launching our Making It Happen action groups to drive action in soil health and fertiliser use and contributing towards paying a living wage for banana workers in our supply chain three years ahead of industry commitments.

Our Plan for Better sets out our sustainability goals across our whole business, outlining our priority areas of focus, our key commitments and our progress. We have aligned our focus to the UN Sustainable Development Goals and, through a materiality assessment, we have identified which issues matter most to our stakeholders so that we can make the biggest difference. Our plan has three interlocking pillars: Better for you, Better for the planet and Better for everyone.



Better for you

We are committed to providing access to affordable, nutritious, diverse food to help make future generations and our planet healthier for longer. We believe everyone should enjoy good food and that means healthier, more sustainable diets for all.



Better for the planet

In the face of the climate and nature crises, we need more leadership and collaboration than ever before. We are committed to playing our role in mobilising action across our value chain to protect and restore our planet.



Better for everyone

We rely on people, locally and globally, to help us provide good food for the communities we serve. In a world of rising inequality, we are committed to championing human rights, ensuring fair treatment for both people and animals and creating a place where everyone can feel safe and supported.

We continue to drive action on our environmental agenda, and, this year, we accelerated our emission reduction targets to align with limiting global warming to 1.5°C. As part of this, we updated our targets to be FLAG (Forest, Land and Agriculture) compliant and they were approved by the Science Based Targets initiative (SBTi). For the tenth consecutive year, we achieved an A rating for Climate Change by CDP. We were also recognised in industry awards, becoming the first UK supermarket to win both the Marine Stewardship Council (MSC) UK Supermarket of the Year and Aquaculture Stewardship Council (ASC) UK Retailer of the Year awards.

Through innovation we are helping our customers to make more sustainable choices. We launched the largest low carbon beef range in the UK and started to roll out our new customer ultra-rapid EV charging offer. We also delivered our biggest ever plastic packaging removal across our whole mushroom range and introduced first to market plastic innovations, reducing relative plastic packaging by 2.8 per cent year-on-year (12.9 per cent reduction from our baseline).^{a)}

To effectively respond to the challenges we are facing, we need to continue to work with industry to align on data measurement and capture, advocate for effective, evidence based policy change and work collaboratively across our supply chain and sector to build a more resilient food system for future generations.

a) Relative: removing volume impact.

Plan for Better continued

Our progress this year

Our most material issues	Target	Progress	Key achievements
Healthy and sustainable diets	At least 85 per cent Healthy and Better for you sales tonnage sold by 2025	80.9% of our sales are Healthy and Better for you Down 0.4% year-on-year Down 1.4% versus baseline	<ul style="list-style-type: none"> We outperformed the market on produce volume sales and 87 per cent of our own-brand sales are also Healthy and Better for you choices We are making healthier food more affordable, and this year at least 75 per cent of our Aldi Price Match campaign featured Healthy or Better for you products We are making healthier food more appealing, with customers who participated in our fourth Fruit and Vegetable challenge buying 113 million portions of fruit and vegetables, which was 25 million more portions than the year before. We also issued 278 million points through the app, which is 2.5x more than last year. Through trials, we have identified that incentives can be one of the most impactful ways to promote healthier choices however, customer behaviour remains challenging to change Since 2015, we have reduced our sugar tonnage by 35 per cent in the top five sugar contributing categories (biscuits, cakes, ice cream, yogurts and puddings) and 85 per cent of our products meet the salt maximum target for 2024 We won the Food Foundation's Peas Please Pledger Champion Award for 2023, which recognises our work to embed our pledge to grow, serve and sell more vegetables across our organisation
Reduce carbon emissions	Reduce absolute greenhouse gas emissions from our own operations to net zero by 2035 Reduce absolute Scope 3 greenhouse gas emissions in line with 1.5°C trajectory	458,973 tCO₂e of absolute greenhouse gas (GHG) emissions from our own operations ^{a)} Down 0.6% year-on-year Down 51.7% versus baseline 6% of our Scope 3 emissions have SBTi 1.5°C net zero targets approved ^{b)}	<ul style="list-style-type: none"> We accelerated our emission reduction targets to align with limiting global warming to 1.5°C Our carbon reduction targets for FLAG (Forest, Land and Agriculture) and Energy/ Industry emissions were approved by SBTi We were awarded with an A rating for Climate Change by the CDP for the tenth consecutive year, as well as an A rating for supplier engagement We committed to buy 100 per cent of the electricity produced by Longhill Burn Wind farm, which when all turbines are operating at maximum capacity, has the capacity to power up to 33 per cent of our estate We continue to engage our suppliers to understand their journey to net zero. In addition to 23 suppliers (six per cent of emissions) who have approved SBTi 1.5°C net zero targets, a further 68 (36 per cent of emissions) have committed to have approved targets within two years or have another target already approved by SBTi 218 suppliers (63.8 per cent of emissions) have also disclosed their emissions through CDP and 683 (57.2 per cent of emissions) have done so for Higg and Manufacture 2030 We continue to work with industry to agree an approach to accurately measure Scope 3 emissions to enable us to report on our Scope 3 target We launched our new <i>Taste the Difference</i> Aberdeen Angus range, with a 25 per cent lower carbon footprint compared to industry standard, the largest low carbon beef range in the UK We launched Smart Charge, powered by Sainsbury's, our ultra-rapid EV charging service with 343 charging bays across 40 Sainsbury's stores
Reduce food waste	Reduce food waste by 50 per cent by 2030	0.627% of food handled sent to anaerobic digestion ^{c)} Down 2.7% year-on-year Down 13.9% versus baseline	<ul style="list-style-type: none"> We removed all 'use by' dates on our milk (including all fresh and organic milk sold across England, Scotland and Wales) and have moved over to 'best before' to help customers reduce food waste in their homes We joined FareShare's Alliance Manufacturing programme, part of the Coronation Food Project, to redistribute surplus food to charities across the country We redistributed 57.8 per cent more surplus food to communities through Neighbourly and our other redistribution partners and over the entire course of this partnership we've donated over 23 million meals worth of surplus food Due to a restatement of our food waste figures^{d)} we recognise the need to accelerate progress. We have run a successful trial with Olío to redistribute 'use by' foods, which we are now rolling out to all of our stores and we are extending trials on new ways to repurpose food waste for animal feed
Reduce plastic packaging	Reduce our own brand plastic packaging by 50 per cent by 2025, increase recycled content and recyclability	58,379 tonnes of own brand plastic packaging Down 2.8% relative year-on-year ^{e)} Down 12.9% relative versus baseline	<ul style="list-style-type: none"> On an absolute basis, our own brand plastic packaging tonnage increased by 1.3 per cent year-on-year and declined by 16.4 per cent versus our baseline We launched our biggest ever plastic packaging removal, moving to cardboard trays in our whole mushroom range, saving 775 tonnes of plastic per year Firsts in the market including a move to paper packaging on our own brand of toilet rolls and kitchen rolls and a move to cardboard hangers in our Tu clothing baby range, saving 485 and 103 tonnes of plastic per year respectively

Our progress this year continued

Our most material issues	Target	Progress	Key achievements
Championing human rights	Respect human rights across our value chain and ensure our businesses' transition to net zero is just and equitable for the communities we source from	Roadmaps in development	<ul style="list-style-type: none"> Working in collaboration with longstanding partner, Fairtrade, we are contributing towards paying banana workers a living wage three years ahead of the industry commitment We worked alongside industry to create and implement a corrective action plan in our tea supply chain to remediate human rights impacts We scored 92 per cent completion and 86 per cent public disclosure on the WDI Disclosure

- a) We have received third party limited assurance on our Scope 1 and 2 greenhouse gas emissions. For more information go to page 119 in this report.
- b) While we work with industry stakeholders on establishing best practice to measure emissions reductions, we are using as a proxy metric the proportion of suppliers (by emissions) that have science-based targets. Our Scope 3 targets depend on our suppliers' reducing emissions and this metric captures the proportion of emissions that should be on the same emissions reduction trajectory as Sainsbury's Group. Sainsbury's requests suppliers who represent the top 80 per cent of emissions to set science-based targets by the end of 2025/26 as part of our WWF's Retailer's Commitment for Nature.
- c) Going forwards we will be using the relative metric 'food waste sent to anaerobic digestion as a percentage of total tonnes handled' as our primary food waste metric as this is considered best practice by The Waste and Resources Action Programme (WRAP).
- d) We have restated the 2022/23 result for food waste to anaerobic digestion reported in the 2022/23 Annual Report from 23,443 tonnes to 30,399 tonnes due to a reporting error identified. The 2019/20 baseline is restated from 31,615 tonnes to 34,609 tonnes. This means that in 2022/23 we reduced absolute food waste by 12.2 per cent rather than the 25.8 per cent reported versus our 2019/20 baseline. This year we have reduced food waste to anaerobic digestion by 12.5 per cent absolute and 13.9 per cent relative to total tonnes handled versus our 2019/20 baseline.
- e) Relative: removing volume impact.

Key achievements

Nature positive	<ul style="list-style-type: none"> We have made great progress on our percentage of wild caught certified seafood, now at 86 per cent, while our sustainably certified farmed seafood remained at 100 per cent. In recognition of our sustainable fish sourcing policy, we became the winner of both the Marine Stewardship Council (MSC) UK Supermarket of the Year and Aquaculture Stewardship Council (ASC) UK Retailer of the Year awards, becoming the only UK supermarket to have ever achieved this We published new policies for key raw materials: Manmade cellulosic fibres, Palm oil, Cotton, Leather, Precious metals and minerals, Feather and down We have collaborated with our suppliers, mobilising action through our new working groups to target specific priorities, including soil health and the rollout of LandApp across key supply chains, to enable UK suppliers and farmers to strategically plan land use to balance food production and nature into the future
Minimise water use	<ul style="list-style-type: none"> We reduced our water usage in our own operations by 1.3 per cent year-on-year, to 2,621,341m³ through better management of water in our estate and through leak prevention We committed over £750,000 over the next three years of additional funding to accelerate the implementation and delivery of the WRAP water roadmap We improved our CDP rating to achieve an A- for water
Increase recycling	<ul style="list-style-type: none"> We launched a new recycling hub trial that brings our recycling offer together for customers and removes duplication with kerbside collections This year, we launched furniture recycling for our online customers in partnership with Clearabee
Support our communities	<ul style="list-style-type: none"> We raised £36 million for good causes this year Across our community initiatives, including our Nourish the Nation programme with Comic Relief, we donated £11.4 million to tackle food poverty and redistributed 13.5 million meals to those who most needed them through our partnership with Neighbourly Through our Community Grant scheme, we supported 798 local good causes and committed over £1 million to initiatives supporting our local communities We continued to test mechanisms to encourage low-income families to try healthier food options, including trialling a new coupon mechanic this year targeting low affluent customers to redeem of fruit and vegetable purchases
Improve animal health and welfare	<ul style="list-style-type: none"> Our sales volume from welfare standards above the UK industry baseline was 62.3 per cent 78.5 percent of our animal health and welfare outcome KPIs achieved Sainsbury's KPI performance targets 86.7 per cent of our key animal supply chains achieved Sainsbury's responsible use targets for total antibiotic use and 66.7 per cent for antibiotic critically important for human health

For 'An inclusive place to work' and shop and 'Skills and opportunities for all' pillars, please see pages 18-21 in this report.

Future priorities

- Evolve our approach to 'Healthy and sustainable diets', finding new ways to grow sales of plant-rich choices (fruit and vegetables, fibre-rich carbohydrates, beans and legumes), improve protein diversity and grow sales of better protein and influence the system through sector advocacy
- Evolve our approach on plastic to consider the broader impact that different processes and materials involved in our products' packaging have on the planet and take a leading role to drive action in the sector, working with industry to align behind the right solutions
- Develop our approach to protecting and regenerating nature, including responding to emerging frameworks and investing in landscape initiatives that protect and restore nature, while also supporting sustainable farming
- in areas where there is a high risk of deforestation or land conversion, including Brazil and Indonesia
- Develop roadmaps for each of our Human Rights commitments
- Accelerate action on food waste, reviewing our approach, across the whole value chain to drive progress and identify further opportunities
- Collaborate with our supply chain partners on our climate, nature and human rights efforts to drive further progress in building more resilient supply chains
- Build further on the strength of our supermarket locations and customer traffic, investing in Smart Charge to increase our network of reliable ultra-rapid charging bays throughout 2024/25

Our People

Building an inclusive culture

Our vision is to be the most trusted retailer, where people love to work and shop. That means harnessing talent, creativity and diversity of colleagues in an environment where everyone can thrive. We are committed to being a truly inclusive employer where all our colleagues are treated fairly and with respect and are encouraged to develop their skills and fulfil their potential.

Our valued behaviours

Our valued behaviours are embedded across everything we do in order to deliver our purpose and strategy. They enable all colleagues to understand our ways of working and what we expect from colleagues, leaders and managers to make a difference for our customers and colleagues.

Own It

- Do what you say you'll do
- Don't walk past a problem

Make It Better

- Improve things for your customer
- Spot opportunities to simplify

Be Human

- Walk in the shoes of your colleagues and customers
- Show care and respect to everyone

Aligned with our valued behaviours, we have set performance expectations for our leaders and colleagues. These provide a framework which enables colleagues to understand what's expected of them, as well as what they deliver in their roles. These expectations underpin how we manage performance and support career and development conversations.

Investing in colleagues

We are committed to doing all that we can to support our colleagues and have continued to make significant investments in pay. During the year, we have made our biggest ever single investment to reward hourly paid colleagues, accelerating our commitment to always invest in our people first.

To further support our colleagues, we provide free food for store and depot colleagues during their shifts and, in July 2023, we introduced free sanitary products across all sites and stores for colleagues. We have also increased the frequency of additional discounts at Sainsbury's for all colleagues. The colleague discount on Sainsbury's purchases increases from 10 per cent to 15 per cent every Friday and Saturday. This provides additional certainty to our colleagues and makes their weekly shop more affordable.

During the year, we introduced Simple Savings and Help to Save, where colleagues can save directly from salary, helping them to save more easily. Our partnership with Salary Finance includes loans and Pay Advance, which gives colleagues the option to access their pay ahead of pay-day. There are also a number of financial and emotional wellbeing resources available to colleagues, particularly those relating to budgeting, savings and debt management.

We continue to make an annual contribution to GroceryAid, a charity that supports grocery workers across a range of areas, including financial support.

Training and development

We have a wide variety of development programmes and opportunities available for colleagues. This includes personal development toolkits and programmes, including apprenticeships.

Under Plan for Better, we committed that at least 75 per cent of colleagues on an apprenticeship will successfully complete their programme, ahead of nationally reported apprenticeship completion rates. We offer a variety of apprenticeships across the business and have already supported 1,950 of our colleagues and managers with apprenticeship roles since 2016. We utilise apprenticeship programmes to enhance colleagues' knowledge, skills and behaviours across a structured programme aligned to their job role, so they can make an even greater impact in their role and have greater confidence with their increased knowledge.

Colleagues have access to a learning platform which hosts a variety of online courses, including mandatory training and personal development. We also offer colleagues the opportunity to attend Skills Boosts, targeted development workshops on a single behaviour or skill.

During the year, we hosted Company-wide webinars. In these sessions, thought leaders and experts share concepts, tools, and tips related to our valued behaviours and cultural initiatives. Colleagues have the opportunity to submit questions to the speaker via a chat during the session.

Our range of leadership programmes includes Leading@Sainsbury's, Accelerate YOU and our Leadership Acceleration Programme, which helps colleagues develop the key leadership behaviours needed to thrive within the Sainsbury's group. Under Better for Everyone, we aim for 70 per cent of colleagues who are on our Leading@Sainsbury's programme to be promoted within nine months of its completion.

Health, safety and wellbeing

The health and safety of our colleagues and customers is a top priority and is essential to the smooth running of our business. As a result of the measures and processes we have put in place, there continues to be a reduction in injuries to both colleagues and customers. Reported colleague accidents have decreased by 27 per cent and customer accidents by 49 per cent over the last seven years.

An independent safety team supports our retail and logistics operations and provides expertise, coaching and challenge to our line managers. We use our innovative risk mapping tool and data from a wide range of sources to identify those sites which require support. This ensures that we continue to reduce harm whilst ensuring we have the right level of compliance in place around key areas such as training, fire safety and adherence to procedures.

Our governance processes ensure colleagues can feedback on issues, regularly engage with unions and benefit from Board oversight. We have strong and well-established Primary Authority relationships in place that cover all our risk areas including health, food, fire and petroleum safety. These relationships are built on a foundation of trust and we openly share information with our Primary Authority.

Supporting the wellbeing of our colleagues really matters. It's our aim that every colleague will have access to physical, mental and financial wellbeing support through benefits, tools and resources that enable them to make positive and proactive choices to thrive in all aspects of life. We offer a range of wellbeing programmes, initiatives and education, like our Employee Assistance Programme, to do just that.

At Sainsbury's, we have empowered our colleagues to work differently. We introduced Smarter Working, which covers flexible working, hybrid working, meeting frameworks and our Core Days concept – all to maximise performance, productivity and flexibility. Smart Weeks are all about greater choice to work flexibly whilst meeting the needs of a seven-day-a-week business. We recognise that not every week is the same and Smart Weeks allows our colleagues flexibility in when they work by flexing the length of their days to accommodate workload peaks or personal commitments.

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I firmly believe we all need to take time to reflect on how we're really doing, to ensure we're as happy and healthy in all aspects of our lives as we can be.

Clodagh Moriarty
Operating Board Sponsor for Wellbeing

An inclusive place to work and shop

We get feedback from our colleagues through our annual engagement survey, regular 'temperature check' surveys and ongoing colleague listening. This helps us to understand what is important to our colleagues and to identify how we can continue to support them. After each colleague engagement survey, line managers discuss the results with their teams and work together to plan and implement actions that will help make Sainsbury's a truly great place to work.

We continue to focus on representation and transparency across the business and again published our integrated Gender and Ethnicity Pay Report. In our most recent report, our mean gender pay gap has decreased from 8.5 per cent to 8.4 per cent, while our median gender pay gap has increased from 6.3 per cent to 6.7 per cent. While we have seen a further improvement in representation of women at senior levels in our organisation over the last year (up 5.4 per cent), the pay gap still exists as we have more men in higher-paid management and senior leadership roles. Our hourly paid retail colleagues are all paid the same base rate of pay, but certain roles attract a premium, including drivers and bakers, where men represent over 90 per cent of the population. Our median pay gap increase is a result of recruitment of men into retail hourly paid colleague roles, with more men now receiving a skills premium compared to last year.

Our mean ethnicity pay gap is -2.9 per cent (-1.6 per cent in 2022) and median gap is -5.4 per cent (-4.0 per cent in 2022). Location pay is key in explaining our ethnicity pay gaps. Although all retail hourly paid colleagues receive the same base rate of pay, stores in London attract a location premium. Around 50 per cent of retail hourly paid Ethnically Diverse colleagues work in a London store, compared to only 5 per cent of White hourly paid colleagues.

Progress on our current Better for Everyone commitment to achieve diverse representation at senior leadership and senior management positions by 2024 can be seen in the tables on page 21.

We are committed to being an inclusive employer with diverse representation at all levels of our business. We train senior managers who are responsible for recruitment to be inclusive in their decision-making and manage bias through the process. Our recruitment dashboard helps us to identify how successful we are in attracting diverse talent for our store support centre, retail and logistics roles and highlights any adverse impact in the recruitment process. Using this data, we work with our Talent partners across the business to agree interventions to support our inclusivity objectives.

Our range of leadership development programmes includes acceleration programmes to support a diverse talent pipeline. This year, we launched Accelerate YOU, which aims to accelerate the progression of high potential Ethnically Diverse colleagues by maximising talent and increasing cognitive diversity, creativity and competitiveness through targeted and personalised development. We also sponsored the Diversity in Retail Ethnic Future Leaders Programme. Their successful completion of the programme reflects our commitment to nurturing diverse talent within the business and industry.

Our People continued

An inclusive place to work and shop continued

Sainsbury's Colleague Networks

Our networks are led by our colleagues are open to colleagues of that community and other allies. Over 13,000 colleagues are members of the networks.



Our EnAble network supports all colleagues with disabilities and long-term conditions to fulfil their potential by increasing awareness, boosting confidence and helping to simplify processes. It is sponsored by Tim Fallowfield, OBE, Company Secretary and Corporate Services Director, and Mark Given, Chief Marketing Officer.

Most recently, the EnAble team hosted Sainsbury's Disability Week 2024. This event explored the breadth of disability and neurodiversity that exists in our business, enabling colleagues to talk about the opportunities inclusivity presents and how to be effective allies through colleague panels and a keynote speaker.



Our I AM ME network aims to build ethnically diverse colleague confidence, support better progression, celebrate different cultures and build an inclusive culture. It is sponsored by Graham Biggart, Chief Transformation & General Merchandise Commercial Officer. In the year, the I AM ME team have hosted many business-wide events, including Race Equality Week, South Asian Heritage Month and Black History Month, providing our colleagues and allies with a voice to raise awareness and understanding whilst celebrating diverse cultures.



Our Inspire network drives positive change within Sainsbury's, creating an inclusive culture that inspires, connects, and supports colleagues to reach their potential, regardless of gender. It is sponsored by Rhian Bartlett, Chief Food Commercial Officer.

Throughout the year, the Inspire team have connected with colleagues to highlight key issues and provide guidance on how colleagues can overcome related challenges. The team marked many important events, including International Men's Day, International Women's Day and World Menopause Day.



Our Proud@Sainsbury's network aims to create and nurture a workplace where everyone is free to be themselves, irrespective of gender identity, gender expression or sexual orientation.

This year, the Proud@Sainsbury's team and allies were a visible presence at more than 20 Pride events across the country. They marked many important moments, including Trans Awareness Week, International Day Against Homophobia, Transphobia and Biphobia, Non-Binary People's Day, Bi Visibility Day and LGBT+ History Month.



Our We Care network aims to make caring visible by raising awareness and supporting our Carer colleagues to reach their full potential. It is sponsored by Tim Fallowfield OBE, Company Secretary and Corporate Services Director. During the year, the We Care network focused on providing resources, guidance and advice for our Carers and Line Managers. They also celebrated Carers Week, Young Carers Rights Day and Carers Rights Day and hosted informal support sessions throughout the year.

We are proud that our diversity, equity and inclusion initiatives have been recognised at a national level.

For the second consecutive year, we've been included as a 'The Times' Top 50 Employer for Gender Equality, one of only two retailers recognised in the list and setting the benchmark for gender inclusivity in our industry. We are one of only 68 companies in the FTSE 350 to have met, or exceeded, the FTSE Women Leaders' 40 per cent Women in Leadership Target.

We were awarded the Leading Edge Employee Journey award from Diversity in Retail for the effort we have made in ensuring that inclusion is at the heart of each stage of the colleague lifecycle.

We continue to be accredited as a Disability Confident Leader, which is the highest tier of accreditation in the government's Disability Confident scheme.

We launched Thrive with Sainsbury's in 2022, the UK's first retail incubator programme for Black founded and owned brands. As a result, we were delighted to launch four new brands in our stores this year.

Three Sainsbury's colleagues were recognised in Diversity in Retail's Women to Watch and Role Models for Inclusion in Retail Index. A Sainsbury's colleague was also listed in The Grocer's Top 10 activists to make grocery a better industry for the LGBTQ+ community and nominated for the 2024 British Diversity Awards. Our I AM ME network has been recognised as a Top 10 colleague network by the Investing in Ethnicity Awards for the third consecutive year and our Proud@Sainsbury's network was nominated for the LGBTQIA DIVA Award in the category Network of the Year.

We are making progress in driving positive, sustainable change to improve the lived experience and opportunities for underrepresented groups. There is more that we can do and we continue to work with a number of partners, including Business Disability Forum, Carers UK, Stonewall, Business in the Community, Diversity and Inclusion in Grocery and Diversity In Retail.



Further information can be found in the **Better for Everyone** section of our corporate website and in our **Gender and Ethnicity Pay Report** at www.about.sainsburys.co.uk

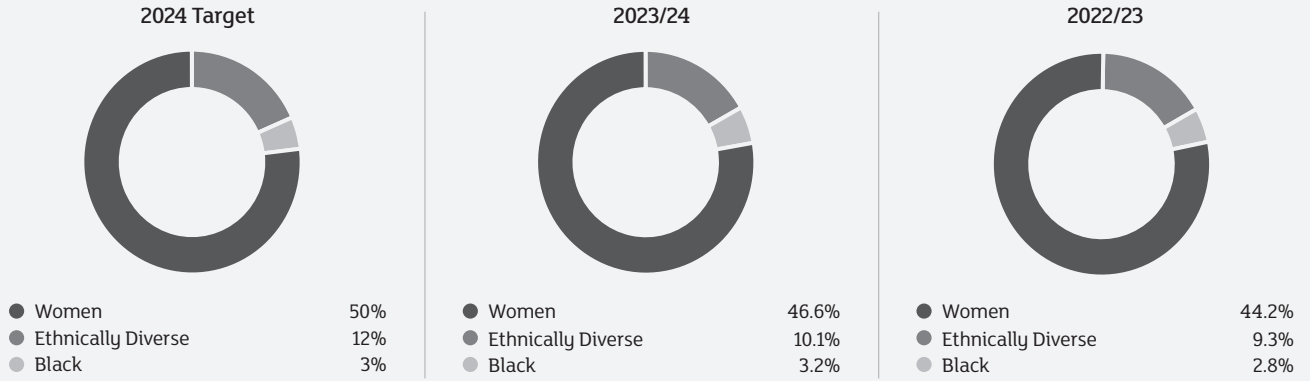


We have a lot more to do, but with 71% of colleagues happy at work and 79% of colleagues able to be themselves at work, we are proud to be making progress in enhancing inclusivity across the business.

Prerana Issar
Chief People Officer

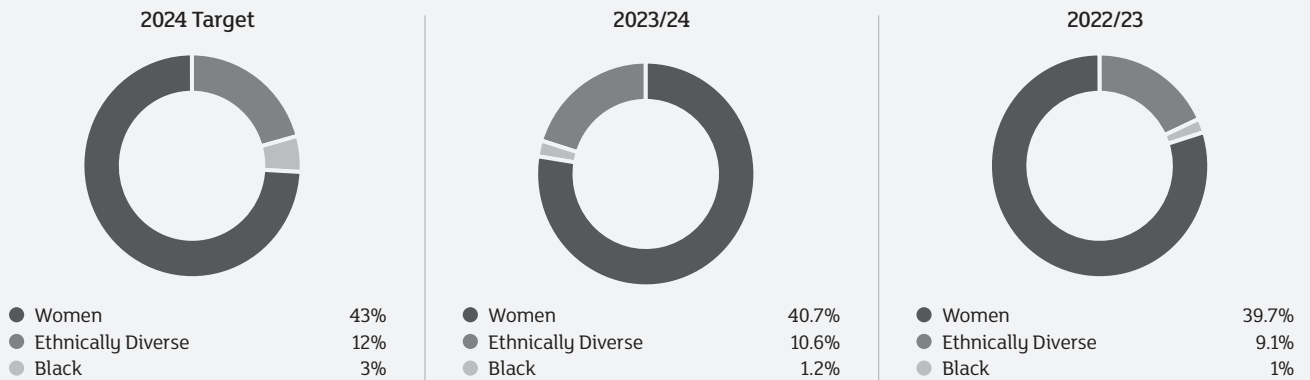
Diversity and Inclusion targets

Senior leadership positions (the top 230 leaders)

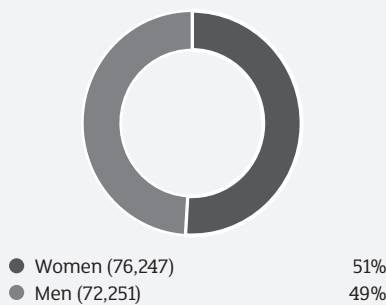


Diversity and Inclusion targets

Senior management positions (the top 1,200 leaders beneath the top 230 senior leadership positions)



Total colleagues



We are committed to continue to work on diversity, equity and inclusion, and I am passionate about making sure that every one of our colleagues has a voice and is heard.

Simon Roberts
Chief Executive

Our Section 172 statement

Stakeholder considerations play an important part in the Board's discussions and decision-making in promoting the long-term success of the Company.

During the year ended 2 March 2024, the Board has acted in accordance with Section 172(1) of the Companies Act 2006. Each Director has acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole.

In doing so, the Directors have regard to the interests of other stakeholders, whilst maintaining high standards of business conduct. Examples of how Directors have applied these matters in Board discussions and their decision-making are included throughout this Annual Report.

The Board considers the potential consequences of its decisions on stakeholders, recognising that decisions made will not necessarily result in a positive outcome for every stakeholder group. Processes are in place to ensure effective decision-making, which balances the needs of our stakeholders with the business's strategic priorities, purpose, culture and values.

An overview of our key stakeholder considerations that influenced discussions and the outcomes of these discussions is outlined below. Further examples of how the stakeholder voice has been brought into the boardroom can be found in our Governance section on pages 66 to 80.

Section 172 duties	Relevant disclosure and page number
The likely consequences of Board decision-making in the long term	Chair's letter on page 2 Chief Executive's letter on page 4 Business model on page 8 Our strategy on page 10 Delivering on our outcomes on page 12 Plan for Better Report on page 15 Our people on page 18 Engaging with our stakeholders on page 23 Key performance indicators on page 44 Financial Review on page 46 Principal Risks and Uncertainties on page 54 Statement of Viability on page 62 Chair's governance letter on page 66 Board leadership and Company purpose on page 73 Annual Report on Remuneration on page 104
The interests of our colleagues	Chair's letter on page 2 Chief Executive's letter on page 4 Business model on page 8 Delivering on our outcomes on page 12 Plan for Better Report on page 15 Our people on page 18 Engaging with our stakeholders on page 23 Key performance indicators on page 44 Chair's governance letter on page 66 Board leadership and Company purpose on page 73 Annual Report on Remuneration on page 104
The need to foster our business relationships with suppliers, customers and others	Chief Executive's letter on page 4 Business model on page 8 Our strategy on page 10 Delivering on our outcomes on page 12 Engaging with our stakeholders on page 23 Key performance indicators on page 44 Chair's governance letter on page 66 Board leadership and Company purpose on page 73 Corporate Responsibility and Sustainability Committee Report on page 89

Section 172 duties	Relevant disclosure and page number
The impact of our operations on the community and the environment	Chief Executive's letter on page 4 Our strategy on page 10 Delivering on our outcomes on page 12 Plan for Better Report on page 15 Task Force on Climate-related Financial Disclosures (TCFD) on page 30 Principal Risks and Uncertainties on page 54 Board leadership and Company purpose on page 73 Corporate Responsibility and Sustainability Committee Report on page 89
The desirability of maintaining a reputation for high standards of business conduct	Our strategy on page 10 Engaging with our stakeholders on page 23 Key performance indicators on page 44 Principal Risks and Uncertainties on page 54 Non-financial information statement on page 64 Chair's governance letter on page 66 Board leadership and Company purpose on page 73 Composition, succession and evaluation on page 81 Division of responsibilities on page 84 Nomination and Governance Committee report on page 85 Annual Report on Remuneration on page 104
The need to act fairly between shareholders	Engaging with our stakeholders on page 23 Chair's governance letter on page 66 Board leadership and Company purpose on page 73 Audit Committee Report on page 92

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As we embed our Next Level Sainsbury's strategy, strong stakeholder engagement will continue to be a key priority.

Simon Roberts
Chief Executive

Engaging with our stakeholders

Regular stakeholder engagement develops our understanding of key issues and underpins decision-making by the Board and Operating Board. Throughout the year, we endeavoured to build opportunities for two-way, open and positive engagement with all of our stakeholder communities.

Customers

Why they matter

Over two-thirds of the total retail shoppers in the UK have shopped with Sainsbury's over the last year and there were over 22.3 million active Nectar users. Within Argos, we have 19 million active customers, and the website is the fourth most visited online retailer in the UK. In Financial Services, we have 1.8 million active Sainsbury's Bank customers and 2.0 million Argos Financial Services customers.

Understanding the needs of our customers allows us to provide relevant products and services. Satisfied customers are key to our long-term success.

What matters to them

- Competitiveness and value
- Availability and range of products
- Convenience and location
- Great service levels
- Speed of Groceries Online delivery
- Quality of products
- Sustainability

How we engage

- 3.2 million responses this year across all of our Sainsbury's and Argos customer feedback programmes
- Nectar data, which helps us understand how customers are shopping
- Qualitative customer focus groups and quantitative surveys
- Social media listening
- Brand tracking, which assesses the performance and perception of our different brands
- I Care, a satisfaction survey which helps us understand the overall shopping experience for our customers

Engagement outcomes

Over 1,100

new products launched

- The Board and Operating Board reviewed customer feedback and overall metrics on consumer sentiment and trends to inform our responses to the key issues impacting customers, such as price inflationary pressures and availability of products
- The Chief Marketing Officer provided regular updates to ensure that the Board received feedback from our customer listening sessions
- The Board continues to focus on delivering for customers in line with our priorities in this final year of the current strategy and as we move into our Next Level Sainsbury's strategy:
 - First choice for food: customers choosing Sainsbury's as the place they come to for good food, providing more food choice and consistent value, whilst offering a complementary range of relevant products
 - Loyalty everyone loves: we are building a world-leading loyalty platform that is more personalised, joyful, rewarding and transparent
 - More Argos, more often: providing a brilliant and convenient range of products at great value
 - Save and invest to win: ongoing internal transformation enabling us to reinvest in our customer offer
- Our strategy is underpinned by our Plan for Better: supporting our customers to eat healthily and sustainably, whilst delivering on our commitment to become net zero in our operations by 2035
- The Board used its understanding of our customers when evaluating and supporting the Next Level Sainsbury's strategy, enabling the business to invest further in what really matters to customers
- We launched 1,100 new products as we continued to deliver food innovation to customers to put food back at the heart of Sainsbury's
- The Board supported the launch of Smart Charge in response to our customers' need for convenient EV charging and ongoing interest in sustainability

More information

More information on our customer engagement activities can be found on page 12.

Engaging with our stakeholders continued

Colleagues

Why they matter

Our colleagues include everyone who is employed by the business. Colleagues are at the heart of everything we do and their commitment to our purpose and values is critical to the business's long-term success.

What matters to them

- Reward and benefits
- Career progression
- Colleague engagement
- Communication
- Training and development
- Wellbeing
- Health and safety
- Diversity, equity and inclusion

How we engage

- Regular Non-Executive Director, Chief Executive and Operating Board meetings with our workforce advisory panel, the National Make It Better Together group, to directly understand the views of colleagues from across the business via their elected peers
- Operating Board Director Listening Sessions to provide an opportunity to hear directly from colleagues across the business
- Continual two-way communication through internal channels, including monthly live presentations, question and answer sessions and internal social media discussions with the Operating Board
- Honest, confidential colleague feedback on what it is like to work for the business through our annual colleague engagement survey, 'We're Listening', and regular pulse surveys
- Colleague feedback through topic-specific 'temperature check' surveys throughout the year, helping us to understand colleagues' views and sentiments
- Regular updates provided to the Board and its Committees on culture, engagement, diversity, equity and inclusion, colleague pay and benefits and talent and succession

Let's Talk

As in previous years, direct dialogue between colleagues and the Board and Operating Board has been essential in creating a culture of open, honest feedback. This feedback has always informed decision-making within the business.

This year, we have introduced 'Let's Talk' sessions to create more opportunities for colleagues to talk directly with the Operating Board. These colleague listening sessions provide the space for more colleagues to address the issues that concern them, while getting a better understanding of why our new purpose and strategy are so important for the future success of the business.

Colleagues are also invited to continue the conversation between 'Let's Talk' sessions via our internal social network.

Feedback from these sessions will be shared with relevant colleagues and decision-makers in the business, so that appropriate and swift action can be taken.

Engagement outcomes

£200 million

Investment into colleague pay

- Colleague feedback from all channels was shared and discussed at Board meetings. This provided the Board with insight and challenge, feeding into the review of the Next Level Sainsbury's strategy and wider decision-making
- Decision-makers across the business received timely feedback, allowing colleague interests to remain a priority when considering key concerns, including the cost of living crisis and inflationary pressures, safety and communication
- Updates on decisions made as a result of colleague feedback were shared with colleagues through regular communications from the Chief Executive and Operating Board members
- We made our biggest ever single investment into colleague pay – £200 million. From March 2024, Sainsbury's and Argos store colleagues receive a base rate of at least £12.00 per hour (£13.15 per hour for those in London). We continue to pay in line with the Real Living Wage and significantly ahead of the government's National Living Wage
- Further supporting colleagues with cost of living, we continue to provide free food for colleagues in stores, depots, Local Fulfilment Centres and contact centres, and in response to colleague feedback, have moved colleague discount uplifts in Sainsbury's to 15 per cent every Friday and Saturday
- We continue to deliver development and career growth opportunities for colleagues through apprenticeships, early-career engineering and technology programmes and acceleration programmes, resulting in increased engagement scores for colleague development

More information

More information on our colleague engagement activities can be found on pages 18 to 21.

Shareholders

Why they matter

We have over 96,000 shareholders, including large institutional investors and smaller individual shareholders.

Access to capital is vital to the long-term performance of our business. We provide fair, balanced and understandable information to shareholders and equity analysts and work to ensure they have a strong understanding of our purpose, strategy, performance and culture. Regularly engaging with shareholders helps us to inform strategic decision-making and to understand their views.

What matters to them

- How consumer spending habits are changing as cost of living pressures recede but higher interest rates persist, particularly in general merchandise spend
- How industry grocery volumes are trending now that inflation is falling
- Outlook for grocery inflation and possible price deflation, and what this means for industry dynamics
- Whether there are signs of a change in competitive behaviour
- Argos's trading momentum and the outlook for sales and profit, as well as clothing performance
- Sustainability of Sainsbury's grocery volume share momentum and sources of market share gains beyond value improvement
- Providing detail on the Next Level Sainsbury's strategy and drivers of profit growth
- Providing confidence in cash flow guidance, including capital expenditure discipline and the impact of working capital
- Providing clarity on ongoing shareholder returns and potential future share buybacks
- Understanding the moving parts of cost inflation, such as lower energy costs, but ongoing wage inflation
- The impact of exiting core Sainsbury's Bank services, including the impact on profit guidance and future cash returns
- Progress against our Plan for Better sustainability targets

How we engage

- One-on-one investor meetings with the Chair, Chief Executive, Chief Financial Officer and Director of Investor Relations and Financial Planning
- Real-time feedback from investors after meetings and presentation
- The Annual General Meeting
- Capital Markets Day
- Attendance at results presentations, key investor conferences and tours of our stores
- Regular email and telephone contact with investors and analysts
- A shareholder event for retail investors
- Dialogue with shareholder groups
- Regular engagement with investors on Environmental, Social and Corporate Governance (ESG), including holding a deep dive investor group meeting and issuing Investor ESG newsletters
- Analyst attendance at the Board Strategy meetings, providing insight and perspective on the retail sector

Engagement outcomes

Next Level Sainsbury's

Launched updated strategy in February 2024

- The Board regularly received reports and updates on shareholder relations, summarising key feedback from our principal shareholders, to ensure that shareholders' views informed decision-making throughout the year
- The Board used its understanding of investor viewpoints when evaluating and supporting strategy, ensuring the strategic outcomes and financial outcomes will deliver for shareholders over the course of the plan
- In February 2024, we hosted an in-person event for investors and analysts to launch our Next Level Sainsbury's strategy, providing direct access to the Operating Board
- In October 2023, we engaged with our investors in an open Q&A around the successes we are seeing and challenges we are facing to drive bigger and faster results
- We commissioned a detailed Investor Study as part of our Next Level Sainsbury's strategy formation. This activity involved interviewing 16 leading investors, representing 34 per cent of the issued share capital, and reporting key findings back to the Board

Engaging with our stakeholders continued

Suppliers

Why they matter

We have over 6,000 Goods For Resale (GFR) suppliers that supply products for food, general merchandise and clothing, and over 1,700 Goods Not For Resale (GNFR) suppliers across the Group that support all functions, including logistics, marketing, technology and retail. Our suppliers range from large multi-national companies to small independently-run businesses.

Our GFR suppliers are fundamental to the quality and variety of products we sell and enable us to meet the high standards that we set ourselves.

Our GNFR suppliers provide operational excellence and access to new technology and innovation that ensures we keep pace with the evolving and changing needs of our business.

What matters to them

- Long-term relationships
- Cost-efficiency
- Responsible procurement, trust and ethics
- Technological advances
- Payment practices

How we engage

- Supplier events to bring suppliers and senior decision-makers together and share progress
- Consistent communication and updates with our supply base through online supplier portals
- Taking part in annual, independent surveys which benchmarked us against other retailers and highlighted areas for improvement; these included the Supplier Advantage survey and the Groceries Supply Code of Practice supplier survey
- Clearly communicated expectations in relation to our Plan for Better commitments through sustainability working groups for collaboration and engagement
- Publishing our Modern Slavery Statement to ensure suppliers understand the importance of preventing Modern Slavery and human trafficking to our business
- Setting up new sustainability working groups

Engagement outcomes

- Cognisant of the impact of its decisions on suppliers, the Board received regular updates on supplier relationships and encouraged collaborative working with our supplier partners
- In May 2023, we held our major food supplier event with over 2,000 attendees, updating suppliers on our progress, strategy and priorities. Two-way engagement at this event enabled us to outline expectations and suppliers to explore the themes that mattered most to them. We also held a smaller event for our own brand food suppliers in September 2023 to update them on key matters that were specific to suppliers of Sainsbury's branded products
- In February 2024, we hosted a briefing for suppliers to launch our Next Level Sainsbury's strategy
- Our management teams actively engaged with our supply chains to manage key short and longer-term risks, focusing on building more resilient supply chains for the future
- The Corporate Responsibility and Sustainability Committee received updates during the year on the outcomes of the annual, independent surveys, which helped shape supplier-related initiatives and prioritise focus areas to deliver tangible improvements for our suppliers
- Our ongoing collaborative approach to our Plan for Better commitments has resulted in a greater understanding of progress towards net zero with 23 of our suppliers (6 per cent of emissions) having approved SBTi 1.5°C net targets and 683 suppliers (57.2 per cent of emissions) are disclosing their emissions through Higg and Manufacture 2030
- In recognition of our engagement efforts, we were awarded an A rating for supplier engagement by the CDP
- The Corporate Responsibility and Sustainability Committee regularly discussed the approach and actions we are taking to mobilise action in our supply chains on all areas of sustainability

More information

More detail on how we work with our suppliers on sustainability can be found on page 15 and in our standalone Plan for Better Report.

Suppliers as partners

Our suppliers have always been integral to the success of the business, helping us to provide good food and innovative products to meet our customers' needs. We pride ourselves on building long-term relationships with our GFR and GNFR suppliers.

In planning for the launch of the Next Level Sainsbury's strategy, we re-focused these supplier relationships in order to reframe our suppliers as partners. This approach has encouraged two-way conversation with suppliers to ensure ongoing high quality products and services for our business and customers. It is a key way in which we manage and improve the increasingly complex ethical, environmental and social challenges that we face to build a more sustainable food system in the UK.

Our partnership with Moy Park demonstrates this approach in action. In March 2023, we made improvements to our chicken welfare standards, becoming the first retailer of our scale to make this change to provide safe and healthier environments for chickens, while maintaining the great value that our customers expect. Working collaboratively with Moy Park, scientific experts and our trusted farmers on research and development projects also enabled us to use technology to improve the monitoring of welfare.

Communities

Why they matter

We believe that everyone deserves access to good food. However, our communities continue to be impacted by the rising cost of living, with 15 per cent of UK households living in food insecurity in the UK. As a responsible retailer, we want to support the communities that we serve in the UK and internationally.

Nurturing resilient communities is at the heart of our brand heritage and we have a long history of making a positive difference to the communities we serve, both locally and internationally.

What matters to them

- Tackling food poverty for communities at risk now and in the future
- Improving access to food to prevent the risks of falling into food poverty
- Impacting our communities at a local and national level
- Supporting communities internationally exposed to humanitarian disasters

How we engage

- Ongoing partnerships with our food redistribution partners, including Neighbourly, FareShare and The Felix Project, to address the immediate need for access to food within our communities
- Longstanding partnership with Comic Relief on our Nourish the Nation community programme, providing us with first-hand insights into the needs of our communities and funded partners to inform funding decisions
- Consulting key NGOs to understand the context around food insecurity in the UK and their recommended changes
- Rallying customers and colleagues behind our efforts through fundraising and awareness campaigns
- Community champions in our stores and store support centres, who amplify our impact to ensure it is relevant to the communities we are serving

Engagement outcomes

13.5 million

meals donated

- Our community and charity partnerships have raised £36 million for good causes
- Moving into its third year, our Nourish the Nation programme has raised £11.4 million to support Comic Relief. This will fund initiatives designed to tackle food insecurity and ensure communities have access to balanced, nutritional and sustainable food sources
- Together with some of our key suppliers, we have committed to donating over one million meals in support of the Coronation Food Project
- We distributed 13.5 million meals to those who needed them most through our partnership with Neighbourly
- Our community grants for local good causes supported 798 good causes aimed at helping to tackle food poverty
- We redistributed 57.8 per cent more surplus food to communities through our partnership with Neighbourly and other redistribution partners
- Our ongoing partnership with FareShare online has generated over £700,000 in customer donations

More information

More information on our communities can be found on in our Plan for Better Report on www.about.sainsburys.co.uk

Engaging with our stakeholders continued

Government, parliamentarians and regulators

Why they matter

The UK Government and devolved administrations in Scotland, Wales and Northern Ireland set the regulatory environment in which our business operates.

As a UK-based business and a major employer of over 148,000 colleagues, it is appropriate and responsible for a business of our scale to engage in a transparent way with government and regulators.

What matters to them

- Openness and transparency
- Compliance with regulation, including Groceries Supply Code of Practice
- Action on sustainability matters
- Diversity, equity and inclusion
- Industry insight to support legislation

How we engage

- Engagement with government and policymakers through regular correspondence and attendance at parliamentary and political events
- Public responses to government consultations and through NGO/ industry groups
- Direct meetings, including store-based engagement with elected representatives
- Government-organised roundtables
- Participation in government-organised forums, such as the Retail Sector Council, Defra Retailer Forum, Department for Business and Trade Retail Forum and Food Data Transparency Project
- Liaison with key bodies and departments, including the Groceries Code Adjudicator, HMRC, Trading Standards, Food Standards Agency, Environment Agency and Department for Health and Social Care
- Trade association meetings, including those convened by the British Retail Consortium and the Institute of Grocery Distribution

Engagement outcomes

- The Board and the Corporate Responsibility and Sustainability Committee received updates in relation to our work with government and regulators to monitor developments and ensure Board engagement
- The Board and senior leadership have been in regular dialogue with ministers and officials, in respect of wide range of issues of relevance to our business sector
- We proactively engaged with these stakeholders on public policy issues affecting our customers and colleagues. Key areas of discussion this year include the reform of business rates and the removal of downward transitional relief; implementation of the Northern Ireland Protocol and Windsor Framework; implementation of new High Fat, Sugar and Salt restrictions in our stores; development of new schemes to improve recycling, such as the Deposit Return Scheme and Extended Producer Responsibility; and challenges facing the food supply chain, such as high energy and commodity costs and labour shortages
- We hosted a Health Policy discussion at Westminster Parliament, sharing Nectar insights on the gap between customer health attitudes and purchases, helping consumers adopt healthier diets

More information

More information on our activities with Government, parliamentarians and regulators can be found in our standalone Plan for Better report.

Non-governmental organisations

Why they matter

Non-governmental organisations (NGOs) are the force maintaining focus, facilitating collaboration and driving pace and change on pivotal issues across the spectrum within our industry. Through engagement with NGOs, our business is able to reflect on the progress made and identify the steps to go further in unlocking sector-wide challenges, which is particularly important at the launch of the Next Level Sainsbury's strategy and through related business transformation.

What matters to them

- Openness and transparency
- Collaboration with NGOs and other members of the industry
- Business responsibility
- Insight from business leaders
- Dedication of time and resources to address key challenges and issues

How we engage

- Ongoing development of long-term partnerships with NGOs
- Regular industry meetings and collaboration, supported by NGOs
- Key figures within our partner NGOs provided upskilling sessions within the business

Engagement outcomes

- The Chief Executive continued to meet with signatories to the WWF's Retailers' Commitment for Nature. We submit our data annually to support the monitoring of progress across UK retailers halving the environmental impact of UK baskets by 2030 through the WWF Basket Report
- We worked closely alongside many NGOs, including WRAP, to unlock sector-wide challenges on data definition and measurement in a variety of areas
- Under the Food Data Transparency Project, we have actively participated in the Data and Health working groups, supporting aligned definitions and disclosures for the food sector on healthier sales
- Through our work with the Obesity Health Alliance, we shared private sector perspectives with food system actors on this key topic
- Alongside IGD, FIO-FOOD and DIO-FOOD, we worked with academics to independently assess retailing interventions to establish successful methods for supporting customers shopping in line with the Eatwell Guide
- Our work with Mondra, IGD and FIO-FOOD explored data solutions to systemically build sustainability metrics into recipe information, allowing us to identify material areas for action and help support more sustainable sales in future

Climate change and Task Force on Climate-related Financial Disclosures (TCFD)

Introduction

With the impacts of climate change being felt around the world, we are acutely aware of the leadership role we must play in addressing the current, evolving and future climate risks faced.

We have approved Science Based Targets initiative (SBTi) 1.5°C aligned targets to reduce greenhouse gas (GHG) emissions to net zero within our own operations by 2035 and in our Scope 3 emissions by 2050. We have proven success in reducing our own emissions and we are also collaborating closely with our suppliers to ensure we're driving positive change across our supply chain (see pages 41 to 43 for an overview of our Climate Transition Plan).

No one business or organisation can tackle the challenge of climate change in isolation and collaboration across industry, NGOs, government and beyond is required if we are to deliver the action required to meet our collective targets. Collaboration with our supply base is a critical unlocker. However we must also look at sector-level action through initiatives like the World Wide Fund for Nature's (WWF) Retailers' Commitment for Nature to drive greater action as a collective force.

Taking action on climate change is not a new step for us. In fact we have taken many strides forward over the last decade in our efforts to decarbonise our business. However, we are very aware that climate change risk is evolving and we must look ahead and scenario plan to inform decisions over the short, medium and long term. Our Task Force on Climate-related Financial Disclosures (TCFD) explain how we have identified, responded to and monitored the impacts of climate-related risks and opportunities on our business, including how we incorporate our findings into our wider strategy to bolster our climate resilience. This is our fourth year of reporting against the recommendations set by the Task Force. We have complied with the Financial Conduct Authority listing rule LR 9.8.6R by including climate-related financial disclosures consistent with all of the TCFD recommendations, which we discuss below.

Governance

Governance a) Board's oversight of climate-related risks and opportunities

The Board

The Board is accountable for risk management, strategy and target setting, including climate-related matters. The Board monitors how we are responding to climate-related risks and opportunities, identified through the risk management process and scenario analysis. The Board also oversees our Plan for Better strategy, which includes climate-related matters and is responsible for setting targets and monitoring progress against our climate-related metrics.

The Board recognises the importance of ensuring that there is appropriate climate-related expertise within the business and has undertaken training by the Cambridge Institute for Sustainability Leadership. The Board continues to upskill in this area and understands that responding to the impacts of climate change involves everyone in the organisation. To date we have provided relevant training for the wider commercial teams across the food and general merchandise divisions. See page 68 to 70 for biographies of our Board members, including their skills and experience.

Board Committees

The Corporate Responsibility and Sustainability Committee reviews the sustainability strategy and monitors the business engagement with our key stakeholders, including climate-related matters.

The Remuneration Committee reviews remuneration for Executive Directors against our Plan for Better targets and metrics, including long-term targets for Scope 1, 2 and 3 GHG emission (see page 99 for more details).

The Audit Committee reviews risks and confidence in the climate-related metrics that we disclose. Further information on the Corporate Responsibility and Sustainability, Remuneration and Audit Committees can be found on pages 74 to 80.

Governance b) Management's role in assessing and managing climate-related risks and opportunities

Operating Board

The Operating Board defines and monitors the business-wide strategy, including climate-related matters, adapting to new regulatory requirements and trends and approving major investments including capital allocation. The Operating Board is chaired by the Chief Executive, who also sits on the Board and Corporate Responsibility and Sustainability Committee. Further information on the key climate-related discussions is on page 79.

Plan for Better Steering Committee

The Plan for Better Steering Committee supports the Operating Board and leads the operational execution of our Plan for Better strategy, by overseeing business activity and monitoring performance against our climate-related metrics. The Plan for Better Steering Committee is chaired by the Chief Marketing Officer and has cross-divisional representation at Director level. Climate risks are reviewed annually at the Plan for Better Steering Committee with Board level oversight from the Corporate Responsibility and Sustainability Committee. Climate risks and mitigations are monitored throughout the year by the Plan for Better business leads and Steering Committee. The Government Affairs team provides regular updates to the Plan for Better Steering Committee, Operating Board and Corporate Responsibility and Sustainability Committee on relevant legislation and regulation impacting Plan for Better, including those relating to climate.

Further information on the Corporate Responsibility and Sustainability Committee can be found in its report on pages 89 to 91, providing information on the governance structure, its responsibilities, meeting frequency and principal activities in the year.

Strategy

Strategy a) Climate-related risks and opportunities identified over the short, medium and long term

Climate change impacts our business over the short, medium and long-term. Climate-related risks are categorised into physical and transition risks. Physical risks could impact our operations and supply chain through extreme weather events, such as flooding or droughts. Transition risks, as a result of moving to a low-carbon future, could impact us through changing consumers preferences or climate-related regulation, such as carbon taxes.

Climate change also presents opportunities to build business resilience and efficiency, create new climate-friendly products for our customers and develop and invest in new technology.

To classify climate-related impacts on our business we use our existing corporate processes (for risk management and financial planning cycles) to set the boundaries for financial impact ranges and time horizons (described further in the risk management section on page 53).

Financial Impact Ranges

Impact	Financial range (revenue)
High	Greater than £125 million
Medium	£25 million to £125 million
Low	Less than £25 million

Time Horizons

Time period	Years	Reason
Short	0 to 5 years	Aligned to our financial planning cycle
Medium	5 to 15 years	Nearer term focusing on transition risks and opportunities
Long	15 to 50 years	Longer term focusing on physical risks and opportunities

The table below captures the key climate-related risks and opportunities impacting our business, identified through our risk management process and qualitative scenario analysis. The financial impacts assume that actions are taken by the business to mitigate the climate-related risks and maximise the climate-related opportunities (see pages 34 to 35 for key actions).

Risks

Risk Description*	Time Horizon	Risk Type	Classification	Financial Impact (assuming actions are taken to mitigate risks)
Introduction of a carbon price leading to an increase in the cost of higher GHG emission products	Short / Medium	Transition	Policy and Legal	Low revenue loss
Ban on the sale of new petrol/diesel cars and vans from 2035 leading to a reduction in fuel sales	Medium	Transition	Policy and Legal	High revenue loss
Increased likelihood of heat events, flooding and droughts leading to a reduction in crop yields and increased sourcing costs	Short / Medium / Long	Physical	Acute	Medium / high revenue loss
Increased likelihood of flooding leading to water damage and closure of stores and depots	Short / Medium / Long	Physical	Acute	Low revenue loss / cost

Opportunities




Opportunity Description ^{a)}	Time Horizon	Risk Type	Classification	Financial Impact (assuming actions are taken to mitigate risks)
Climate-conscious consumers favouring lower GHG emission products	Short / Medium	Transition	Reputation	Revenue opportunity
Investment in climate change solutions	Short / Medium	Transition	Technology	Equity growth opportunity
Increasing demand for electric vehicle charging	Medium	Transition	Policy and Legal	Revenue opportunity

a) There are interdependencies between the climate risks and opportunities identified, such as the introduction of a carbon price providing further incentive for climate-conscious customers to favour lower GHG emission products.

Strategy b) Impact of climate-related risks and opportunities on business, strategy and financial planning

Our climate-related strategy is designed to respond to and manage the impacts of climate-related risks and opportunities that we have identified as well as support us in our journey to net zero by transitioning to a low carbon economy.

The table below shows the key actions we are taking to address the impacts of climate-related risks and opportunities.

Key climate-related risk/opportunity	How our strategy addresses the risks and opportunities identified
Climate-conscious consumers favouring lower GHG emission products  <i>Healthy and sustainable diets</i>  <i>Reduction in carbon emissions</i>	<p>Our aim is to make it easy for our customers to afford and access food that forms part of a healthy and sustainable diet. We know that consumer preferences are changing, with more customers wanting to make sustainable choices when it comes to food. We have an innovation pipeline of products geared towards supporting a healthy and sustainable portfolio with a focus on the development and promotion of lower GHG animal protein and nutritionally positive meat alternatives, to capture switching calories from existing and new customers. This year, after significant development, we launched a new <i>Taste the Difference</i> Aberdeen Angus beef range which offers a 25 per cent lower carbon footprint compared to UK average consumed beef.</p> <p>We have collaborated with Mondra, a third-party provider, on a pilot that explores the composition of our products and helps identify opportunities where we can produce lower emission products. We also focus on ensuring that lower GHG products remain nutritionally positive. More information on Mondra and Scope 3 can be found on page 39.</p> <p>We are increasing our use of recycled and alternative fibres, exploring projects focusing on durability in clothing blueprints to increase longevity of garments and looking into suitable options for circularity programmes, improving efficiency as well as appealing to climate-conscious consumers.</p> <p>To better understand the financial impacts of these transition risks we have performed quantitative scenario analysis on our Meat, Fish and Poultry and Clothing categories (see page 34 for more details).</p>
Introduction of a carbon price leading to an increase in the cost of higher GHG emission products  <i>Reduction in carbon emissions</i>	

Climate change and Task Force on Climate-related Financial Disclosures (TCFD) continued

Strategy continued


Strategy b) Impact of climate-related risks and opportunities on business, strategy and financial planning continued

Key climate-related risk/opportunity

How our strategy addresses the risks and opportunities identified

Investment in climate change solutions

We continue to invest significantly in engineering innovation, energy efficiency and carbon reduction initiatives in order to achieve our net zero targets. This investment is embedded into our corporate financial plans and has been approved by the Board.

 Reduction in carbon emissions

Our capital expenditure is prioritised on the areas that will help us meet our Scope 1 and 2 net zero target by 2035. This includes actions to reduce energy consumption through efficiency measures, remove gas heating, replace HFC refrigerant gas with natural alternatives, increase on-site renewable electricity generation and additional procurement of electricity through new-to-the-planet purchase power agreements and transition our full fleet to alternative fuel by 2035.

 Reduction in food waste


Examples of innovative technology that we have introduced includes the installation of Refrigeration Integrated Heating and Cooling (RIHC) systems which replaces natural gas heating by using the refrigeration systems to provide all heating and cooling requirements. We replace refrigeration systems in store in line with their lifecycles so that fridges that use hydrofluorocarbon refrigerant gas are replaced with those that use natural CO₂ refrigerants, which are also more energy efficient. We have an ongoing programme of installing solar photovoltaics (PV) panels across our estate, increasing on-site renewable electricity generation.

Changes in temperature due to climate change could negatively impact the shelf life of products we sell and increase our operational food waste. We are investing in technology to mitigate and reduce air infiltration within our stores to both minimise heating and cooling requirements and the impact of higher ambient air temperatures. This feature was installed in our new Hook store last year and will be rolled out to all new stores.

We work closely with external academic partners to support us in making investments in climate change solutions. Imperial College provides us with academic independence – we are working with them on short term studies relating to engineering solutions to support energy efficiency and carbon reduction programmes and a longer term project to understand the potential impact of climate change across our estate. We have also launched the Sainsbury's Innovation Investments (S2I) initiative in partnership with Williams Advanced Engineering, to support early-stage companies who specialise in developing disruptive technology to tackle climate change. We have committed to investing £5 million over four years in early-stage companies who are developing disruptive technology to tackle climate change and giving them the opportunity to trial the technology within our operations. See page 38 for more information.

Ban on the sale of new petrol/diesel cars and vans from 2035 leading to a reduction in fuel sales


This year we launched Smart Charge, a brand-new, dedicated Electric Vehicle (EV) charging business that will give customers access to ultra-rapid EV charging points across our stores. Within our own direct operations we are transitioning to alternative fuel across our full fleet by 2035.

 Reduction in carbon emissions


To better understand the financial impacts of this transition risk we have performed quantitative scenario analysis on our Fuel category (see page 34 for more details).

Increased likelihood of heat events, flooding and droughts leading to a reduction in crop yields and increased sourcing costs


We are working collaboratively with our key strategic suppliers on sustainability issues to build resilience and improve security of supply. This includes creating climate adaptation plans and ensuring the protection of human rights across our supply chain. Our analysis also looks at how physical risks can impact labour capacity so that we can identify which supply chains and geographical locations could be most at risk of reduced labour capacity due to heat stress.

 Reduction in carbon emissions

We understand the importance of working together with our suppliers to achieve a common goal. We have set up an Own Brand Technical Innovation Fund which aims to offer our own brand supply base opportunities to build in efficiency and resilience, including climate-related innovations.


 Protecting and regenerating nature

To better understand the financial impacts of these physical risks we have performed quantitative scenario analysis on our Produce, Cotton, Coffee and Tea categories (see page 35 for more details).

 Championing human rights

Increased likelihood of flooding leading to water damage and closure of stores and depots

We use real-time information to identify properties most at risk of flooding and conduct extensive flood risk assessments across our estate. In the highest risk sites we have installed a variety of flood defence measures such as sandbags and hard infrastructure for longer-term flood protection.

 Water neutral by 2040

In 2023 we piloted the Volumetric Water Benefit Accounting (VWBA – Replenish) methodology to support us to reach our operational water neutrality target through nature-based solutions. We purchased Replenish volumes associated with interventions being implemented in the Wyre catchment by the Wyre Rivers Trust, which seek to reduce the flood risk of the local area through upstream targeted measures to store water in times of peak flow.

To better understand the impacts of these physical risks we have performed scenario analysis on our own operations (see page 33 for more details).

Strategy c) Resilience of strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

Since 2021, we have continued to deepen our understanding of the climate-related risks and opportunities facing our business through qualitative and quantitative scenario analysis. This year we expanded our analysis to model the impact of future flood risk on our own operations. Scenario analysis can act as a 'stress test' for our current business operations and supply chain and help to explore a range of different outcomes. This allows us to evaluate the potential effects on our strategic and financial position under each of the defined scenarios. We use the results to inform strategic thinking on how to manage the identified risks and opportunities.

Qualitative scenario analysis

Our own operations

The increasing frequency and intensity of flood events demonstrate the physical impact that climate change can have on our own operations directly through water damage to our infrastructure and indirectly by hindering access for our customers and suppliers. Improving our understanding of future water-related risks helps us inform our property investment strategy and assess the need for future building adaptations.

For several years we have worked with a third-party risk specialist to help us actively manage flood risk across our property estate through our real-time flood warning system, flood emergency plans for at-risk stores and investments in flood defences. Our flood warning system uses geospatial mapping of our sites to predict flood location and threat level, allowing us to make timely decisions and targeted investments to minimise the impact of flooding.

This year we expanded our qualitative scenario analysis to model the impact of future flood risk on our operations under four climate pathways^{a)} (2.6, 4.5, 6 and 8.5) up to 2100. Each store was assigned a floodability rating, measuring the frequency and flood depth to the risks of flooding from rivers, seas and surface level water. Over 10 per cent of our estate is assessed as 'very high' or 'high' risk of flooding and this does not significantly vary over time or across the four climate scenarios – this means that we are not expecting flood risk to impact a significant proportion of our estate in the future. Going forwards, using the store floodability rating and profitability of stores will allow us to make proactive decisions on where to perform future risk surveys and determine the most effective way to use capital to install physical flood defences across our estate. We will also explore how the insight can further our understanding of the potential financial impacts flooding could have through damage to infrastructure or loss of revenue due to store closures.

a) Climate pathways refer to different scenarios and actions that can be taken to manage climate change over time. A Representative Concentration Pathway (RCP) is a greenhouse gas concentration trajectory adopted by the IPCC.

Case study – Tadcaster Store Flood Protection

Tadcaster is one of our stores we have identified as at high risk of flooding. In February 2022, during Storm Franklin, our early flood warning system meant that we were able to put up flood defences eight hours ahead of the Environment Agency flood warning, enabling us to avoid damage from the heavy rain and rising River Wharfe and reopen our store quickly once the flood risk passed.

Our products and supply chain

Working with a third-party climate specialist we have performed qualitative scenario analysis to evaluate the impacts of a wide range of different climate change risks on the product categories we sell. We considered the potential impact of 27 climate-related risks, including physical and transition risks. For physical risks, we considered the geographical sourcing for each of our product categories and assessed different physical risks under a high emissions scenario. To evaluate transition risks, we considered the greenhouse gas emissions of our different product categories, as well as how changing market dynamics and increased regulations could impact both production costs and revenue.

The below table shows the most material climate-related risks identified as well as the product categories most exposed, which are reviewed annually by the Plan for Better Steering Committee with oversight from the Corporate Responsibility and Sustainability Committee.

Type of risk	Most material risks	Most exposed categories
Physical risks	<ul style="list-style-type: none"> Heat events Labour capacity Drought Flooding 	<ul style="list-style-type: none"> Produce Cotton Coffee Tea
Transition risks	<ul style="list-style-type: none"> Regulation, including carbon taxes Changes in consumer preferences 	<ul style="list-style-type: none"> Meat, Fish and Poultry Dairy Clothing Fuel

Climate change and Task Force on Climate-related Financial Disclosures (TCFD) continued

Quantitative scenario analysis Our products and supply chains

To further build on the qualitative scenario analysis, we performed quantitative scenario analysis to determine the potential financial impacts of the most material climate risks on the most exposed product categories. The scenarios are built using data from the Intergovernmental Panel on Climate Change (IPCC) over two time horizons (2030 and 2050) and include a 2°C or lower scenario per the recommendations of the TCFD. These time horizons align with our definition of medium and long term:

- 1.5°C – A pathway that limits global warming to below 1.5°C (low physical risk, high transition risk)
- 2.4°C – Described by the IPCC as an intermediate scenario (medium physical and transition risk)
- 4.3°C – A high emissions worst case scenario pathway (high physical risk, low transition risk)

Our analysis indicated that transition risks will be material leading up to 2030 as the global community strives to limit global warming to below 1.5°C, whereas the impacts of physical risks are expected to manifest by 2050 if transition goals are not met. Extending transition risk analysis beyond 2030 introduces significant amount of uncertainty to our analysis. We have divided this section by looking at the impact of transition risk and physical risk separately and outlining mitigations that we are taking. We looked at the impact of transition risks, such as regulation and changes in consumer preferences, on the following product categories: Meat, Fish and Poultry, Clothing and Fuel. We did not include Dairy as the climate-related risks are assumed to be similar to Meat, Fish and Poultry. We looked at the impact of physical risks, such as heat events, labour capacity, flooding and droughts in the following product categories: Produce, Cotton, Coffee and Tea.

For all quantitative scenario analysis results disclosed in this section, the impacts for each product category are considered in isolation and assumes no actions are taken by the business to mitigate the climate risks. The results should be treated as an indicative 'order of magnitude' assessment with significant uncertainty attached and we have used a range for the potential revenue loss to reflect this uncertainty.

Potential financial impact of climate-related transition risks on most exposed products in a low emissions scenario in 2030

To assess the financial impact associated with regulation and changes in consumer preferences, we evaluated the sale of Meat, Fish and Poultry, Clothing and Fuel in the UK. For regulation risks, we considered the impact of a carbon price on the Meat, Fish and Poultry category and the ban of the sale of new petrol, diesel and hybrid cars and vans from 2035 on the Fuel category. For Meat, Fish and Poultry the carbon prices applied in our scenario analysis align with IPCC data and costs are assumed to pass on directly to customers, reducing demand for the highest emission Meat, Fish and Poultry products. For Fuel we have assumed a rapid uptake of battery electric vehicles leading to a 50 per cent reduction in fuel demand by 2030. For consumer preference, we considered the impact of more climate-conscious customers favouring lower GHG emission protein and purchasing more second-hand clothing (displacing new clothing purchases).

The results show the potential revenue loss in a 1.5°C (low emissions) world in which physical risks associated with climate change are limited, but high transition risks are experienced as the world attempts to meet the Paris Agreement. As the results do not reflect the impact of any mitigating actions, the Meat, Fish and Poultry results do not capture the business opportunity of developing and promoting lower GHG animal protein and nutritionally positive meat alternatives to capture switching calories from existing and new customers. The Fuel result does not capture the business opportunity from providing customer electric vehicle charging.

	Annual revenue loss to most exposed categories in isolation in 1.5°C scenario in 2030, assuming no actions are taken to mitigate risks:			Mitigations that are being implemented/considered as part of our strategic planning to minimise the financial impacts of the risks identified:
Most material transitional climate risks ^{a)} :	Meat, Fish and Poultry	Clothing	Fuel	
Regulation	£50m to £100m revenue loss to MFP category in isolation	N/A	£2,900m to £3,000m revenue loss to fuel category in isolation	Meat, Fish and Poultry <ul style="list-style-type: none"> • Working with suppliers to reduce GHG emissions in our supply chains, e.g. supplier targets, animal health and welfare and feed efficiency • Long-term contracts with key suppliers (e.g. Moy Park and ABP) to collaborate on long-term sustainability projects • Development of lower GHG emission animal protein within existing product (see low carbon beef case study below) and promotion of nutritionally positive meat alternatives to capture switching calories from existing and new customers • Working with third-party service providers to understand the carbon emission impacts of changing ingredients within ready meals Clothing <ul style="list-style-type: none"> • Increasing the use of recycled and alternative fibres • Exploring options for circularity programmes • Signatories of Textiles 2030, which aims to reduce the aggregate water footprint of new products sold by 30 per cent Fuel <ul style="list-style-type: none"> • Target for 100 per cent of our cotton to be sourced to an independent sustainability standard by 2025 • 'Test and trial' projects focusing on durability in clothing blueprints to increase longevity of garments
Changes in consumer preferences	£350m to £400m revenue loss to MFP category in isolation	£35 to £40m revenue loss to Clothing category in isolation	N/A	<ul style="list-style-type: none"> • Making it easier for people to transition to electric vehicles with the launch of Smart Charge and the rollout of our ultra-rapid charging hubs • Investigating lower carbon fuel offerings at our petrol filling stations
	<i>Overall opportunity to business post-mitigations</i>		<i>Smaller revenue loss risk/potential opportunity to business post-mitigations</i>	
	<i>Overall opportunity to business post-mitigations</i>			

a) Risks should be considered in isolation as the complex interrelationship between multiple risks has not been considered.

Case study – ‘Lower Carbon Beef Scheme’

In September 2023, we launched a new *Taste the Difference* Angus Aberdeen beef range – offering a 25 per cent lower carbon footprint compared to UK average consumed beef – reducing emissions through a combination of superior cattle breeding and animal management, which results in more sustainable, highly consistent and traceable beef product for our customer. The range has been intentionally designed to provide greater security and stability for farmers through fixed, forward pricing and free-of-charge farm management technology.

Potential financial impact of climate-related physical risks to most exposed crops in high emissions scenarios in 2050

To assess the financial impact of the increased likelihood of heat events, reduced labour capacity, drought and flooding, we evaluated the production of Produce, Cotton, Coffee and Tea in our key sourcing locations. We considered two scenarios, one where global warming reaches 4.3°C (high emission) as a result of no global action taken to reduce emissions, leading to extreme physical risks manifesting in the long term and a 1.5°C (low emission) scenario where the Paris Agreement is met but physical risks are still experienced, albeit more mildly. The below table shows the results of the 4.3°C (high emission) scenario only.

Our scenario analysis considered the impacts of these acute physical risks and the resulting diminished or lost crop yields that would result in increased supply costs. We assume these additional costs are passed on directly to the consumer, reducing demand and impacting our revenue.

	Annual revenue loss to most exposed crops in isolation in 4.3°C scenario in 2050, assuming no actions are taken to mitigate risks:				Mitigations that are being implemented/considered as part of our strategic planning to minimise the financial impacts of the risks identified:
	Produce ^{b)}	Cotton	Coffee	Tea	
Most material physical climate risks^{a)}:					
Heat events	£35m to £40m revenue loss to crops	£90m to £95m revenue loss to crops	£30m to £35m revenue loss to crops	£40m to £45m revenue loss to crops	<ul style="list-style-type: none"> • Engage: continue to work closely with our suppliers to understand growing locations and associated sustainability programmes, e.g. engaging with factories who have low performance in water conservation on their water resilience plans • Explore supply chain adaption options with suppliers: higher altitude locations, lower flood risk areas, vertical farming, glass growing structures, installing reservoirs, drainage channels, using drought and temperature-resistant crop strains • Investment: supporting suppliers on projects that contribute to climate resilience through our Own Brand Technical Innovation Fund • Certification: sourcing of sustainable crops through Fairtrade, Rainforest Alliance and BCI Cotton, expanding to instant coffee from December 2024 and exploring other types of cotton • Human rights: commitments to ensure that our transition to net zero is just and equitable for the communities we source from
Labour capacity	N/A	N/A	£10m to £15m revenue loss to crops	£20m to £25m revenue loss to crops	
Drought	£25m to £30m revenue loss to crops	£20m to £25m revenue loss to crops	£10m to £15m revenue loss to crops	£0m to £5m revenue loss to crops	
Flooding	£0m to £5m revenue loss to crops	£10m to £15m revenue lost factory operation days	£0m to £5m revenue loss to crops	£0m to £5m revenue loss to crops	
Key sourcing locations:	Spain UK	Benin Brazil India U.S.A Bangladesh (manufacturing)	Brazil Columbia Honduras Peru	India Kenya Malawi Rwanda	

a) Risks should be considered in isolation as the complex interrelationship between multiple risks has not been considered.

b) Produce considers citrus fruits, lettuce, berries and potatoes grown in Spain and the UK.

To assess the resilience of our business to the impacts of climate change we reviewed how our analysis could impact our revenue losses within our most exposed product categories. Each year we incorporate the analysis into the Group's impairment review to ascertain the impact that climate change could have on the carrying value of the Group's store assets, by modelling the impact on cash flows (page 160). The results do not have a material impact on the Group's impairment considerations and the Group remains resilient to climate impacts under the scenarios assessed. Finally, Sainsbury's Bank considers climate-related risks as part of its Internal Capital Adequacy Assessment Process (ICAAP). Sainsbury's Bank concluded there were limited impacts related to both the physical and transition climate-related risks over the next 30 years as the Bank does not have a mortgage portfolio or undertake any corporate lending. The Bank determined that its strategy remained resilient to these risks and no significant changes to its strategy was required.

Climate change and Task Force on Climate-related Financial Disclosures (TCFD) continued

Case study – ‘UK-grown Brassicas’

One of the ways we mitigate flood risk is to have multiple growing locations for a crop. For example, for UK-grown Brassicas we use three distinct areas – Cornwall, East Anglia and Scotland. These areas have similar growing conditions but are far enough apart to reduce the risk of all areas suffering from a severe weather event.

Risk management

Risk management a) Processes for identifying and assessing climate-related risks

Climate risk is one of our principal risks and is a key pillar in our Plan for Better strategy.

We identify climate-related risks through quarterly bottom-up divisional and governance forum risk assessments and then review annually top-down in a dedicated climate risk workshop to assess completeness. The process manages our ability to deliver our Plan for Better strategy, progress towards our Scope 1, 2 and 3 targets and consideration of physical and transition climate risks impacting our operations and supply chain, including existing and emerging regulatory requirements.

Climate risks are mapped against our corporate risk metrics, including financial and reputational and likelihood of occurring (from remote to almost certain). To assess the effectiveness of existing climate controls, each risk has two positions: gross risk (before existing controls); and net risk (after existing controls). Management set a target risk (management's target position) to align any net risks with corporate risk tolerance. Climate risks where the impact is not yet well understood are captured separately on an emerging risk map (plotted against likelihood of occurring and timeframe).

Risk management b) Processes for managing climate-related risks

Each climate risk is assigned a Director-level business owner who is responsible for monitoring and mitigating the risk. Climate risks are agreed annually at the Plan for Better Steering Committee with Board level oversight from the Corporate Responsibility and Sustainability Committee. Climate risks and mitigations are monitored throughout the year by the Plan for Better business leads and Steering Committee. These risks are considered in tandem with other business-related risk (for example those relating to human rights) to form a holistic view of the impact of the risk on the business. Climate risks are prioritised according to the heat map which plots impact and likelihood. To further enhance capacity and ownership of climate risks across the business, the Steering Committee has cross-divisional representation at Director level.

Risk management c) Processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management

The output from this climate risk process, in aggregate, is elevated to the corporate risk map owned by the Board with support from the Audit Committee and informs the Environment and Social Sustainability principal risk shown on page 61. The risk management process for climate is in line with the business-wide risk management framework described on pages 53 to 61.

Metrics and targets

Metrics and targets a) Metrics used to assess climate-related risks and opportunities in line with its strategy and risk management process

The below table shows the key metrics and methodology used to measure climate strategy and risk management.

Plan for Better Commitment	Metric	Methodology
Reduction in carbon emissions	Absolute GHG emissions within our own operations (tCO ₂ e)	Absolute, market-based, Scope 1 and 2 GHG emissions in the financial year for Sainsbury's Group and supported by third party South Pole and verified by ERM CVS (limited assurance ISAE 3000). Follows the GHG protocol.
	Electricity which comes from renewable sources (%)	The amount of renewable energy used by Sainsbury's Group as a proportion of the total electricity consumption in the financial year, supported by third party South Pole. Combination of energy sourced directly from on-site solar and wind farms as well as certificate-backed renewable electricity from the UK.
	Absolute Scope 3 GHG emissions (tCO ₂ e)	Near term (2030) target boundary includes emissions from the material categories: 1a) purchased goods for resale, 4) upstream transport and distribution, and 11) our customers' use and consumption of the products we sell. Emissions associated with business travel is verified by ERM CVS (limited assurance). Follows the GHG protocol.
	Suppliers disclosing through CDP (% of emissions)	Suppliers disclosing through CDP, which is an environmental impact disclosure system.
	Suppliers disclosing through Manufacture 2030 or Higg (% of emissions)	Suppliers disclosing through Manufacture 2030 or Higg, which are environmental impact disclosure systems.
	Suppliers with SBTi 1.5°C net zero targets approved (% of emissions)	Suppliers with approved SBTi 1.5°C aligned net zero targets recorded on the SBTi platform. This is considered the gold standard for GHG emission targets.
	Suppliers who have signed up to the UK Soy Manifesto (% of soy footprint)	Critical suppliers who have signed up to the UK Soy Manifesto. The manifesto is an industry commitment to sourcing deforestation and conversion-free soy by 2025. Suppliers disclosed their information through third party 3Keel.
Reduction in water use	Absolute water usage within our own operations (m ³)	Absolute water usage in the financial year for both Sainsbury's and Argos, supported by third parties WaterScan and South Pole and verified by ERM CVS (limited assurance post-publication of annual report).
Healthy and sustainable diets	Healthy and better for you sales tonnage as a proportion of total sales tonnage (%)	Food sales tonnage of healthy, healthier choice and better for you products as a percentage of total food sales tonnage in the financial year (exclusive of beers, wines, spirits and baby food). Healthy, healthier choice and better for you defined using a nutrition criteria tool, including criteria from the Eatwell Guide which is lower in GHG emissions.
Reduction in food waste	Food waste to anaerobic digestion as a percentage of food handled (%)	Food waste to anaerobic digestion as a percentage of food handled for the financial year, as per the WRAP recommendation we calculate this as tonnes food waste / (tonnes food product sold as intended + tonnes food waste + tonnes food surplus sent to other destinations).
Nature	Soy sourced to an independent sustainability standard (%)	Sustainably sourced soy tonnage as a percentage of total soy tonnage footprint, as calculated by third party 3Keel.
	Palm oil sourced to an independent sustainability standard (%)	Sustainably sourced palm oil tonnage as a percentage of total palm oil tonnage footprint, as calculated by third party 3Keel.
	Timber sourced to an independent sustainability standard (%)	Cubic metre volume of assessed sustainably sourced timber products sold as a percentage of total cubic metre volume of all assessed timber products sold during 2023 calendar year. Sustainability assessments were carried out by third party Track Record Global Ltd.
	Cotton sourced to an independent sustainability standard (%)	Cotton tonnage sustainably sourced and certified by third party Better Cotton Initiative (BCI) as a percentage of total cotton tonnage sourced during the financial year.
	Number of woodland trees planted (number)	Total number of trees planted in the financial year through partnership with the Woodland Trust.

Climate change and Task Force on Climate-related Financial Disclosures (TCFD) continued

Metrics and targets continued

Metrics and targets a) Metrics used to assess climate-related risks and opportunities in line with its strategy and risk management process continued

In line with TCFD recommended disclosures, we are also required to report on cross-industry metrics to enable comparability across different sectors. These metrics are deemed important proxies for measuring climate-related risks and opportunities.

Metric Category	Unit of Measurement	Narrative
GHG Emissions Absolute Scope 1, Scope 2 and Scope 3	MT of CO ₂ e	<p>Absolute GHG emissions for Scopes 1, 2 and 3 are included within our climate-related metrics table on page 39. This includes our most recently approved 1.5°C aligned SBTi targets.</p>
Transition and physical risks Amount and extent of assets or business activities vulnerable to transition or physical risks	Percentage	<p>In our own operations we assessed that over 10 per cent of stores are at 'high' or 'very high' risk of a flood event occurring, causing damage to stores and potential revenue loss from closure.</p> <p>The product categories that we have performed climate scenario analysis covers over 25 per cent of total revenue. Our scenario analysis focuses on our most material transition and physical risks: heat events, reduced labour capacity, droughts, flooding, regulation and changing consumer preferences.</p> <p>Our quantitative scenario analysis shows the potential financial impact of climate change on our most exposed product categories. We use these results as assumptions within our financial planning models to determine whether these risks resulted in material impacts on performance or position as at year-end. As part of our Group impairment work we considered all of the climate-related risks identified in our quantitative scenario analysis. The most material transitional risk was the impact on fuel due to legislation. As such, the Group's current year impairment review included cash flow assumptions in relation to the expected future revenue loss within the fuel category. The other climate change risks identified did not result in a material financial impact to the accounts.</p> <p>Further details can be found in our scenario analysis page 34 and note 17 of the financial statements on page 160.</p>
Capital deployment Amount of capital expenditure, financing, or investment deployed toward climate-related risks and opportunities	Reporting currency	<p>We have committed to significant capital investment to become net zero in our own operations by 2035 and our future capital investment is aligned with our decarbonisation roadmap. This year we spent £18 million on Solar PV optimisation and the installation of solar, refrigeration efficiency and engineering innovation. More information can be found within our 2024 CDP submission found on our website in the reports and policies section.</p> <p>Our capital spend to date has focused on the decarbonisation of heat, increasing the amount of renewable energy, energy efficiency, the removal of hydrofluorocarbon refrigerant gas, transitioning our fleet to alternative fuels.</p> <p>We have also invested in our Smart Charge Electric Vehicle (EV) charging network.</p>
Climate-related opportunities Proportion of revenue, assets, or other business activities aligned with climate-related opportunities	Amount or percentage	<p>The impact of climate issues informs our risk management and drives our strategy to identify and consider climate-related opportunities that we can benefit from.</p> <p>Part of our capital expenditure is used to remove natural gas heating and replace it with Refrigeration Integrated Heating and Cooling (RIHC) systems – using the refrigeration systems to provide all heating and cooling requirement in 51 stores. We have fully mapped our estate to help us make decisions on the most effective way to deploy capital expenditure to reduce emissions. Our mapping tool allows us to identify which sites need to be invested in and when. Due to the success of our Hook store last year, we have used this as a model for rolling out new stores that use similar technology (such as Talbot Green and Southport this year).</p> <p>Our Sainsbury's Innovation Investments (S2I) initiative has attracted 742 opportunities to date and we are considering next stages for investment in 13 opportunities.</p>
Internal carbon prices Price on each ton of GHG emissions used internally by an organisation	Price in reporting currency, per MT of CO ₂ e	<p>An Internal Carbon Price (ICP) is a method used by companies to appraise investments, aid decision-making and manage risks for projects that relate to transitioning to a low-carbon economy. By assigning a monetary price to GHG emissions, it allows businesses to efficiently deploy capital and assess the best course of action to address climate-related risks and opportunities.</p> <p>Following detailed modelling using real-life investment scenarios to determine how an ICP could impact our decisions, considering required net present value/gross investment hurdle rates, it was determined that investment in initiatives delivering carbon reductions did not currently require any further support to justify expenditure and that the pipeline of current projects hit the required hurdle rates set by the business. Carbon reduction initiatives outside of the current pipeline may benefit from the introduction of a carbon price.</p> <p>As part of our carbon emission footprinting we assigned category level emission factors at an individual product level based on the most appropriate industry average data available. We are developing an internal carbon dashboard which will be made available to our commercial teams to facilitate better linkages between internal financial budgets and SKU level carbon emission factors.</p> <p>We will continue to evaluate whether an ICP is a mechanism that may be relevant to the organisation in future.</p>
Remuneration Proportion of executive management remuneration linked to climate considerations	Description	<p>Our Plan for Better metrics, which include climate-related metrics, form part of the Executive Directors' long-term incentive arrangements.</p> <p>Further details can be found on page 116.</p>

Metrics and targets b) Scope 1, Scope 2 and Scope 3 greenhouse gas (GHG) emissions and the related risks

Scope 1 and 2

Financial year	Scope 1 and 2 GHG market-based emissions (tCO ₂ e)	Reduction against baseline (%)
2018/19 (baseline)	949,744	—
2019/20	840,680	11.5%
2020/21	817,420	13.9%
2021/22	746,681	21.4%
2022/23	461,692	51.4%
2023/24	458,973	51.7%

For a more detailed breakdown of our Scope 1 and 2 GHG emissions, please see our Streamlined Energy and Carbon Reporting (SECR) disclosure on page 119. We have a proven track record of delivering GHG emissions reductions in our own operations and a robust plan to reach net zero by 2035; however, there is some risk as our transition plan requires industry innovation, such as a commercially viable alternative fuel solution for heavy goods vehicles. Our near-term target is to reduce our Scope 1 and 2 GHG emissions by 68 per cent by 2030/31. Further details on our transition to net zero within our own operations including the main actions we are taking can be found on page 41.

Scope 3

Scope 3 GHG target boundary emissions	Baseline 2018/19 tCO ₂ e	
	FLAG	Energy/Industry
	8,168,793	17,484,111
Of which category:		
1a – purchased goods for resale	8,168,793	5,798,324
4 – transport		812,782
11 – consumer use		10,873,005

In January 2024 we obtained SBTi approval of our revised near-term and net zero science-based Forest, Land and Agriculture (FLAG) targets, following on from approval of our 1.5°C aligned net zero by 2050 target, in December 2023. Our Scope 3 baseline for our near-term 2030 target covers emissions from the following material categories: 1a) purchased goods for resale, 4) transport and 11) consumer use.

We are continuously improving the accuracy of our Scope 3 footprint. Each year we review the appropriateness of the data sources we use to ensure that our footprint is as accurate as possible. To follow the SBTi's new FLAG requirements, we have updated our emission factors to product level FLAG-compliant emission factors based on a third-party database from Agrivalyse. Because of this, we have restated our baseline. Whilst we are not able to accurately report our Scope 3 emissions for the current year it remains a priority. We know that we need to focus on accurately reporting on our Scope 3 emission reductions and move beyond industry average factors. We are collaborating with other retailers and WRAP on reporting Scope 3 emissions which includes accurately and transparently reporting emission reductions.

At present we continue to use industry average carbon emission factors to calculate our Scope 3 footprint. Our current methodology enables us to identify our most carbon-intensive products and the suppliers who constitute the top 80 per cent of our Group emissions. We are actively working towards an aligned industry approach to measure supplier-specific emissions as this is the most effective way to track emissions reductions within our own supply chain. However, in the absence of a universally recognised approach, we are engaging with our strategically important suppliers to carry out lifecycle analyses of the products they sell us and continue to request suppliers to disclose emissions data through the following environmental impact disclosure systems: Manufacture 2030 and Higg.

We request all of our suppliers to disclose on either Manufacture 2030 or Higg and our key suppliers (covering 80 per cent of our emissions footprint) to set SBTi-approved targets.

We are engaging directly with our strategically important suppliers to understand their carbon reduction roadmaps and we are working with the British Retail Consortium (BRC) Mondra Coalition, a third-party service provider, to understand the environmental impact of our emissions at a product and ingredient level across 5,000 products to accelerate decarbonisation and enable effective business decision-making. This is a pilot initiative involving many stakeholders in the industry thereby helping to steer the industry to a consistent approach to Scope 3 data collection.

We recognise we cannot solve the challenges relating to reducing Scope 3 emissions on our own and are therefore committed to work at industry level to find a solution. We continue to participate in industry-wide working groups and are signatories, alongside other retailers, to the WWF Retailers' Commitment for Nature, which involves a commitment to halve the environmental impact of UK baskets by 2030. More information on our Scope 3 strategy can be found in our Climate Transition Plan section on pages 42 to 43.

Climate change and Task Force on Climate-related Financial Disclosures (TCFD) continued

Metrics and targets continued

Metrics and targets c) Targets used to manage climate-related risks and opportunities and performance against targets

The following metrics and targets are used to monitor progress against climate-related risks and opportunities and are embedded in our Plan for Better. These metrics and targets governed by the Plan for Better Steering Committee with oversight from the Corporate Responsibility and Sustainability Committee. We understand the importance of setting GHG emission reduction targets and have recently obtained SBTi-approved FLAG compliant near-term and net zero targets. We have long-term remuneration targets for Executive Directors on (see page 116 for more details).

Plan for Better Commitment	Metric	Baseline	Results		Target
			2022/23	2023/24	
Reduction in carbon emissions	Absolute GHG emissions within our own operations (tCO ₂ e)	949,744 tCO ₂ e 2018/19	461,692 tCO ₂ e	458,973 tCO ₂ e	Net zero by 2035/36 68% by 2030/31
	Electricity which comes from renewable sources (%)	17% 2019/20	100%	100%	100%
	Absolute Scope 3 GHG emissions (tCO ₂ e)	25,652,904 tCO ₂ e 2018/19 ^{a)}	n/a	N/A	72% FLAG and 90% energy/industry emissions reduction by 2050/51 36.4% FLAG and 50.45% energy/industry emissions reduction by 2030/31
	Suppliers disclosing through CDP (% emission) ^{b)}	N/A	54.8%	63.8%	80% of emissions by 2025/26
	Suppliers disclosing through Manufacture 2030 or Higg (% emissions) ^{b)}	N/A	43.8%	57.2%	80% of emissions by 2025/26
	Suppliers with SBTi 1.5°C net zero target approved (% emissions) ^{b)}	N/A	Less than 2%	6%	80% of emissions by 2025/26
	Critical suppliers who have signed up to the UK Soy Manifesto (% of soy footprint)	86% 2022/23	86%	88%	100% by 2025/26
	Reduction in water use	Absolute water usage within our own operations (m ³)	3,224,000 m ³ 2018/19	2,655,753 m ³ ^{c)}	2,621,341 m ³
Healthy and sustainable diets	Healthy and better for you sales tonnage as a proportion of total sales tonnage (%)	82% 2019/20	81.2%	80.9%	85% 2025/26
Reduction in food waste^{d)}	Food waste to anaerobic as a percentage of food handled (%)	0.728% 2019/20	0.645%	0.627%	0.364% 2030/31
Nature	Soy sourced to an independent sustainability standard (%)	6% 2019	43%	88%	100% 2025
	Palm oil sourced to an independent sustainability standard (%)	99.1% 2019	100%	100%	100% 2025
	Timber sourced to an independent sustainability standard (%) ^{e)}	58% 2019	83%	93%	100% 2025
	Cotton sourced to an independent sustainability standard (%)	76% 2019	98%	97%	100% 2025
	Number of woodland trees planted (number)	493,750 trees 2019/20	1,114,583	1,292,583	1,500,000 (cumulative) 2025

a) Scope 3 baseline has been restated from 26,663,081 tCO₂e to 25,652,904 tCO₂e on approval of new SBTi targets. The change is primarily driven by more accurate input data and emission factors.

b) Scope 3 engagement metrics have been restated in 2022/23 to show the percentage of emissions covered by our suppliers who have responded to the relevant platforms. The percentage of emissions covered is based on the 2021/22 emissions data which was used to generate the key carbon supplier list for this year's engagement cycle, therefore it does not align with current year emissions.

c) 2022/23 Water consumption has been restated from 2,655,817m³ to 2,655,753m³ following receipt of the ERM audit certificate which was received post signing of the 2022/23 Annual Report.

d) Food waste metric has been restated to show food waste to anaerobic digestion relative to total tonnes handled as our primary food waste metric as is considered best practice by The Waste and Resources Action Programme (WRAP).

e) 2022/23 Timber result has been restated from 92 per cent to 83 per cent due identification of incorrect item weights being used in the third party TRG report. The baseline has also been restated from 60 per cent to 58 per cent.

Climate Transition Plan (TCFD)

Introduction

We are committed to protecting and restoring our planet and supporting a transition to a low carbon economy. To achieve this, we have set ambitious near-term and net zero targets across our Scope 1, 2 and 3 greenhouse gas emissions aligning to a 1.5°C scenario. We have a clear strategy to drive progress against these targets which, in line with emerging best practice, acknowledges the interconnectedness of action on diets, nature and climate and works to ensure no negative unintended consequence with many of our Plan for Better commitments supporting our carbon reduction strategy (see our Plan for Better Report for details on our targets).

Driving progress

	Reduction targets from baseline	Absolute emissions target tCO ₂ e
2018/19 Baseline		949,744
2023/24	51.7%	458,973
2030 near-term target	68%	304,812
2035 net zero target	100%	—

Own operations – Scope 1 and 2 – Net zero by 2035

We have a strong track record of reducing greenhouse gas emissions in our own operations (Scope 1 and 2), over the last 17 years, reducing our emissions by 51.7 per cent from our 2018/19 baseline, with progress being delivered through energy efficiency programmes, including a move to 100 per cent LED lights across our estate, replacement hydrofluorocarbon refrigerant gases with natural alternatives, electrification of our heating and moving to 100 per cent renewable energy since 2022, committing to long-term purchasing of renewable energy from new-to-the-planet power purchase agreements.

In collaboration with Imperial College we have developed a transition roadmap for our entire estate and direct operations which provides modelled scenarios up to 2035, indicating projected GHG emissions and 'when' and 'where' investments should take place to generate adequate returns whilst meeting our targets. We have committed to significant capital investment to achieve net zero by 2035 across our own operations, and leveraged our transition roadmap to ensure the business makes targeted investments aligned to carbon mitigation efforts. This investment is built into our corporate financial plan, with capital allocation aligned with our decarbonisation roadmap and has been approved by the Board (see governance for overview of key decisions). In 2022 we also pledged to invest at least £5 million over the next four years in the Sainsbury's Innovation Investments (S2I), an initiative in partnership with Williams Advanced Engineering to help accelerate dynamic start-up companies in developing, testing, and deploying transformational sustainable technologies, to achieve our net zero ambitions, reduce water usage and support the wider food retail sector.

Our strategy is focused on emissions reductions in three areas outlined in the following table. The success of our Scope 1 and 2 strategy is dependent on prioritising and having access to the required finances to carry out our capital programme, the availability of suitable innovation technology and being able to implement the latest engineering solutions in the most efficient way possible, whilst also considering the associated business cases.

Strategy	Proportion of emission footprint	Key actions	Progress to date
Logistics: Zero carbon vehicles and infrastructure	53%	<ul style="list-style-type: none"> Transitioning our entire delivery fleet to electric or hydrogen powered by 2035 Moving the majority of company cars to electric and hybrid Exploring a range of solutions across property and logistics through S2I 	<ul style="list-style-type: none"> Nine Elms uses a fully electric delivery fleet Further trials ongoing
Refrigerants: Switch to natural refrigerants	26%	<ul style="list-style-type: none"> Replacing our remaining refrigeration systems that use hydrofluorocarbon (HFC) refrigerant gas with natural alternatives Working with external partners to develop solutions for using natural refrigerant gas Removing refrigerant gas in logistics Align refrigeration replacements with equipment lifecycles by prioritising stores where the fridges need replacing first, either due to age or condition 	<ul style="list-style-type: none"> 51 stores have switched to natural refrigerants Net zero stores (Hook, Talbot Green)
Heating: Electrification of heat	21%	<ul style="list-style-type: none"> Remove the use of gas heating and replace with our Refrigeration Integrated Heating and Cooling (RIHC) and heat pumps programme 	<ul style="list-style-type: none"> 29 RIHC system installations

Whilst we have transitioned to purchasing 100 per cent renewable electricity, our focus remains on energy efficiency to reduce electricity consumption. We will maintain our commitment to 100 per cent renewable electricity, on-site generation, secure long-term power purchase agreements with new-to-the-planet windfarms and energy efficiency programmes to support the switch to electrification of heat and transport as well as mitigating costs.

Climate Transition Plan (TCFD) continued

Value chain – Scope 3 – net zero by 2050 Emission reduction targets from our 2018/19 target boundary baseline

	Energy/Industrial/ Transport (non-FLAG) emissions	Forest, land and agriculture (FLAG) emissions
2030 near-term target	50.4%	36.4%
2050 net zero target	90%	72%

We know that 96 per cent of our emissions are in our value chain (Scope 3), with 278¹ suppliers making up 80 per cent of the emissions covered by our 2030 Scope 3 target. SBTi have approved our Scope 3 targets, which are in line with limiting global temperature increases to 1.5°C and FLAG-compliant.

Our strategy is focused on emissions reductions in three areas outlined below:

Strategy	Proportion of emission footprint	Key activities	Progress to date
Production of products	100% FLAG emissions	<ul style="list-style-type: none"> • Create supplier working groups on key climate-related topics • Develop incentive initiative schemes for suppliers • Improve farm-level efficiencies and yield and work to reduce food waste, fertiliser and pesticide use • Continue to develop nature positive/regenerative agriculture principles including soil health improvements and where relevant, supporting through certification schemes • Deliver our commitment to zero deforestation by 2025, focusing on supply chain traceability, certified materials and policy development in high-risk commodities 	<ul style="list-style-type: none"> • Created working groups with strategic suppliers focused on soil and fertiliser use • Enhanced our point-based reward system for our Sainsbury's Dairy Development Group, which rewards suppliers for on-farm initiatives that improve animal welfare and environmental outcomes • Agroforestry advice scheme: a project offering free advice to farmers and producers in our supply chain on planting the <i>right trees</i> in the <i>right places</i> on farms • Collaboration with The Land App and the UK Centre for Ecology and Hydrology: working with farmers and producers in Great Britain to enable them to map their biodiversity and land use footprint and improve biodiversity and climate resilience within their farming systems • Internal policies on deforestation for timber and rubber requiring certified products supports sustainable forest management and ensure these products do not contribute to deforestation
Supplier operations	29%	<ul style="list-style-type: none"> • Engage suppliers on energy efficiency and track transition to renewable energy use • Collaborate to reduce waste through circularity initiatives, packaging and food waste reduction • Track environmental performance at supplier site-level • Collaborate with suppliers on product development, innovation and efficiencies 	<ul style="list-style-type: none"> • M2030 and Higg platforms provide data insights on where collaboration or support is needed to overcome barriers to climate action • Working with suppliers in product development, e.g. crownless pineapples, vacuum-packed beef, lower carbon beef
Healthy and Sustainable diets		<ul style="list-style-type: none"> • Making it easier for customers to make healthy, affordable, accessible, sustainable diet choices • Reduce consumption of high emission products through reformulations, innovation, range change and promotion • Collective industry action to encourage improvements to consumer diets • Join or create working groups/and coalitions to support research and policy advocating 	<ul style="list-style-type: none"> • We are calling for collective change on issues where sector-wide action is needed, e.g. common definitions of 'healthier', through the Food Data Transparency Partnership (FDTP), consistent disclosures for a more sustainable diet, aligned disclosures for investor benchmarks on health (Access to Nutrition Initiatives (ATNI)), and independently evaluating initiatives to help support healthier purchases (Institute of Grocery Distribution (IGD), FIO-FOOD) • BRC engagement on product-level emission footprinting, IGD on Eco Labelling development and FDTP/WRAP engagement to develop a food sector approach to reporting and disclosure for Carbon reporting

Total Scope 3 baseline emissions



¹ The number of suppliers changes slightly annually with our annual calculations of emissions based on most recent volumes and product ranges.

Strategy		Proportion of emission footprint	Key activities	Progress to date
Supply chain transport		4.3%	<ul style="list-style-type: none"> • Increase usage of sustainable shipping fuels • Lower carbon transport alternatives • Map modes of transport and distances • Participate in working groups focused on innovation in transportation 	<ul style="list-style-type: none"> • Signatory of the Cargo Owners for Zero Emission Vessels (coZEV)'s 2040 Ambition Statement
Use of products	Fuel	48.3%	<ul style="list-style-type: none"> • Making it easier for people to transition to electric vehicles with the launch of Smart Charge and the rollout of our ultra-rapid charging hubs • Investigating lower carbon fuel offerings at our petrol filling stations 	<ul style="list-style-type: none"> • Launch of EV charging points

Acknowledging the uncertainties for Scope 3

By definition, Scope 3 is beyond our direct control which creates uncertainty in meeting our Scope 3 targets. Our plan maps out how best to engage with key stakeholders and drive change but there are dependencies and critical success factors beyond value chain stakeholders. For FLAG emissions, transparency of the whole supply chain for all products is an ongoing challenge we're solving through different mechanisms (e.g. complying with EU Deforestation Regulation and engagement with high-risk commodities). National farming policies are also critical success factors for Scope 3. Within supplier operations and transport, our Scope 3 plan depends on infrastructure changes to support the transition to renewables and EVs, as well as progress in shipping and aviation emissions reductions. Healthy and sustainable diets requires exploring mechanisms across industry and with government to explore optimum nutritional and sustainable diets, engaging customers while also providing range of customer choice.

Stakeholder engagement (including governance)

Effective engagement is fundamental to achieving our Scope 3 reduction targets and underpins our Scope 3 strategy and the success of the actions we have outlined in the five distinct areas above. We are committed to playing our role in mobilising action across our entire value chain. Within our supply chain we have focused our engagement with our most material suppliers, asking them to set 1.5°C net zero science-based targets through the SBTi by 2025/26, and supporting them to create emission reduction plans (see a summary of our engagement strategy below). We are committed to supporting our suppliers on key issues through collaboration and engagement and understanding where they are on their journey through disclosure frameworks such as Manufacture 2030 and Higg. We actively participate in industry working groups and have found this has been key to progressing Scope 3 accounting and reporting. Working with the Government is fundamental to achieving the global ambition and we understand the important role we play as a leading food retailer. We are also doing what we can to influence customer behaviours and making it easier for our customers to support our net zero targets.

Stakeholder group	Engagement strategy
Value chain	<ul style="list-style-type: none"> • Identify key suppliers for engagement • Ask key suppliers to set 1.5°C net zero science-based targets (to match our own) • Create supplier working groups focused on key climate-related topics, projects relating to efficiency and innovation in products and services • Develop incentive initiative schemes for suppliers • Engage with and encourage suppliers to set net zero targets and disclose on environmental disclosure platforms to collect environmental performance data • Collaborate with suppliers on product development, innovation and efficiencies • Work closely with our insights team to understand customer behaviours
Industry	<ul style="list-style-type: none"> • Participate in leading retail working groups to facilitate collective action • Collaborate with third-party providers towards innovation
Government, public sector and civil society	<ul style="list-style-type: none"> • Establish company policy position • Join or create working groups/lobbying groups/researchers • Engage with Government-led groups

We leverage robust internal governance for oversight and decision-making across our Plan for Better. We also engage our stakeholder groups widely to drive action towards a low carbon economy. For more detail on the key challenges we face, the issues we engage stakeholders on, and our engagement channels see our Plan for Better Report (www.about.sainsburys.co.uk).

Reporting and disclosure

We monitor and report our progress transparently on our Plan for Better annually and through this disclosure we outline our high-level strategy and plans to transition to a low carbon economy. These key activities will form the basis of our future Climate Transition Plan. We have engaged in consultation with the Transition Plan Taskforce (TPT) and have contributed to the developments of both the sector-neutral and sector-specific TPT framework. We acknowledge that our transition plan will be an iterative document and will annually report progress against our plan within our TCFD disclosure.

Key Performance Indicators

Operational

Grocery market share performance (%)

Definition: Sainsbury's grocery market share of total market and of full choice supermarkets measured by Nielsen Volume Market share.

11.5%

in 2023/24

Total market share

2023/24	11.5
2022/23	11.3
2021/22	11.3
2020/21	11.4

Share of full choice supermarkets

2023/24	21.8
2022/23	21.1
2021/22	20.8
2020/21	20.5

Customer satisfaction (score)

Definition: The percentage of 'highly satisfied' answers out of the total sample in response to the following question: Based on your most recent visit or online order to this Sainsbury's, how satisfied were you with your overall experience?

+190bps

since 2019/20 baseline

Customer satisfaction bps

2023/24	+190
2022/23	+40
2021/22	+230
2020/21	+220

Colleague engagement (score)

Definition: Percentage of our colleagues who feel that we are a great place to work. Colleague engagement score out of 100 from the internal, annual 'We're Listening' survey. Target to maintain strong engagement score.

+300bps

in 2023/24

Colleague engagement bps

2023/24	+300
2022/23	+300
2021/22	+200

Diversity and inclusion

Definition: We have three internal measures for diversity and inclusion, which come together to form a colleague representation target for 2024.

“

We have grown representation across all our colleagues' measurements from 2021-24, hitting one of our stretch targets.

Prerana Issar
Chief People Officer

Plan for Better commitment

Definition: Our Plan for Better sets out our sustainability goals across our whole business, outlining our priority areas of focus, our key commitments and our progress. See below for status against targets in the priority areas.

Engagement – Ahead of target

Diversity and Inclusion – Behind target, but made progress

Carbon Scope 1 and 2 – Ahead of target

Carbon Scope 3 – Industry reporting challenges

Food waste – Behind target

Healthy and sustainable diets – Behind target

Plastic – Low end of target range

Financial

Retail free cash flow (£m)

Definition: Net cash generated from retail operations, after cash capital expenditure and after investments in joint ventures and associates. Target at least £500 million per annum on average to 2024. Refer to note A2.1 on page 200 for reconciliation.

£639m

in 2023/24

Retail free cash flow

2023/24	639
2022/23	645
2021/22	503
2020/21	784

3-year total

2023/24	1,787
2022/23	1,932
2021/22	1,898
2020/21	1,851

Return on capital employed (%)

Definition: Underlying profit before interest and tax, divided by average net assets excluding pension deficit/ surplus, less net debt, calculated on a 14 point basis. Target to increase. Refer to note A4.1 on page 203 for reconciliation.

+0.7%

since 2019/20 baseline

ROCE (%)

2023/24	8.3
2022/23	7.6
2021/22	8.4
2020/21	5.6

Retail operating cost to sales (bps)

Definition: Retail operating costs as a percentage of retail sales including VAT. Target to reduce by at least 200bps by 2024 year-end.

165bps

improvement since 2019/20

Bps improvement v 2019/20

2023/24	(165)
2022/23	(97)
2021/22	(83)
2020/21	(57)

Underlying profit before tax (£m)

Definition: Profit before tax adjusted for certain items in note 5 which, by virtue of their size and/or nature, do not reflect the Group's underlying performance. Target to maintain growth. Refer to note A1.2 on page 200 for reconciliation.

£701m

in 2023/24

Underlying PBT (£m)

2023/24	701
2022/23	690
2021/22	730
2020/21	357

Financial review



Group sales were up 3.4 per cent year-on-year, with grocery volume growth strengthening as inflation reduced over the course of the year. Grocery sales increased 9.4 per cent as we continue to prioritise value for customers, inflating behind key competitors and winning volume market share. General merchandise sales declined slightly as the weather impacted seasonal sales performance, alongside tough market conditions. General merchandise sales were additionally impacted by the closure of Argos in the Republic of Ireland. Fuel sales decreased by 14.3 per cent, reflecting a lower average pump price year-on-year with volume remaining resilient.

Statutory profit before tax declined £50 million year-on-year to £277 million (2022/23: £327 million). Our underlying profit before tax of £701 million (2022/23: £690 million), increased year-on-year driven by strong grocery profit growth, partially offset by lower general merchandise and Financial Services underlying profit. At the statutory level, underlying profit growth was offset by non-underlying costs of £424 million (2022/23: £363 million) which increased year-on-year driven by increased property, finance and acquisition adjustments and costs associated with the disposal of the mortgage portfolio in the Bank.

Retail profits increased 4.3 per cent, driven by incremental profit from higher grocery volumes and cost savings from our Save to Invest programme. Higher grocery volumes were the result of continued switching gains from competitors, reflecting Sainsbury's improved value proposition, product innovation and improved availability. The Save to Invest program helped to mitigate significant operating cost inflation, including the cost of continued investment in our colleagues. Higher grocery profits were partially offset by lower general merchandise margins, reflecting higher promotional sales participation in tough trading conditions and the impact on margins of lower sales in higher margin seasonal categories and higher sales of lower margin Consumer Electronics products.

Financial Services underlying operating profit decreased 37 per cent, reflecting the impact of higher funding costs from increased interest rates not being fully passed on to customers.

Non-underlying items included costs of £273 million associated with the decision that Financial Services products to be offered in the future will be provided by dedicated financial services providers through a distributed model. We continued with the restructuring programme announced in November 2020, incurring £95 million of costs, which was in line with our expectations. Group statutory profit after tax was £137 million (2022/23: £207 million).

Underlying basic earnings per share decreased to 22.1 pence (2022/2023: 23.0 pence) as the impact of the increase in corporation tax rate more than offset the increase in underlying pre-tax earnings. Basic earnings per share decreased to 5.9 pence (2022/23: 9.0 pence).

Non-lease net debt increased by £344 million, moving to a net debt position at year-end and total net debt reduced by £790 million. These movements were impacted by the purchase of a commercial property investment pool, known as Highbury and Dragon, in which the Group already held a beneficial interest. The impact of this property transaction increased non-lease debt as a result of the £670 million net consideration with an offsetting reduction in lease net debt of £1,042 million.

Working capital reduced by £262 million with an increase in payables whilst maintaining a flat inventory and receivables position and supported by growing sales. Retail free cash flow generation remained strong at £639 million (2022/23: £645 million) despite higher capital investment to ensure continued enhancement of both of our physical and digital assets and the benefit last year of a £50 million dividend payment from Sainsbury's Bank.

In February it was announced that we would move to a progressive dividend policy from the start of the next financial year. We also announced a share buyback programme, starting with £200 million for the financial year to March 2025. As the new dividend policy is due to start in 2024/25, for 2023/24 our previous policy of around 60 per cent of underlying earnings after tax is maintained and our dividend remains flat year-on-year at 13.1 pence per share. Against lower earnings per share year-on-year, the payout ratio increased to 59 per cent from 57 per cent in the prior year.

We delivered a return on capital employed of 8.3 per cent, up from 7.6 per cent in 2022/23, reflecting improved underlying profits and a reduction in average capital employed, driven by a decline in the average value of derivatives, right of use assets and property, plant and equipment, and the impacts of the Highbury and Dragon transaction. The business had £1 billion of undrawn facilities at the end of the year.

As at 2 March 2024 the net defined benefit pension surplus under IAS 19 for the Group was £690 million (excluding deferred tax). The £299 million reduction from 6 March 2023 was driven by a reduction in the value of matching assets used to hedge against movements in gilt yields and inflation, and higher than previously expected pension increase assumptions. For 2024/25 we expect total pension scheme cash contributions of around £45 million.

Financial Review of the year results for the 52 weeks to 2 March 2024

A number of Alternative Performance Measures ('APMs') have been adopted by the Directors to provide additional information on the underlying performance of the Group. These measures are intended to supplement, rather than replace the measures provided under IFRS. Underlying performance measures are reconciled to their IFRS equivalents on the face of the income statement with non-underlying items set out in more detail in note 5 to the financial statements. Other APMs are defined and reconciled to the nearest IFRS measures in notes A1 to A4 on pages 199 to 203.

	52 weeks to 2 March 2024 £m	52 weeks to 4 March 2023 £m	Change %
Summary income statement			
Group sales (including VAT)	36,337	35,157	3.4
Retail sales (including VAT)	35,721	34,626	3.2
Retail sales (excluding fuel, including VAT)	30,615	28,664	6.8
Group sales (excluding VAT)	32,700	31,491	3.8
Retail sales (excluding VAT)	32,084	30,960	3.6
Underlying operating profit			
Retail	966	926	4.3
Financial Services	29	46	(37.0)
Total underlying operating profit	995	972	2.4
Underlying net finance costs	(294)	(282)	4.3
Underlying profit before tax	701	690	1.6
Items excluded from underlying results	(424)	(363)	16.8
Profit before tax	277	327	(15.3)
Income tax expense	(140)	(120)	16.7
Profit for the financial period	137	207	(33.8)
Underlying basic earnings per share			
Underlying basic earnings per share	22.1p	23.0p	(3.9)
Basic earnings per share	5.9p	9.0p	(34.4)
Interim Dividend per share	3.9p	3.9p	—
Final Dividend per share	9.2p	9.2p	—
Total Dividend per share	13.1p	13.1p	—

In the 52 weeks to 2 March 2024, the Group generated profit before tax of £277 million (2022/23: £327 million) and an underlying profit before tax of £701 million (2022/23: £690 million).

This strong underlying profit performance was driven by the performance of our grocery business, which delivered both grocery volume growth and consistent market share gains throughout the year. This reflected the investment we have made in our grocery business in recent years to strengthen the customer proposition, in particular through the improvement of our value position. The grocery volume performance was further supported this year by the successful launch of Nectar Prices. Our ongoing cost savings programme helped us reduce the impact of rising operating cost inflation in order to deliver for customers, colleagues and shareholders. The combination of volume growth and cost savings delivered strong grocery profit growth, partially offset by the impact of poor weather on general merchandise and clothing sales and lower Financial Services profits. Strong cash generation, with retail free cash flow of £639 million, strengthened our balance sheet and supported dividend payments. We continue to make balanced investment choices, supporting our customers and colleagues whilst also delivering for shareholders.

Financial review continued

Group sales

Group sales (including VAT) increased by 3.4 per cent year-on-year as a 6.8 per cent increase in Retail sales (including VAT, excluding fuel) more than offset a 14.3 per cent decrease in Fuel sales (including VAT).

	52 weeks to 2 March 2024 £bn	52 weeks to 4 March 2023 £bn	Change %
Total sales performance by category			
Grocery	23.7	21.7	9.4
General merchandise	6.0	6.0	(0.5)
Clothing	0.9	1.0	(6.4)
Retail (exc. Fuel)	30.6	28.7	6.8
Fuel sales	5.1	6.0	(14.3)
Retail (inc. Fuel)	35.7	34.6	3.2
Retail like-for-like sales performance			
Like-for-like sales (exc. Fuel)		7.5%	2.6%
Like-for-like sales (inc. Fuel)		3.8%	5.7%

Grocery sales increased 9.4 per cent, reflecting strengthening volume growth as inflation reduced, particularly in the second half of the year. We continued to prioritise value for customers, inflating behind key competitors. This included the positive launch of Nectar Prices, offering lower prices for Nectar customers alongside extra personalised prices through 'Your Nectar Prices'. As a result, we have seen volume increases across all major categories and our own brand participation increased 93 basis points as customers opted to trade in to better value private label products from branded items to help manage the cost of living whilst also treating themselves through our *Taste the Difference* range, particularly at key events.

General merchandise sales decreased by 0.5 per cent. Seasonal and Kids and Home and Furniture sales both declined due to a cooler, wetter summer and warmer winter impacting seasonal sales, alongside tough market conditions. This was partially offset by Electronics and Tech sales increasing year-on-year, with Gaming being the primary driver. Sales were also affected by the closure of Argos Republic of Ireland on 24 June. Stripping out the effect of the Republic of Ireland closure, general merchandise sales increased by 1.2 per cent. Clothing sales decreased by 6.4 per cent, with lower volumes partially driven by unseasonable weather.

Fuel sales decreased by 14.3 per cent, reflecting a lower average pump price year-on-year.

	52 weeks to 2 March 2024 %	52 weeks to 4 March 2023 %
Total sales (including VAT) performance by channel		
Total sales fulfilled by supermarket stores	10.3	1.9
Supermarkets (inc. Argos stores in Sainsbury's)	11.0	4.8
Groceries online	5.5	(13.5)
Convenience	10.3	9.9

Sales fulfilled from our supermarkets grew by 10.3 per cent, driven by both grocery inflation and, particularly in the second half, volume growth. Groceries online sales increased by 5.5 per cent, driven by improvements in availability and service. Convenience sales increased by 10.3 per cent, with growth strongest in 'Food on the Move' city centre stores and more urban locations.

Space

During 2023/24, Sainsbury's opened three new supermarkets and closed one, and opened 23 new convenience stores, closing three.

During the year, we opened 22 new Argos stores in Sainsbury's and closed 73 standalone Argos stores. The number of Argos collection points in Sainsbury's stores increased from 420 to 456. As at 2 March 2024, Argos had 659 stores, including 446 stores in Sainsbury's, and a total of 1,115 points of presence.

	As at 4 March 2023 ^{a)}	New stores	Disposals/ closures	As at 2 March 2024
Store numbers and retailing space				
Supermarkets	595	3	(1)	597
Supermarkets area '000 sq. ft.	20,691	120	(10)	20,801
Convenience	814	23	(3)	834
Convenience area '000 sq. ft.	1,961	61	(6)	2,016
Sainsbury's total store numbers	1,409	26	(4)	1,431
Argos stores	285	1	(73)	213
Argos stores in Sainsbury's	424	22	—	446
Argos total store numbers	709	23	(73)	659
Argos collection points	420	42	(6)	456
Habitat	3	—	(3)	—

a) Space (sq. ft.) adjusted at 4 March 2023 to include the net change of all store re-measures throughout the year including those made post-investment.

In total for 2024/25, we expect to open three supermarkets and around 25 new convenience stores, with four supermarkets and three to five convenience stores to close. In addition, we expect to open around ten Argos stores inside Sainsbury's and close around 15 – 20 Argos stand-alone stores.

We expect the stand-alone Argos store estate will reduce to around 190 stores by March 2025 and we expect to have 450–460 Argos stores inside Sainsbury's supermarkets as well as 480–500 collection points.

Retail underlying operating profit

Retail underlying operating profit	Note ^{a)}	52 weeks to 2 March 2024	52 weeks to 4 March 2023	Change
Retail underlying operating profit (£m)	A1.2 a)	966	926	4.3%
Retail underlying operating margin (%)	A1.2 a)	3.01	2.99	2bps
Retail underlying EBITDA (£m)	A1.2 d)	2,078	2,060	0.9%
Retail underlying EBITDA margin (%)	A1.2 d)	6.48	6.65	(17)bps

a) Note references for reconciliations refer to the Alternative Performance Measures on pages 199 to 203.

Retail underlying operating profit increased by 4.3 per cent to £966 million (2022/23: £926 million) and retail underlying operating margin increased by two basis points year-on-year to 3.01 per cent (2022/23: 2.99 per cent). Strong grocery profit growth was driven by higher volumes and cost savings offsetting higher operating costs and value investment. This was partially offset by lower general merchandise margins, which reflected the mix impacts of lower seasonal sales and higher consumer electronics sales.

In 2024/25, Sainsbury's expects retail underlying operating profit of between £1,010 million and £1,060 million, growth of between five per cent and ten per cent.

Retail underlying EBITDA increased to £2,078 million (2022/23: £2,060 million). However, retail underlying EBITDA margin declined 17 basis points to 6.48 per cent (2022/23: 6.65 per cent). In 2024/25, Sainsbury's expects a retail underlying depreciation and amortisation charge of around £1.15 billion (2023/24 £1.11 billion), including around £0.4 billion right-of-use asset depreciation.

Financial Services

Financial Services results 12 months to 29 February 2024	2024	2023	Change
Underlying revenue (£m)	637	531	20.2%
Interest and fees payable (£m)	(211)	(84)	152.4%
Total income (£m)	426	447	(4.7)%
Underlying operating profit (£m)	29	46	(37.0)%
Net interest margin (%)	a) 4.7	5.1	(40)bps
Cost:income ratio (%)	70	66	400bps
Bad debt as a percentage of lending (%)	b) 2.1	2.1	0bps
Tier 1 capital ratio (%)	17.1	15.4 ^{a)}	170bps
Total capital ratio (%)	c) 19.4	17.8 ^{a)}	160bps
Customer deposits (£bn)	(4.2)	(4.7)	(10.6)%
Total customer lending (£bn)	d) 4.5	5.3	(15.1)%
of which unsecured lending (£bn)	4.5	4.7	(4.3)%
of which secured lending (£bn)	—	0.6	(100.0)%

a) Net interest income divided by average interest-bearing assets.

b) Bad debt expense divided by average net lending.

c) Total capital divided by risk-weighted assets.

d) Amounts due from customers at the balance sheet date in respect of loans, mortgages, credit cards and store cards net of provisions.

e) The prior year (February 2023) unaudited CET1 (15.5 per cent) and total capital ratio (17.9 per cent) have been updated to reflect a revised credit value adjustment (CVA) calculation as outlined in the Pillar 3 Disclosures published in July 2023.

Financial Services underlying operating profit of £29 million (2022/23: £46 million) reduced by £17 million, primarily reflecting the impact of higher funding costs from increased interest rates not being fully passed on to customers.

Total income of £426 million reduced by 4.7 per cent and net interest margin reduced by 40 basis points. Strong underlying revenue growth of 20 per cent was driven by selective unsecured customer lending growth (with average balance up five per cent) and customer rate increases, alongside strong growth in Travel Money and Argos Care. Interest and fees payable grew 152 per cent, driven by the increase in the Bank of England base rate since the financial year ended in 2022.

The Financial Services cost:income ratio increased to 70 per cent (2022/23: 66 per cent), reflecting the pressure on net income from higher funding costs and the impact of inflation on operating costs.

Bad debt as a percentage of lending stayed flat at 2.1 per cent (2022/23: 2.1 per cent) with slightly higher arrears in Loans offset by lower arrears in Store Cards.

Financial Services remains well capitalised, with a total capital ratio of 19.4 per cent (2022/23: 17.8 per cent), an increase of 160 basis points since prior full-year.

The scope of our Financial Services business is likely to change during the year. Profits from our core banking products will continue to be impacted by higher funding costs and will additionally be impacted by preparations for the phased withdrawal from these products. Therefore we expect these products to be loss-making, offsetting profits from Argos Financial Services and commission-based products such as insurance and travel money to make an underlying net Financial Services contribution of between break even and £15 million.

Underlying net finance costs

Underlying net finance costs	52 weeks to 2 March 2024 £m	52 weeks to 4 March 2023 £m	Change %
Non-lease interest costs	(71)	(42)	69.0
Non-lease interest income	28	16	75.0
Net finance costs on lease liabilities	(251)	(256)	(2.0)
Total underlying net finance costs	(294)	(282)	4.3

Underlying net finance costs increased by 4.3 per cent to £294 million (2022/23: £282 million). These costs include £43 million of net non-lease interest (2022/23: £26 million). The increase of net non-lease interest was driven by increased interest costs of £28 million in respect of the £575 million term loan which was fully drawn from July 2023 to partially fund the Highbury and Dragon property transaction. This was partially offset by increased interest income of £12 million due to the benefit of higher interest rates on cash deposits. Net finance costs on lease liabilities reduced to £251 million (2022/23: £256 million), including the impact of the reduction in lease liabilities resulting from the Highbury and Dragon transaction.

Sainsbury's expects underlying net finance costs in 2024/25 of between £310 million and £320 million, including £260 million lease interest costs.

Financial review continued

Items excluded from underlying results

In order to provide shareholders with insight into the underlying performance of the business, items recognised in reported profit before tax which, by virtue of their size and/or nature, do not reflect the Group's underlying performance are excluded from the Group's underlying results and shown in the table below.

	52 weeks to 2 March 2024 £m	52 weeks to 4 March 2023 £m
Items excluded from underlying results		
Sainsbury's structural integration	(95)	(106)
Impairment charges	—	(281)
Income recognised in relation to legal disputes	—	30
IAS 19 pension income	44	58
Property, finance and acquisition adjustments	(86)	(64)
Items excluded from underlying results before Financial Services	(137)	(363)
Financial Services phased withdrawal	(273)	—
Disposal of mortgage book	(14)	—
Total items excluded from underlying results	(424)	(363)

Sainsbury's structural integration costs of £95 million (2022/23: £106 million) were recognised in relation to the programme relating to the structural integration of Sainsbury's and Argos announced in November 2020. Cash costs in the year were £67 million (2022/23: £50 million). The majority of the programme has now completed, with costs incurred to date of £841 million, and cash costs of £270 million.

In January 2024, the Group announced that Financial Services products to be offered in the future will be provided by dedicated financial services providers through a distributed model. Costs of £273 million associated with this decision comprise mainly of impairment of non-financial assets, additional allowances arising from a reassessment of the effective interest rate applied to the amortised cost of financial assets, onerous contracts relating to long-dated computer software contracts and impairment of the remaining goodwill held in the Bank. Cash costs in the year were £5 million (2022/23: £nil). Further costs associated with this restructuring will be incurred in future years once more detailed plans to execute these changes are formulated and communicated.

Non-cash impairments of £281 million were recognised in 2022/23, driven by a material increase in the underlying discount rate, following sustained increases in gilt interest rates.

During the year, the Bank disposed of its mortgage portfolio for proceeds of £446 million, which resulted in a non-underlying charge of £14 million. This loss on disposal includes goodwill, transaction costs and the recognition of onerous contract provisions.

IAS 19 pension income decreased to £44 million (2022/23: £58 million). The lower pension income in the current year is primarily driven by a settlement credit of £8 million recognised in the prior year relating to a gain on payments made to members exiting the scheme relative to the liabilities extinguished, as well as the impact of the lower opening surplus at the beginning of the financial year, compared to the prior year.

2022/23 included legal disputes income of £30 million from credit card companies in respect of overcharges for credit card processing (interchange) fees.

Other movements of £86 million expense (2022/23: £64 million expense) include £15 million related to property transactions, £15 million of acquisition adjustments and £56 million of non-underlying finance and fair value adjustments. Non-underlying finance and fair value adjustments were impacted by a loss on energy derivatives of £46 million (2022/23: £29 million loss) caused by decreases in electricity forward prices in the period. The energy derivatives relate to long-term, fixed price power purchase arrangements (PPAs) with independent producers. These are accounted for as derivative financial instruments, but are not designated in hedging relationships. Therefore, gains and losses are recognised in the income statement.

Taxation

The income tax expense was £140 million (2022/23: £120 million). The underlying tax rate was 26.4 per cent (2022/23: 22.8 per cent) and the effective tax rate was 50.5 per cent (2022/23: 36.7 per cent). The 2023/24 charges were structurally higher due to an increase in the headline rate of corporation tax to 25 per cent (previously 19 per cent), effective from 1 April 2023, partially offset by beneficial prior period adjustments (mainly due to super deduction claims).

The effective tax rate, of 50.5 per cent for the year, is significantly higher than the prior year and headline tax rates due to the impact of the release of a deferred tax asset on capital losses (giving rise to a tax charge of £40 million) previously recognised against fair value gains within the Highbury and Dragon structure (against which a deferred tax liability was recognised). During the period, an £80 million credit was recognised in reserves in respect of the derecognition of the deferred tax liability against the property pool; this credit had no impact on the effective tax rate. In addition, the effective rate is adversely affected by the write off of goodwill as part of the Financial Services restructuring, for which no tax deduction is available.

We expect an underlying tax rate in 2024/25 of around 30 per cent. This is higher than prior years, because of the headline rate continuing at 25 per cent, but without any anticipated beneficial prior period adjustments.

Earnings per share

Underlying basic earnings per share decreased to 22.1 pence (2022/23: 23.0 pence) as the increase in corporation tax more than offset the increase in underlying pre-tax earnings. Basic earnings per share decreased to 5.9 pence (2022/23: 9.0 pence). Underlying diluted earnings per share decreased to 21.6 pence (2022/23: 22.7 pence) and diluted earnings per share decreased to 5.7 pence (2022/23: 8.8 pence).

Dividends

The Board has recommended a final dividend of 9.2 pence per share (2022/23: 9.2 pence). This will be paid on 12 July 2024 to shareholders on the Register of Members at the close of business on 7 June 2024. This is in line with the Group's policy to pay a dividend of around 60 per cent of underlying earnings, allowing us to maintain a full-year dividend of 13.1 pence (2022/23: 13.1 pence).

Sainsbury's has a Dividend Reinvestment Plan (DRIP), which allows shareholders to reinvest their cash dividends in our shares. The last date that shareholders can elect for the DRIP is 21 June 2024.

From financial year 2024/25, as per our capital allocation policy, we are committed to a progressive dividend policy. We have also announced that we will buyback £200 million of shares in 2024/25 and that we will review the level of cash return to shareholders through buyback on an annual basis.

Net debt and Retail cash flows

	Note ^{a)}	52 weeks to 2 March 2024 £m	52 weeks to 4 March 2023 £m
Summary Retail cash flow statement			
Retail underlying operating profit	7	966	926
Adjustments for:			
Retail underlying depreciation and amortisation		1,112	1,134
Share-based payments and other		78	49
Adjusted retail underlying operating cash flow before changes in working capital		2,156	2,109
Decrease in underlying working capital	b)	262	159
Retail non-underlying operating cash flows (excluding pensions)		(72)	(23)
Pension cash contributions		(44)	(44)
Retail cash generated from operations		2,302	2,201
Interest paid		(323)	(307)
Corporation tax paid		(58)	(99)
Retail net cash generated from operating activities		1,921	1,795
Cash capital expenditure		(814)	(717)
Repayments of lease liabilities		(505)	(512)
Initial direct costs on right-of-use assets		(6)	(16)
Proceeds from disposal of property, plant and equipment		16	29
Interest income	b)	27	15
Dividends and distributions received		—	51
Retail free cash flow		639	645
Dividends paid on ordinary shares		(306)	(319)
Net drawdown/(repayment) of borrowings		534	(40)
Net consideration paid for Highbury and Dragon property transaction		(670)	—
Share related transactions		(3)	(32)
Net increase in cash and cash equivalents		194	254
(Increase)/decrease in debt		(29)	552
Highbury and Dragon non-cash lease movements	15	1,042	—
Other non-cash and net interest movements	c)	(417)	(391)
Movement in net debt	32	790	415
Opening net debt	32	(6,344)	(6,759)
Closing net debt	32	(5,554)	(6,344)
of which			
Lease liabilities	32	(5,354)	(6,488)
(Net debt)/net funds excluding lease liabilities		(200)	144

a) Note references relate to the Alternative Performance Measures in Notes A2.1 and A2.2 on pages 199 to 203.

b) The Group cash flow statement now classifies interest received within cash flows from investing activities to provide greater clarity over the Group's cash flows whereby such cash flows had previously been included within cash generated from operations. Refer to the consolidated cash flow statement on page 136.

c) Other non-cash movements include new leases and lease modifications and fair value movements on derivatives used for hedging long-term borrowings.

Adjusted retail underlying operating cash flow before changes in working capital increased by £47 million year-on-year to £2,156 million (2022/23: £2,109 million) supported by an increase in retail underlying operating profit. Working capital reduced by £262 million, with payables increasing whilst maintaining a flat inventories and receivables position overall (2022/23: £159 million working capital reduction). Retail non-underlying operating cash flows of £72 million relate to restructuring costs, including cash flows associated with the closure of Argos operations in Republic of Ireland. Pension cash contributions of £44 million remained consistent with the prior year as no funding level events occurred.

We paid corporation tax of £58 million in the year (2022/23: £99 million), £41 million lower than the prior year benefitting from overpayments on account due to closing prior years, as well as current year benefits relating to a partial relief taken on full expensing allowances on our fixed assets investments. Proceeds of £16 million (2022/23: £29 million) resulted from disposals of non-trading sites. No dividends and distributions were received in the year while the prior year included a £50 million dividend received from Sainsbury's Bank.

Cash capital expenditure was £814 million (2022/23: £717 million). The year-on-year increase was primarily driven by investment in electric vehicles (EV) charging infrastructure (£63 million) and in-store investment. Sainsbury's expects core retail cash capital expenditure (excluding Financial Services) in 2024/25 to be £800 million to £850 million, with an additional £70 million of strategic investment in our EV charging business.

Financial review continued

Net debt and Retail cash flows continued

Retail free cash flow declined by £6 million year-on-year to £639 million (2022/23: £645 million). In 2024/25 we expect to generate retail free cash flow of at least £500 million, in line with our commitment of generating at least £1.6 billion of retail free cash flow over the next three years.

Dividends of £306 million were paid in the year, covered 2.1 times by free cash flow (2022/23: 2.0 times). Net drawdown of borrowings includes £575 million drawdown of the unsecured term loan facility used to part fund the Highbury and Dragon property transaction.

On 17 March 2023, the Group completed the purchase of a commercial property investment pool, known as Highbury and Dragon, in which it already held a beneficial interest. The investment pool contained 26 supermarkets, all of which were formerly leased to Sainsbury's. Of the 26 stores acquired, 21 have been retained, four have been sold and leased back, and one was held for sale at the balance sheet date. The total consideration paid for the asset acquisition was £731 million, which included fully funding the bond redemptions attached to the property pool of £300 million. Proceeds of £61 million were received for the four supermarkets sold and leased back.

As at 2 March 2024, net debt was £5,554 million (4 March 2023: £6,344 million), a decrease of £790 million. Excluding the impact of lease liabilities, non-lease net debt increased by £344 million in the year, moving to a net debt position of £200 million (4 March 2023: net funds of £144 million), impacted by the £670 million net consideration relating to the Highbury and Dragon property transaction and partially offset by positive cash generation.

Net debt includes lease liabilities of £5,354 million (4 March 2023: £6,488 million). Lease liabilities have decreased by £1,134 million, largely impacted by the Highbury and Dragon property transaction, which resulted in a reduction of lease debt of £1,042 million.

For the financial year ending 1 March 2025, the definition of retail free cash flow will change to now exclude capital injections to, dividends from, and any other exceptional cash movements with, Sainsbury's Bank.

Financial ratios

Key financial ratios ^{a)}	As at 2 March 2024	As at 4 March 2023
Return on capital employed	8.3%	7.6%
Net debt to EBITDA	2.6x	3.0x
Fixed charge cover	2.7x	2.7x

a) Reconciliations are set out notes A4.1, A3.2 and A4.2 of the Alternative Performance Measures on pages 199 to 203

Return on capital employed (ROCE) improved primarily due to lower capital employed, driven by a decline in the average value of derivatives, right-of-use assets and property, plant and equipment, and the impacts of the Highbury and Dragon transaction.

Sainsbury's continues to target leverage of 3.0x–2.4x to deliver a solid investment grade balance sheet. An improvement in net debt to EBITDA to 2.6x from 3.0x at 4 March 2023 reflects the improvement in net debt benefitting from positive retail free cash flow and the Highbury and Dragon property transaction. Fixed charge cover is stable.

Defined benefit pensions

At 2 March 2024, the net defined benefit surplus under IAS 19 for the Group was £690 million (excluding deferred tax). This represented a reduction of £299 million from the prior year-end date of 4 March 2023, primarily driven by a reduction in the value of matching assets used to hedge against movements in gilt yields and inflation, and experience losses due to higher deferred pension increase assumptions, partially offset by updated mortality assumptions reducing scheme liabilities.

The net surplus reduced as the Trustees' funding basis is linked to government bond yields, which increased over the year by circa 0.3 per cent, reducing the value of the liabilities on the schemes funding basis and consequently the value of those matching assets. However, the IAS 19 basis in the financial statements is linked to yields on AA rated corporate bonds. Despite government bond yields increasing, AA bonds have remained broadly unchanged over the year. As a result of this 'valuation mis-match', the value of the scheme's liabilities on an IAS 19 basis was also broadly unchanged over the year, leading to the overall reduction in the net surplus.

There was no change during the year to the previously disclosed triennial valuation information. The next triennial valuation is due 30 September 2024. Refer to note 34 for further details.

For 2024/25, the total defined benefit pension scheme contributions are expected to be £45 million (2023/24: £44 million).

	Sainsbury's as at 2 March 2024 £m	Argos as at 2 March 2024 £m	Group as at 2 March 2024 £m	Group as at 4 March 2023 £m
Retirement benefit obligations				
Present value of funded obligations	(5,172)	(816)	(5,988)	(5,921)
Fair value of plan assets	5,777	925	6,702	6,934
Pension surplus	605	109	714	1,013
Present value of unfunded obligations	(14)	(10)	(24)	(24)
Retirement benefit surplus	591	99	690	989
Deferred income tax liability	(201)	(43)	(244)	(330)
Net retirement benefit surplus	390	56	446	659



Bláthnaid Bergin
Chief Financial Officer
24 April 2024

Principal Risks and Uncertainties

We are a resilient, values-led business and managing risk is part of how we operate and is also recognised as key to achieving our ambitions. As we embark on the Next Level Sainsbury's strategy, the Board has undertaken a comprehensive review of the specific risks we face and how we mitigate them, investing time in ensuring that governance, oversight and risk frameworks remain key pillars of our delivery. We have also focused on ensuring that risk appetite is explicitly defined and embedded into key risk-based decision-making across the organisation.

Over the following pages, we set out an overview of our risk management framework, the principal risks at year-end, ongoing mitigations and how these align to our strategy. The Operating Board monitors these principal risks on an ongoing basis, considering our risk appetite and amending mitigations where appropriate.

Our approach to risk management

Our risk management framework is designed to:

- Identify** key risks that could prevent us from achieving our strategic objectives. Both 'bottom up' divisional and 'top down' Operating Board-led assessment processes are used with results consolidated. To drive consistency, we use risk categories to identify and assess completeness within three core groups:
 - Strategic risks** that are borne out of the choices we make and our external environment, e.g. change delivery or trading environment
 - Operational and compliance risks** that are inherent in the way we operate, e.g. business resilience or data security
 - Financial risks** that reflect our financial environment, performance and our deployment of resources, e.g. funding

We evaluate these risks over different timeframes and through different lenses. We have refreshed our risk metrics in the last year to ensure they remain relevant to the business and aligned to our corporate risk appetite. This ensures that the level of focus and mitigation strategies can be adapted for our current **principal risks**, that we can respond to events and **uncertainties** we face in the course of business and that we are keeping tabs on **emerging risks**

- Manage** the risks through implementing appropriate mitigation plans and controls, in line with our risk appetite and tolerances

The risk management framework in the business is devolved, ensuring that ownership for managing risks is embedded throughout the organisation. This drives accountability and is aligned to our valued behaviours. The risk management process, set out on the following page, shows how this is brought together to ensure integrity and visibility

- Monitor and report** on our risks, key risk indicators, associated mitigation plans and changes to the internal/external environment to the relevant governance fora

The following diagram provides an overview of the key risk management activities undertaken by leadership, that support this risk management process and allow the Board to fulfil its obligations under the 2018 Corporate Governance Code. Please refer to pages 73 to 74 for the role and remit of these governance bodies



The Board has overall responsibility for risk management, the system of internal control and for reviewing the effectiveness of these at least annually. As such, they have approved our principal risks disclosure, as set out on pages 55 to 61. Certain responsibilities have been delegated to the Audit Committee, as outlined on page 94.

Key elements of our risk management process

A 'bottom up' risk assessment process is run with divisional leadership that identifies the key risks which may prevent the achievement of their strategic, operational, compliance or financial objectives. A risk map is maintained for each division, allowing assessment of the gross and net position of key risks and setting of targets and actions to achieve risk appetite where applicable. A consolidated view of relevant risks and the effectiveness of mitigating activities, are also discussed at relevant governance fora covering: safety; data governance; and environmental, social and governance matters.

The Operating Board maintains the overall corporate risk map, which captures key risks to achieving our strategic objectives. The risk map is evaluated in line with our agreed risk appetite and tolerances for the supporting measures defined for each corporate risk. It is formally reviewed from a 'top down' perspective twice a year to consider the outputs of the 'bottom up' process to assess themes, risk movements and new risks. The Operating Board discusses and agrees the level of risk within the business and whether the business is prepared to accept each key risk. Actions and a target risk position are agreed and tracked for any risks where management's risk appetite differs to the current net position.

Operating Board members confirm annually that the corporate risk map accurately reflects their view of key risk across the organisation. They also confirm that they are responsible for managing risks relevant to their division and that internal controls exist to provide reasonable, but not absolute, assurance that the risks in their areas of responsibility are appropriately identified, evaluated and managed; this is also reported to the Board.

Principal Risks and Uncertainties continued

Key elements of our risk management process

continued

To ensure a joined-up view of risk from the 'bottom up' and 'top down' processes, the Risk and Internal Audit team are involved in each process. They provide the Audit Committee with a risk management update at each meeting to support them to fulfil their risk management objectives. This includes an overview of changes to the corporate risk map and risk disclosures agreed by the Operating Board for their review and comment, as well as any changes to our risk framework, policies or processes.

Risk and Internal Audit also provide independent assurance to management and the Audit Committee over specific risk areas as part of their annual audit plan. Risk deep dives were also undertaken with the Operating Board and/or Audit Committee for a selection of principal risks, as set out over the following pages.

The Audit Committee Chair provides updates on Risk Management to the Board.

Emerging risks and opportunities

Emerging risks and opportunities are formally reviewed in the year as part of the bottom-up divisional risk management process. This allows emerging risks to be considered and discussed by each division and then collated to perform a business-wide assessment of how emerging risks and opportunities may impact our business, considering their potential timeframe and degree of certainty. The risks are reported to the Operating Board and Audit Committee, considered in strategic planning and relevant actions are agreed. Emerging risk themes continue to relate to:

- Increasing environmental, social and governance awareness, regulation and impacts on our operations, supply chains and customers
- Technology acceleration, which presents both risks and opportunity to our customers, our business operations, transformation programmes and the overall market sector
- Increasingly complex regulations and legal obligations, which can lead to the risk of fines or compensation for non-compliance and the potential for consequential litigation


Changes to principal risk disclosures

As described above, the principal and emerging risks are discussed and monitored throughout the year to identify and respond to changes in the risk landscape.

There has been one change to the principal risks we are disclosing compared to last year. We have combined the Trading Environment and Customer principal risks reported last year, reflecting the core focus on our customers and their expectations in how we manage our response to external factors, such as the cost of living crisis, supply chain issues or changing dynamics in the UK grocery market.

There have been no movements in the net position of risks compared to last year. The increased Trading Environment net risk reported last year remains elevated, whilst Political and Regulatory net risks have fluctuated in year with government and regulator focus on dynamics within our market and changes in customer expectations, the risk position at time of reporting remains is level with last year.

Our principal risks

The most significant principal risks identified by the Board and the associated mitigations are set out on the following pages. We have ordered them to first show those that have been included in the risk modelling undertaken as part of the preparation of the viability statement (see page 62). This reflects that these risks have the potential to have the largest impact on the business. They are highlighted with this symbol: 

We have also clearly set out the link between each principal risk and the group's key performance indicators (see pages 44 to 45) and continue to highlight the link with the strategy of the business, as follows:

- **First choice for food**
- **Loyalty everyone loves**
- **More Argos, more often**
- **Save and invest to win**

The net risk movement from the prior year for each principal risk and uncertainty has been assessed and is presented as follows:

 No change  Increased net risk exposure  Reduced net risk exposure  New risk

Mitigations in place, supporting the management of the risk to a net risk position, are also described for each principal risk.

Business continuity, operational resilience and major incident response

Risk

A major incident or catastrophic event could affect the business or its individual brands' ability to trade. Sainsbury's exposure to operational resilience and major incident risks may be greater because of operational complexities and some ageing systems.

External factors, such as the continued disruption as a result of regional conflicts, fluctuating costs of fuel and materials and resilience of global supply chains, have impacted the business at points through the year. Such disruptions are actively managed either through day-to-day ways of working or, if needed, through the Incident Response Team (IRT).

The IRT was convened at various times through the year, including to support our response to external protests and operational issues.

Direct oversight: Operating Board

Link to strategy: All strategic priorities

Link to key performance indicators: N/A

Movement: 

Mitigations

- The Operating Board sets the operational resilience strategy for the business, ensuring it is targeted on our core operations required to run the business, priorities to minimise the impact of any disruption and the operational and product suppliers we partner with
- The Operational Resilience Committee, which includes representatives from functions across Sainsbury's, including the Bank, meets regularly to implement the operational resilience policy and strategy
- Business-wide resilience exercises are undertaken to simulate real-life business continuity scenarios and test our ability to respond effectively. This includes testing our emergency call cascade. Actions in response to lessons learnt are agreed
- Key business processes are assessed for operational resilience impacts against a set of minimum standards. The Operational Resilience team performs a programme of assurance reviews over these assessments and contingency measures are regularly tested. Remote working solutions have reduced the risk of loss of a key site

Crisis management

- In the event of any unplanned or unforeseen events, the IRT is convened to manage the response and any associated risk to the business
- The IRT Chair reports to the Operating Board, which provides strategic direction and decision-making across financial, operational and regulatory matters, considering all stakeholders

Business strategy and change

RISK DEEP DIVE

Risk

Delivering the Next Level Sainsbury's strategy requires significant, concurrent change activities to be delivered in the right sequence and at pace to drive business value.

Key risks associated with this include our ability to effectively, govern, prioritise and land competing change activities across business process, operating model, tech capabilities, savings delivery and investment returns. To support this there is focus on embedding our purpose, goals and objectives, ensuring organisational alignment, as well as building capability and capacity to deliver.

Direct oversight: Business Performance Review (BPR), Operating Board

Link to strategy: All strategic priorities

Link to key performance indicators: All metrics



Movement: 

Mitigations

- Our Next Level Sainsbury's strategy, as set out in this Strategic Report, is focused on delivering our purpose through achieving four key outcomes:
 - First choice for food
 - Loyalty everyone loves
 - More Argos, more often
 - Save and invest to win
- The Strategy and Transformation functions drive aligned decision-making, supported by visibility and resource prioritisation across our major change portfolio. They support all key elements of strategic delivery and transformation across the business, to ensure we realise maximum value whilst balancing risk, dependencies and operational performance
- The Operating Board has had deep and thorough sessions to create the Next Level Sainsbury's strategy, supported by a wide range of stakeholders – including shareholders, colleagues, customers and suppliers
- To ensure focus is maintained on delivering the strategic priorities of the business, major new projects are approved by the Operating Board once they have been through robust challenge on strategic alignment, expected returns and risks associated with their delivery. The Operating Board also monitor and reviews the in-year implementation of the plans to meet budget targets through weekly and periodic formal reviews, supported by our Finance and Transformation teams

Principal Risks and Uncertainties continued

Our principal risks continued

Data security 	RISK DEEP DIVE
Risk	Mitigations
<p>It is essential that the security of customer, colleague and company confidential data is maintained. A major breach of information security could have a significant operational, financial and reputational impact on the business.</p>	<ul style="list-style-type: none"> • A Data Governance Committee (DGC) is in place to oversee the management of colleague, customer and commercial data, information security and associated awareness and training. Deep dives on specific areas of our control environment are performed through the year and metrics to measure alignment to our risk appetite are reviewed in each meeting
<p>The risk landscape is increasingly challenging, with deliberate acts of cybercrime including ransomware attacks on the rise, targeting all markets and heightening the risk exposure to broader business disruption as well as to data breaches.</p>	<ul style="list-style-type: none"> • The Data Governance and Information Security function works with our Technology division to continuously develop information security strategies and build the necessary capabilities to respond to the increasing number and sophistication of attacks, alongside focusing on improving how we handle data and protect systems across the organisation
<p>Direct oversight: Data Governance Committee</p>	<ul style="list-style-type: none"> • There is active monitoring and analysis of changes to legal and regulatory compliance requirements in this area and current and emerging threats. This analysis is used to tune and apply our security framework accordingly. There are regular updates to the DGC, Operating Board and the Audit Committee on progress in delivering our information security strategies
<p>Link to strategy: All strategic priorities</p>	<ul style="list-style-type: none"> • A suite of 16 information security policies is in place, which focus on areas including effective use of AI, encryption, network security, access controls, data protection and information handling. There is continued investment in technology to support the implementation of policy and regulatory requirements
<p>Link to key performance indicators: N/A</p>	<ul style="list-style-type: none"> • There is continued focus on ensuring robust governance and control frameworks are implemented, including monitoring and improving maturity via continuous reviews of our controls against the NIST framework for information security and GDPR regulation and PCI standards in terms of data security
<p>Movement: </p>	<ul style="list-style-type: none"> • A risk-based security testing approach across IT infrastructure and systems is in place to identify and address vulnerabilities and allow us to adapt and improve our defences
	<ul style="list-style-type: none"> • Reviews of key third parties who hold sensitive customer or colleague data continue to take place and progress of the review and agreed actions is monitored by the DGC
	<ul style="list-style-type: none"> • All colleagues are required to complete mandatory training on how to keep our information safe. This is supplemented by regular colleague awareness campaigns, focusing on specific aspects of data and information security, for example monthly e-mail phishing exercises, with results reported to the DGC and defined escalations for colleagues who fail

Financial and treasury v

RISK DEEP DIVE

Risk


The main financial risk relates to availability of short and long-term funding to meet business needs and fluctuations in interest, commodity and foreign currency rates.

There has been increased uncertainty during the last year with high inflation, significant FX fluctuations in the autumn and high increases in fuel prices.

Direct oversight: The Board of J Sainsbury plc

Link to strategy: Save and invest to win

Link to key performance indicators: Retail free cash flow

Movement: 

Mitigations

- Treasury policies, approved by the plc Board, are in place to address liquidity, refinancing, financial markets and counterparty credit risks. In addition, the business funding strategy is approved annually by the plc Board
- Hedging policies, approved by the Chief Finance Officer, are in place to address energy (electricity, gas and diesel) price risk. Adherence to the hedging policies is overseen by the Energy Price Risk Committee
- The Treasury function is responsible for managing liquid resources, funding requirements, interest rate and currency exposures as set out in line with the Treasury policy and overseen by the Treasury Committee
- The Audit Committee reviews and approves the viability and going concern statements on an annual and half-yearly basis respectively
- The Treasury function has clear operating procedures and adherence to these is regularly reviewed and audited
- A long-term funding plan is developed as part of the annual corporate plan process, which includes an assessment of short and long-term core funding requirements and contingent funding requirements. A revolving credit facility is in place, the maturity of which was extended by one year during the year
- A short-term funding plan is formalised as part of the annual budget process, which includes an assessment of the core and contingent funding requirements for the following year and the market conditions for each of the debt markets accessible to the business
- There is a long-term funding framework in place for the pension deficit and there is ongoing communication and engagement with the Pension Trustees
- Detailed cash flow forecasts are produced by the Finance and Treasury functions. Finance commercial reviews are also held each period, chaired by the Chief Finance Officer, with relevant actions and mitigations agreed
- Cash and debt position reported and discussed at every Audit Committee meeting
- Financial and Treasury risks in respect of Sainsbury's Bank are detailed separately

Safety and security v

RISK DEEP DIVE

Risk

Prevention of injury and loss of life for both customers and colleagues is of utmost importance and is paramount to maintaining the confidence our customers and colleagues have in our business.

The business continues to change and evolve to meet customer and colleague needs, impacting the safety and security risk profile.

Direct oversight: Group Safety Committee

Link to strategy: First choice for food, More Argos, more often

Link to key performance indicators: N/A



Movement: 

Mitigations

- The Group Safety Committee oversees safety and security management across the Group. It met regularly during the year, receiving detailed reports on a wide range of topics, including across Facilities Management, Food Technical, Retail, Audit and Product. Key areas of focus this year included improving data quality, understanding root causes and risk removal
- The Operating Board and plc Board receive regular reporting on safety, including an annual deep dive facilitated by the Director of Safety and Insurance on safety and security
- Our approach to both safety and security continue to evolve in line with changes in the risk profile in the business
- A safety vision is defined and a set of reactive and proactive metrics that align to each core area of the business is in place to support effective monitoring and planning
- Clear policies and procedures are in place detailing the controls required to manage health and safety across the business, aligned to Assured Primary Authority advice, to comply with all applicable laws and regulations. Primary Authority oversight, internal training and monitoring support process compliance, with oversight provided by field teams in both Safety and Internal Audit
- Work has continued to further enhance capabilities, data and measures of success. This will drive prioritisation, simplification and stakeholder alignment across the business in order to maintain our focus on reducing harm and its associated costs by removing unnecessary complexity. As a result of the continued focus, overall incidents continue to decrease
- To support a safer environment for colleagues and customers to work and shop, mitigations are risk based and data led, whilst incorporating external benchmarking and collaboration. Engagement remains a priority across Policing and Government
- Mitigating measures include security officers, store detectives, Security Operations Centre and multiple technology investments, including body worn cameras and CCTV. Retail colleagues received updated Keeping Colleagues Safe training and incident reporting remains a priority to ensure data remains up to date

Principal Risks and Uncertainties continued

Our principal risks continued

Political and regulatory environment 	RISK DEEP DIVE
Risk	Mitigations
<p>Our business operations are impacted by a wide range of legal and regulatory requirements. There remains an increasing trend of industry focus, regulation (often with uncertainty around timelines, adoption in devolved nations and impact) as well as enforcement action impacting all areas of our business.</p> <p>This adds significant cost as we respond to requirements, drives complexity into our business processes and increases the risk of non-compliance, which could lead to fines, criminal penalties for Sainsbury's or our colleagues or litigation, e.g. class actions such as the ongoing equal value claim.</p> <hr/> <p>Direct oversight: Operating Board</p> <hr/> <p>Link to strategy: All strategic priorities</p> <hr/> <p>Link to key performance indicators: N/A</p> <hr/> <p>Movement: </p>	<ul style="list-style-type: none"> • Assessment of regulatory and compliance requirements continues to directly inform our strategic planning and investment choices, which are embedded within our Next Level Sainsbury's strategy • Key regulatory risks impacting our business operations include Competition Law, Pricing and Promotional requirements, e.g. High Fat, Salt and Sugar, (HFSS), Grocery Suppliers Code of Practice (GSCOP) and Bribery Act • Accountability is defined for each key risk with key elements of the compliance framework evaluated through a biennial regulatory risk assessment, targeted audits and monitoring. Policies, mandatory training and key processes, including global Rightline whistleblowing arrangements, are in place to support compliance with key regulatory areas • We liaise with external parties and our internal stakeholders to monitor changes to existing regulations that would impact the business, so that we can respond appropriately. During the year we have: <ul style="list-style-type: none"> – continued to evaluate the impact of the post-Brexit regulatory and enforcement regime, the impact of corporate governance reform and changes to business rates, the apprenticeship levy and health regulations – attended the Business and Trade select committee on food and fuel pricing and will attend an EFRA select committee on 30 April 2024 – proactively responded to regulatory consultations and worked with governments to understand the impact of deposit return schemes, extended producer responsibility for packaging (EPR), plastics and food waste regulations – anticipated and responded to other emerging areas of regulatory focus on environment and climate change, and associated reporting requirements – continued to defend the equal value claims vigorously • As a responsible business, we proactively engage with Government, devolved administrations, regulators and industry bodies in the areas in which we operate, on public policy issues impacting our customers and colleagues. Our engagement is transparent and we allow our responses to government consultations to be made public

Product safety and sourcing v

RISK DEEP DIVE

Risk

Failure to manage safety and sourcing risks for both food and non-food products leads to injury or loss of life, breach of regulation and/or reputational damage.

Direct oversight: Group Safety Committee

Link to strategy: First choice for food, Loyalty everyone loves, More Argos, more often

Link to key performance indicators: N/A



Movement: 

Mitigations

- The Group Safety Committee received regular reports on product safety from the Director of Technical – Food, Director of Commercial Operations and Development – GM and from the Director of Safety and Insurance on operational food safety risks. In addition, the Corporate Responsibility and Sustainability Committee discussed matters related to product sourcing risk, including supply chain transparency, Modern Slavery and human rights
- Clear policies, procedures and governance are in place managing and detailing the controls required to mitigate product safety, product integrity and ethical risks across both the food and general merchandise businesses and to comply with all applicable regulations
- These help ensure product safety is maintained through the end-to-end operations. This includes safety processes in place in our depots and stores covering refrigeration, security and storage quality management controls in place to ensure product safety and integrity for all products
- There are separate Technical functions implementing safety and quality frameworks, including training, for the Food and General Merchandise businesses. This ensures arrangements reflect the specific products risks in each area for our own brand products
- Across both food and general merchandise, there are established supplier audit and product testing programmes in place to support rigorous monitoring of supplier sites, product safety, traceability, integrity and ethical issues, including Modern Slavery. Supplier terms, conditions and product specifications set clear standards for product/raw material safety and quality with which suppliers are expected to comply. Third-party Ethical audits are minimum requirements for all sites and in Food all suppliers have minimum Third Party Food Safety and Quality audit requirements
- In food, there is an established supplier risk assessment and supplier requirements are detailed in Food Safety, Non-Food Safety and Responsible Sourcing Manuals. An Audit Programme assesses and verifies compliance with these requirements. All direct manufacturing sites have a Food Safety audit a minimum of once every three years (risk dependent) and all new sites have an Onboarding Audit. New Integrity audit launches this year in high risk areas, to verify compliance authenticity, product claims and welfare requirements in the Responsible Sourcing Manual
- In general merchandise, technical standards are signed-off and tracked through the product development lifecycle. General merchandise site audits and visit programmes are established based on performance and risk. As a minimum sites are audited every two years and visited every three years by the Technical and Ethical Team
- There are incident management escalation procedures in place to quickly resolve issues for food and non-food product incidents, including risk assessing and removing product from sale if required

Principal Risks and Uncertainties continued

Our principal risks continued

Sainsbury's Bank 	RISK DEEP DIVE
Risk	Mitigations
<p>Sainsbury's Bank is exposed to a number of risks, including those related to operational, regulatory, credit, capital, funding, liquidity and market risks.</p> <p>In January 2024, the Group announced a shift to offering financial services via a distributed model, leading to a phased withdrawal from its core banking business. This introduces execution-related risks and heightens some risk types including people, liquidity and capital adequacy. High interest rates and cost of living pressures, together with subdued GDP growth, continue to stretch household budgets. Customer impacts are closely monitored with tailored support offered as required. The Bank undertakes stress testing to ensure it remains financially resilient over a range of economic outcomes including higher inflation.</p> <p>Direct oversight: The Boards of J Sainsbury plc and Sainsbury's Bank plc</p> <p>Link to key performance indicators: N/A</p> <p>Movement: </p>	<ul style="list-style-type: none"> The Bank is managed through defined governance structures that include the Board of Sainsbury's Bank plc, its Risk Committee and Audit Committee. The Board of Sainsbury's Bank plc is comprised of Executive Directors, independent Non-Executive Directors and a member of the Operating Board The Bank has a defined risk appetite aligned to delivery of strategic objectives and has implemented a risk management framework that is overseen by its Risk Committee. This Committee monitors the effectiveness of risk management activities against strategic, operational, compliance and financial risks, and is updated on, and discusses, emerging risk areas. In particular, the Risk Committee reviews the results of stress testing including the internal Liquidity and Capital Adequacy Assessments The actual management of risks is through an executive governance structure, which manages the day-to-day operations of the business. This includes the Sainsbury's Bank Management Board, an Executive Risk Committee and an Asset and Liability Committee. This is underpinned by a three line of defence framework which provides a basis for the identification and management of all risks associated with our business model and strategy whilst ensuring there is effective oversight and challenge in place Oversight by J Sainsbury plc is provided through: <ul style="list-style-type: none"> Updates on key matters arising from meetings of the Bank Risk and Audit Committees are reported to the J Sainsbury plc Audit Committee A Joint Oversight Committee including Group and Bank representation has been established to guide execution of the new financial service strategy There are a number of reserved matters that require Sainsbury's Bank plc to receive prior approval from the Board of J Sainsbury plc

Trading environment and customer expectations 	RISK DEEP DIVE
Risk	Mitigations
<p>We operate in a highly competitive market during a time of increased economic uncertainty, driven by the cost of living crisis, high inflation impacting the cost of goods and operations and continuing global supply chain issues. The business, across all brands, must continue to ensure we remain competitive and evolve to meet customer expectations.</p> <p>With the outlook set to remain challenging, we need to respond appropriately and at pace to external market conditions while maintaining clear focus on delivering our strategic objectives.</p> <p>We also need to be mindful of the ongoing risk of supplier failure, either through insolvency or through an inability to deliver products due to global supply chain challenges.</p> <p>Direct oversight: Customer, Commercial and Channels Forum; Operating Board</p> <p>Link to strategy: All strategic priorities</p> <p>Link to key performance indicators: Grocery Market Share</p> <p>Movement: </p>	<ul style="list-style-type: none"> We have a wide, differentiated portfolio of brands, including Sainsbury's, Argos, Habitat, Tu clothing, Nectar and Sainsbury's Bank, which provides some inherent resilience to unforeseen changes The Customer, Commercial and Channels Forum, chaired by the Chief Marketing Officer, is responsible for ensuring the customer is at the heart of our decision-making on range and execution. During the cost of living crisis, we have supported our customers through price investment activities We continually monitor customer attitudes, behaviours and satisfaction, current market trends and price points across competitors. We respond through actively managing price positions, developing sales propositions and adjusting promotional and marketing activity We remain focused on value, quality, innovation and convenience, reflecting both what existing customers want and what will attract new customers We continue to offer and develop different price points to meet customer needs, ensuring we retain existing and attract new customers In terms of supplier continuity specifically, we maintain regular, open dialogue with key suppliers concerning their ability to trade, and collaborate with them on solutions where appropriate. The variety and breadth of our supply base allows us to continue to source products and mitigate the risk of local disruption, with sourcing offices located in key buying regions including India, Bangladesh, Hong Kong and Shanghai Reflecting the continued challenges faced in global supply chains including the impact of regional conflicts and other geo-political factors, we have continued to work closely and collaboratively with all our suppliers to maintain availability of products. Actions taken include working with our carrier partners to mitigate the impact of supply route disruption, onboarding alternate suppliers, rationalising products, forecasting demand and providing logistics support

Colleague engagement, retention and capability

Risk

The business employs over 148,000 colleagues who are critical to the success of our business. Attracting talented colleagues, investing in training and development and rewarding colleagues fairly are all essential to the sustainability of our operations. An inability to attract, motivate and retain talent, specific skillsets and capability would impact our ability to deliver our strategic objectives. The availability of skills in specific areas is a key area of focus, given the challenging labour market.

The challenging trading environment requires a focus on efficient operations, which may include change initiatives that affect colleagues, impacting trust or engagement.

Direct oversight: Operating Board

Link to strategy: All strategic priorities

Link to key performance indicators: Colleague engagement

Movement: 

Mitigations

- Employment policies and remuneration and benefits packages are regularly reviewed and are designed to be fair, consistent and competitive. This year we have invested £200 million in colleague pay. We continue to offer free food in our stores, depots, LFCs and Contact Centres and we introduced free sanitary products in all sites in July 2023. During the year, we made further enhancements to our colleague discount offer, increasing discount in Sainsbury's from 10% to 15% every Friday and Saturday
- The workforce strategy was developed with and owned by the Operating Board to identify the key skills and capability shifts needed to help plan for the long term
- Formal processes are in place to nurture talent and provide fulfilling career opportunities through performance and development discussions, talent management, succession planning and investment in developing leaders to build capability and support a positive culture
- Stretching gender, ethnically diverse and Black representation targets have been set, linked to leadership long-term incentives
- Colleague sentiment and views are sought through regular 'We're Listening' surveys, analysis of Viva Engage activity direct colleague engagement and engagement with trade unions. We benchmark our engagement against global benchmarks and specific retail benchmarks. In addition, Operating Board Directors hold active listening sessions on a regular basis
- Specific programmes are in place to target hard-to-recruit areas, presenting a wide range of opportunities for colleagues from across the business, as well as attracting new talent

Environment and Social Sustainability

RISK DEEP DIVE

Risk

Plan for Better was launched in 2021 and puts our responsibilities towards our planet and people at the core of our purpose and business.

By understanding and mitigating the impact of the climate, biodiversity loss and nature crises on our business operations, reducing our environmental impact as well as using our size and scale to mobilise action, we want to build a more resilient business and play a leading role in creating a more sustainable food system.

Direct oversight: Corporate Responsibility and Sustainability Committee, Plan for Better Steering Committee

Link to strategy: All Strategic Priorities

Link to key performance indicators: Plan for Better commitment

Movement: 

Mitigations

- Our Plan for Better sets out our sustainability goals across our whole business, outlining our priority areas of focus, our key commitments and our progress. We have aligned our focus to the UN Sustainable Development Goals and, through a materiality assessment, we have identified which issues matter most to our stakeholders so that we can make the biggest difference. Our plan has three interlocking pillars: Better for you, Better for the planet and Better for everyone (see page 15 for further detail)
- The Plan for Better Steering Committee met regularly during the year and provided regular updates to the Corporate Responsibility and Sustainability Committee and to the Operating Board as required. This Steering Committee oversees delivery of the Plan for Better programme
- One of our key metrics to measure and report on Plan for Better performance is our progress towards becoming net zero by 2035 in our own operations and in our value chain by 2050. We will continue to monitor our progress in achieving our targets, flexing our approach as needed. We also publicly report on progress towards achieving all of our targets within Plan for Better annually to ensure transparency
- See pages 30 to 43 for more information on our approach to managing climate risk and actions to transition to net zero by 2035 included in our TCFD disclosure

Statement of Viability

1) How Sainsbury's assesses its prospects

The Group's business activities and strategy are central to assessing its future prospects. These, together with factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 65. The financial position of the Group, its cash flows and liquidity are highlighted in the Financial Review on pages 46 to 52.

The Group manages its financing by diversifying funding sources, structuring core borrowings with phased maturities to manage refinancing risk and maintaining sufficient levels of committed funding via the Revolving Credit Facility. Maintaining a suitable level of undrawn additional funding capacity minimises liquidity risk.

The Group's prospects are assessed primarily through its corporate planning process. This includes an annual review which considers profitability, the Group's cash flows, committed funding and forecasted future funding requirements over three years, with a further year of indicative movements. As part of the strategic planning process, the Directors make a number of assumptions about business performance and the availability and effectiveness of mitigating actions available to the Group. In particular, cash flow forecasting gives visibility of the Group's funding headroom, comparing net debt to the level of committed facilities over the planning period.

The most recent corporate plan was signed off in January 2024, as part of the normal budgeting process. This is reviewed by the Operating Board and ultimately by the Board with involvement throughout from both the CFO and Chief Executive. Part of the Board's role is to consider the appropriateness of the key assumptions, taking into account the external environment, business strategy and model.

In its assessment of the Group's prospects, the Board has taken into account:

- **The Group's Next Level Sainsbury's strategy.** Building on the success of the Food First strategy, we're determined to be First choice for food, ensuring more customers in more of our stores can enjoy more brilliant Sainsbury's food. We've committed to deliver profitable sales growth and further grocery volume share gain
- **Changes to the Group's Financial Services Model.** We announced in January 2024 that financial services products offered in the future will be provided by dedicated financial services providers, with a phased withdrawal from the core Banking business. This will result in a significant period of change for the Bank. In the short term, there will be no immediate changes to existing products and services. Our forecasts have taken into account a number of different potential outcomes to achieve the strategic changes
- **Inflationary pressures.** Sustained levels of high inflation continue to put pressure on aspects of the Group's cost base. Impacts for inflationary pressures could persist for longer or at a greater degree than currently expected, which could result in more cautious consumer spending, particularly on discretionary items

- **Climate change considerations.** The Group's most recent corporate planning and budgeting processes includes assumed cash flows to address climate change risks, including costs associated with initiatives in place as part of the Plan for Better commitment. These include reducing environmental impacts and meeting customer expectations in this area, notably through reducing packaging and reducing energy usage across the estate
- **The Group's financial position.** The Group has continued to generate strong free cash flow and successfully reduced total net debt over the year as part of the continued focus on deleveraging. Furthermore, the committed Revolving Credit Facility, which enables the Group to maintain sufficient levels of contingent funding, has two £500 million facilities that were extended by a further 12 months during the year. Facility A has a maturity of December 2028 and Facility B has a maturity of December 2027. As at 2 March 2024, the Revolving Credit Facility was undrawn. In addition, the Group has in place a £575 million committed term loan facility with maturity of March 2026. This was fully drawn at the report date in order to part fund the acquisition of a property portfolio. In assessing the Group's prospects it has been assumed that this facility will be repaid in full at maturity from the Group's cash resources

2) The assessment period

The Directors have determined that the three years to March 2027 is an appropriate period over which to provide its viability statement. This was considered the appropriate timeframe by the Directors because:

- This period is consistent with that used for the Group's corporate planning process as detailed above, and reflects the Directors' best estimate of the future prospects of the business
- The Group does not earn revenue through long-term contracts. Therefore, changes to the Group's Corporate Plan are predominantly impacted by sales and cost assumptions. These are more difficult to predict beyond a three-year time horizon. Both have been stress-tested as part of the viability assessment

3) Assessment of viability

To make the assessment of viability the following has been performed:

- Scenarios have been modelled over and above those in the corporate plan, based upon a number of the Group's principal risks and uncertainties (as documented on pages 53 to 61). The scenarios were overlaid into the corporate plan to assess the potential impact on net debt of one or more of these crystallising over the assessment period. These have been tested in isolation and in combination with one another. The impact of the movements in net debt on the Group's funding headroom were then assessed. Where required, available mitigating actions to maintain funding headroom were considered as part of the assessment. These include reducing any non-essential capital expenditure and operating expenditure on projects, discretionary pay and dividend payments
- Reverse stress-testing was performed to determine the extent to which cash flows would need to deteriorate before fully utilising the Group's funding headroom or breaching its financial covenants and after taking into account any mitigating actions as detailed above

Whilst each of the risks on pages 53 to 61 has a potential impact and have been considered as part of the assessment, only those that represent severe but plausible scenarios were selected for modelling through the corporate plan.

All scenarios modelled and their link to the Group's Principal Risks and Uncertainties are detailed below:

Scenario modelled

Link to Principal Risk

Scenario 1 – Recessionary scenario

With sustained macroeconomic pressures, consumers continue to experience elevated levels of inflation and high interest rates. There is a risk that this could persist for longer or at a greater degree than currently expected, impacting consumer confidence and disposable incomes. This could result in a reduction in consumer spending on discretionary items across our general merchandise and clothing business, and in downtrading in our grocery business.

Assumptions:

- Sales – volume losses in line with the 2008 recession phasing have been applied to forecast sales

- Business continuity, operational resilience and major incidence response
- Trading environment and customer expectations

Scenario 2 – Data and legal breaches and regulatory changes

The impact of any regulatory fines has been considered. The largest considered are the General Data Protection Regulation (GDPR) fine for data breaches, and fines levied by the Groceries Supply Code of Practice (GSCOP).

Assumptions:

- Costs – amount paid for regulatory fines

- Data security
- Safety and security
- Product safety and sourcing
- Political and regulatory environment

Scenario 3 – Sainsbury's Bank capital and liquidity requirements

We have considered the strength of the Bank's capital and liquidity positions to withstand extreme-but-plausible stress scenarios such as a pandemic, or political instability leading to high unemployment and very low interest rates.

Additionally, we have considered the cost impacts of the strategic change of financial services products offered in the future being provided by dedicated financial services providers. The evaluation included the quantification of potential adverse impacts of customer behaviour as well as the timing of repayment of amounts due to external parties.

Assumptions:

- Sales – reflecting another severe recession stress as per the Annual Cyclical Scenario testing release by the Bank of England
- Costs – those associated with restructuring the financial services model are significantly in excess of that estimated
- Liquidity – early repayment of amounts due to external parties
- Liquidity – significant reduction as a result of potential adverse customer behaviour in the first year of assessment

- Sainsbury's Bank

Scenario 4 – Failure to deliver sustainable cost savings

Delays in delivering the Save to Invest programme, which would have an impact of c. £130 million in each year of the assessment period, were considered.

Assumptions:

- Costs – additional costs of c. £130 million per annum as result of failure to deliver cost savings

- Business strategy and change

Scenario – Reverse stress test

In addition to modelling regulatory fines and price investments as above, the level of forecast sales decline required before the Group fully utilises its available funding and mitigations, or breaching its financial covenants, was considered. The required reduction was considered extreme and implausible.

In performing the above analysis, the Directors have made certain assumptions around the availability and effectiveness of the mitigating actions available to the Group.

The scenarios above are hypothetical and severe for the purpose of creating outcomes that have the ability to threaten the viability of the Group; however, multiple control measures are in place to prevent and mitigate any such occurrences from taking place.

The modelling has shown that the business is able to withstand a combination of all of the scenarios and still maintain funding headroom throughout the plan period.

Taking into account the Group's current prospects and principal risks and uncertainties, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three years to March 2027.

4) Going concern

As a consequence of the work performed to support the viability statement above, the Directors also considered it appropriate to adopt the going concern basis in preparing the financial statements which are shown on pages 122 to 198.

Non-financial and sustainability information statement

In the following pages, we present information relating to the non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006.

These reflect our commitment to and management of environmental and social matters (as listed in the requirements) and how these impact our business and key stakeholders.



All our public policies, reports and standards are available at www.about.sainsburys.co.uk

Our Commitment	Our approach	Where to find more information and outcomes
<h2>Colleagues</h2>	<p>We want to be a place where people love to work and shop. This means being an inclusive employer where colleagues are treated fairly and with respect, and where they are encouraged to develop their skills and fulfil their potential. Colleague wellbeing and safety is a priority. We are committed to doing all that we can to support our colleagues, particularly in the current environment, and have continued to make significant investments in pay.</p>	<ul style="list-style-type: none"> • Chair's letter on page 2 • Plan for Better Report on page 15 • Our people on page 18 • Engaging with our stakeholders and our Section 172 statement on page 22 • Operational KPIs on page 44 • Nomination and Governance Committee Report on page 85 • Annual Statement from the Remuneration Committee Chair on page 99 • Gender and Ethnicity Pay Reports
<h2>Environment</h2>	<p>Our sustainability plan, Plan for Better, is integrated across our business to ensure that we achieve our sustainability goals. One of its key pillars, Better for the Planet, includes our environmental targets, priority areas of focus, and key commitments. Progress against these targets is described in this Annual Report and Accounts and in our standalone Plan for Better Report.</p> <p>With the impacts of climate change being felt around the world, we understand the important leadership role we can play to address these challenges. We have embedded the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) within our Plan for Better to strengthen our climate resilience. Climate-related Financial Disclosures (CFD), in accordance with Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 are included within our TCFD report.</p>	<ul style="list-style-type: none"> • Plan for Better Report on page 15 • Task Force on Climate-related Financial Disclosures, on page 30 • Engaging with our stakeholders and our Section 172 statement on page 22 • Corporate Responsibility and Sustainability Committee Report on page 89 <p>Further information, including the following disclosures and policies, can be found at www.about.sainsburys.co.uk/sustainability.</p> <ul style="list-style-type: none"> • Plan for Better Report • SASB Disclosure • CPD Water Disclosure • CPD Climate Change Disclosure • CPD Forests Disclosure • Policy on Ethical Sourcing • Policy on Palm Oil • Policy on Manmade Cellulosic Fibres • Policy on Cotton • Policy on Timber • Policy on Leather • Policy on Precious Metals and Minerals • Policy on Forest Products • Policy on Feather and Down • Requirements for Soy Feed
<h2>Community</h2>	<p>We have a long history of building partnerships and delivering great impact in our communities, locally and internationally. Our business relies on strong, resilient communities and we're committed to supporting social cohesion, economic prosperity and inclusive growth. We have presence in thousands of communities across the country and aim to help positively impact those in need through fundraising, volunteering, donations and raising awareness. Our Community and Partnership strategy is aligned to Good food for all of us.</p> <p>Alongside our community investment, we make positive economic contributions through our responsible approach to tax. We contributed approximately £2.3 billion in cash taxes borne and collected this year.</p>	<ul style="list-style-type: none"> • Chair's letter on page 2 • Plan for Better Report on page 15 • Engaging with our stakeholders and our Section 172 statement on page 22 • Corporate Responsibility and Sustainability Committee Report on page 89 • Groceries Supply Code of Practice • Policy on Whistleblowing <p>Further information can be found at https://about.sainsburys.co.uk/sustainability/better-for-everyone/community-and-partnerships.</p>

Our Commitment	Our approach	Where to find more information and outcomes
<h2 data-bbox="159 309 284 385">Human rights</h2>	<p data-bbox="402 309 938 465">At Sainsbury's, we fully recognise our responsibility as a company to respect and protect human rights throughout all our operations. We have a long history of setting high standards and working collaboratively with our suppliers to ensure they are met, and we work hard to embed respect for human rights and ethical practices throughout our business.</p> <p data-bbox="402 479 944 851">We are committed to respecting human rights across our value chain to ensure the people who make or grow our products are not being exploited or exposed to unsafe working conditions. We also ensure that our business's transition to net zero is just and equitable for the communities we source from. We have identified and prioritised our salient human rights risks and set ambitious commitments to drive forward progress in these priority areas: forced labour, sustainable livelihoods, safe and healthy working environments, discrimination and grievance mechanisms. Through our due diligence processes, we seek to identify, prevent and, where needed, mitigate and remediate adverse human rights risks that are linked to our operations, products or services.</p>	<ul data-bbox="963 309 1474 694" style="list-style-type: none"> • Chair's letter on page 2 • Plan for Better Report on page 15 • Engaging with our stakeholders and our Section 172 statement on page 22 • Corporate Responsibility and Sustainability Committee Report on page 89 • Modern Slavery Statement • Policy on Ethical Sourcing • Policy on Human Rights • Policy on Whistleblowing • Policy on Home Work • Policy on Prison Labour <p data-bbox="963 703 1497 779">Further information can be found at www.about.sainsburys.co.uk/sustainability/better-for-everyone/human-rights.</p>
<h2 data-bbox="159 869 370 985">Anti-bribery and corruption</h2>	<p data-bbox="402 869 944 1003">Our values form the framework which guides the behaviours of all colleagues and suppliers across the business. We expect all our colleagues, contractors and suppliers to act with honesty and integrity and never to engage in any activity which could be considered as accepting or giving a bribe.</p> <p data-bbox="402 1016 944 1173">Our Policy on Anti-Bribery and Corruption provides guidance and expectations on our colleagues' responsibilities and behaviour, and our expectations to prevent bribery and fraud. We have a Disciplinary and Appeals Policy to help encourage everyone to maintain our rules and standards of conduct, attendance, capability and performance.</p> <p data-bbox="402 1187 944 1240">Our Policy on Whistleblowing covers how to report wrongdoing when honesty and integrity are compromised.</p>	<ul data-bbox="963 869 1474 1025" style="list-style-type: none"> • Audit Committee Report on page 92 • Compliance with the Grocery Supply Code of Practice on page 96 • Policy on Anti-Bribery and Corruption • Policy on Whistleblowing
<h2 data-bbox="159 1249 370 1326">Other information</h2>	<p data-bbox="402 1249 944 1303">Other information to support this statement can be found on the following pages:</p>	<ul data-bbox="963 1249 1442 1482" style="list-style-type: none"> • Business Model on page 8 • Our strategy on page 10 • Non-financial KPIs on page 44 • Principal Risks and Uncertainties on page 53 • Statement of Viability on page 62 • Board leadership and Company purpose on page 73 • Audit Committee Report on page 92

The Strategic Report was approved by the Board of Directors and signed on its behalf by:



Bláthnaid Bergin
Chief Financial Officer

Introduction to the Governance Report

Dear Shareholder

The Board's continued focus on the implementation of the strategy we outlined in November 2020 has delivered a balanced outcome for our customers, colleagues, suppliers and shareholders. In February 2024, we announced our Next Level Sainsbury's strategy, which builds on the current momentum as well as ensuring that we deliver returns to shareholders.

In November 2020, we shared the key metrics by which we would judge our progress against the strategy. I am pleased to report that we have achieved our objective of putting food back the heart of Sainsbury's and Simon and the Operating Board have done an excellent job at delivering against our key performance measures across each of our five strategic pillars. This has been delivered in a balanced way, whilst investing in our colleagues and increasing customer satisfaction. We are, today, a fundamentally stronger business than we were in November 2020.

The Board and the Operating Board have worked collaboratively during 2023/24 to review our strategy, culture, purpose and values and to set out our new multi-year purpose and strategy and the strategic priorities that will help us to deliver against it. Our focus on being a purpose-led organisation will allow us to continue to be a Food First and People First business, to stay competitive, accelerate growth and generate strong free cash flow and higher returns. Further detail on our updated strategy and priorities can be found on pages 10 to 14.

Our purpose articulates the impact we want to create for customers and wider stakeholders. This year, we have established a new purpose which creates multiple opportunities for commercial and social growth. As a Board, we are responsible for ensuring that the business is purpose-led and our decision-making and activities reflect the purpose and drive the right behaviours. This means that we will be asking ourselves in every decision we make how this will ensure that we make good food joyful, accessible and affordable for everyone, every day.

My role as Chair is to maintain high standards of corporate governance and ensure the Board is equipped to carry out its duties, spending sufficient time on key areas that enable the delivery of our strategic priorities. Our corporate governance framework clearly defines responsibilities and ensures that the Group has the right systems and controls to enable the Board and its Committees to effectively oversee the business, providing challenge where necessary.

The Board regularly engages with shareholders to help inform strategic decision-making and to understand their views. Throughout the year, the Board received updates on shareholders, including their feedback and key areas of focus and views on the retail sector. We are pleased to recommend a final dividend of 9.2p per share, reflecting our commitment to deliver strong dividends for shareholders. Updates on customer feedback, insight, consumer sentiment metrics and trends are regularly provided to the Board, steering our responses to the key issues impacting customers. This understanding of our customers has helped the Board to shape the implementation of our Next Level Sainsbury's strategy, including key decisions on price investment to offer customers consistent value.

Our colleagues have continued to deliver for our customers and I am grateful for their exceptional service and commitment. The Board is committed to supporting our colleagues and we have made our biggest ever single investment to reward hourly paid colleagues, accelerating our commitment to always invest in our people first. This investment brings the three-year total investment to over £500 million.

Colleague feedback is critical to the Board and we continue to monitor our culture through our Make It Better Together panels, colleague listening and the outputs of our We're Listening colleague engagement survey. The Board engages directly with colleagues through our National Make It Better Together Group to understand the views of colleagues from across the business. Updates from these sessions are shared and discussed at Board meetings,

feeding into our decision-making process. Further information on how we monitor culture can be found on pages 18 to 21 and 78.

The Board is also mindful of the impact its decisions have on our suppliers. During the year, the Board received regular updates on supplier relationships and directly engaged with key suppliers, enabling greater understanding of the challenges they face and building stronger partnerships.

The Group's diversity, equity and inclusion strategy is a key area of focus for the Board and its Committees. Our commitment to this strategy is demonstrated by the composition of the Board and senior leadership teams. The Board has set ambitious targets to increase representation of women and Ethnically Diverse colleagues in our senior leadership and senior management positions, whilst also ensuring that all appointments are made on merit and meet the needs of the Group.

Our sustainability strategy is a key priority for the Board and the Corporate Responsibility and Sustainability Committee, whose report is set out on pages 89 to 91. Plan for Better is a core part of our broader strategy and Board agenda and we have made significant progress over the last year, further integrating sustainability into our daily business operations. Plan for Better is at the core of our new purpose and we are taking a leading role in creating a sustainable food system to truly make good food for all of us.

Central to setting the right tone from the top and maintaining high standards of corporate governance is the review of the Board's own performance. An internal evaluation was conducted in 2023/24, which concluded that the Board and each of its Committees continue to be effective. The Board's strengths included our stakeholder-led approach, the ability to execute on strategy and the constructive engagement between the Board and the Operating Board. Our progress against last year's areas of focus, as well as further information on this year's evaluation, can be found on pages 82 to 83.

After 22 years with Sainsbury's, Tim Fallowfield has decided to retire as Company Secretary and Corporate Services Director this July, after our AGM. On behalf of the Board, I would like to thank Tim for his exceptional contribution to the success and governance of the business and for all of the support he has provided to me, the Board and the Operating Board. Tim's legacy includes our brilliant Sainsbury Archive, which he founded with Lord John Sainsbury in 2003. I'm delighted that Tim has become Chair of the Archive and we will continue to benefit from Tim's leadership and experience in the future. I would like to thank all of my Board colleagues for their commitment, support and flexibility over the past year.



Martin Scicluna
Chair

Compliance with the Corporate Governance Code 2018 (Code)

The Board considers that the Company has complied in full with the Principles and Provisions of the Code (available at www.frc.co.uk). Further details on how we comply with the Code are available in the Strategic and Governance Reports, as outlined below.

Board leadership and Company purpose
More information can be found on pages 73 to 80

Division of responsibilities

More information can be found on page 84

Composition, succession and evaluation

More information can be found on pages 81 to 83

Audit, risk and internal control

More information can be found on pages 92 to 98

Remuneration

More information can be found on pages 99 to 117

Governance at a glance

We have delivered on our priorities to develop and grow the business, whilst ensuring that our strategy remains aligned with our purpose, culture and values.

Our year

Key Board decisions

- Overseen the changes and planning required for the finalisation of the Group's updated strategy, together with a revised purpose and commitments
- Approval of a share buyback programme and a progressive dividend policy
- Entry into the EV charging market and the launch of Smart Charge
- Concluded its strategic review of the Financial Services division


Board and Committee attendance (scheduled meetings)

	Board	Audit Committee	Corporate Reporting and Sustainability Committee	Nomination and Governance Committee	Remuneration Committee
Martin Scicluna	8/8	–	2/2	1/1	–
Bláthnaid Bergin	8/8	–	–	–	–
Jo Bertram	8/8	–	2/2	1/1	–
Brian Cassin	8/8	4/4	–	1/1	–
Jo Harlow	8/8	4/4	2/2	1/1	3/3
Adrian Hennah	8/8	4/4	–	1/1	3/3
Tanuj Kapilashrami	8/8	–	–	1/1	3/3
Simon Roberts	8/8	–	2/2	–	–
Keith Weed	8/8	4/4	2/2	1/1	–

Highlights


71%

Colleagues who told us they are happy at work

 Read more on pages 18 to 21


Strategy

Capital Markets Day held in February to launch Next Level Sainsbury's strategy

 Read more on pages 10 to 14

"A" rating

Awarded "A" rating for our Climate Change CPD submission for tenth consecutive year

 Read more on page 15

Our Board

What we bring to the Board

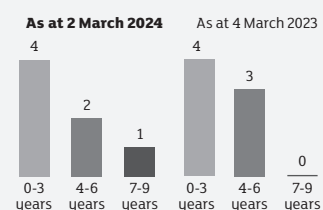
The Board benefits from a wide range of backgrounds and strengths. The diagram below provides an overview of the number of Board members with specific skills, experience and knowledge. Read more on pages 68 to 70.

Board skills matrix at 24 April 2024

 Corporate Transactions	5
 Sustainability	7
 E-commerce/Technology	8
 Operations/ General Retailing Experience	6
 Risk Management/ Internal Audit	9
 Remuneration	6
 Finance/Accounting/Audit	5
 Financial Services	4
 HR/People	7
 Current or recent CEO Experience	4
 Brand/Marketing	5
 Digital/Online	3
 Strategic Development and Implementation	9

Board composition

Board tenure (Non-Executive Directors and Chair)



Board gender diversity

● Men
● Women



Board ethnic diversity

● White
● Ethnically Diverse



Board balance

● Non-Executive Directors
● Executive Directors



J Sainsbury plc – Board of Directors 2024/25



Martin Scicluna

Chair

C N

Appointed to the Board: 1 November 2018.

Martin joined the Board as Chair Designate and Non-Executive Director on 1 November 2018. He was appointed Chair of the Board on 10 March 2019.

Skills and experience: Martin brings a wealth of experience from over 30 years' service as an executive and non-executive board director at a wide range of companies. Previous roles include Chairman of RSA Insurance Group plc, Chairman of Great Portland Estates plc, Senior Independent Director and Chair of the Audit Committee of Worldpay Inc., and Non-Executive Director and Chair of the Audit Committee of Lloyds Banking Group plc. He was a partner at Deloitte LLP for 26 years, serving as Chairman from 1995 to 2007, where his clients included Dixons, WH Smith, Alliance Unichem and Cadbury.

External appointments: None.

Specific contributions to the Company's long-term success:

Martin has extensive experience as a Chair. He brings valuable knowledge and skills in developing strategy and evaluating business opportunities, along with an understanding of the financial services sector and how it operates. As Chair, Martin has a deep understanding of governance and what is needed to lead an effective Board.

Independent: Upon appointment.

Simon Roberts

Chief Executive

C

Appointed to the Board: 1 June 2020.

Simon was appointed as Chief Executive on 1 June 2020, having joined Sainsbury's and the Operating Board in July 2017 as Retail & Operations Director, with responsibility for Stores, Central Operations and Logistics.

Skills and experience: Simon has worked in retail for over 35 years, having started at Marks and Spencer and joined Sainsbury's from Boots, where he was Executive Vice President of Walgreens Boots Alliance and President of Boots UK and Ireland.

External appointments: President of IGD, Member of the Government's Retail Sector Council, and an Advisory Board Member of Diversity in Retail.

Specific contributions to the Company's long-term success:

Simon is leading Sainsbury's plan to become First choice for food. Under Simon's stewardship, Sainsbury's has launched its Plan for Better, which is integrated into our strategy and includes a bold commitment to become net zero across our own operations by 2035. Simon has led significant investments into colleague pay, most recently leading the industry in paying the Living Wage across the whole country. Simon is the Operating Board Sponsor for Inclusion and is a dedicated, determined and enthusiastic champion for our customers and colleagues and for inclusion and diversity across our company.

Independent: No.

Bláthnaid Bergin

Chief Financial Officer

Appointed to the Board: 5 March 2023.

Bláthnaid was appointed as Chief Financial Officer on 5 March 2023, having joined Sainsbury's in 2019 as Group Director of Finance before becoming Commercial and Retail Finance Director in 2021.

Skills and experience: Prior to joining Sainsbury's, Bláthnaid held senior finance leadership roles at Aviva and RSA. She is a qualified Chartered Accountant and spent most of her career at GE in various finance roles working across Europe, Asia and Australia. Bláthnaid was previously Non-Executive Director, Chair of the Audit Committee and Senior Independent Director for Artemis Alpha Investment Trust.

External appointments: None.

Specific contributions to the Company's long-term success:

Bláthnaid is a highly respected leader with a strong record of financial leadership. Over the last five years at Sainsbury's, she has supported the development and delivery of our strategy. Bláthnaid has extensive international and finance experience gained during previous and current executive and non-executive positions.

Independent: No.

Key to Committee members

- A Audit Committee
- C Corporate Responsibility and Sustainability Committee
- N Nomination and Governance Committee
- R Remuneration Committee
- Denotes Chair of Committee



Jo Bertram

Non-Executive Director

C N

Appointed to the Board: 7 July 2022.

Skills and experience: Jo is a highly talented strategic business leader with significant experience leading transformation and change. Prior to becoming Managing Director, Business & Wholesale at Virgin Media O2, Jo held senior Director and Strategy roles at O2. Between 2013 and 2017, she held the position of Regional General Manager, Northern Europe at Uber. Jo has previously worked at McKinsey and Accenture and holds an MBA from INSEAD.

External appointments: Managing Director, Business & Wholesale at Virgin Media O2.

Specific contributions to the Company's long-term success: Jo has worked in growing hi-tech sectors, which benefits our customers as we explore new ways to use digital solutions to make shopping easy and convenient.

Independent: Yes.

Brian Cassin

Non-Executive Director

A N

Appointed to the Board: 1 April 2016.

Brian joined the Board on 1 April 2016 and became the Senior Independent Director on 7 July 2022.

Skills and experience: Brian brings relevant experience of running a FTSE 100 group with knowledge of big data and analytics, both areas of key importance to Sainsbury's. As Chief Executive Officer of Experian plc, Brian brings strong leadership experience and a substantial background in operating within a regulated environment. He joined Experian plc as Chief Financial Officer in April 2012, a post he held until his appointment as Chief Executive Officer in July 2014. Prior to this, Brian spent his career in investment banking at Greenhill & Co, where he was Managing Director and Partner. Brian has also held various roles at Baring Brothers International and at the London Stock Exchange.

External appointments: Chief Executive Officer of Experian plc.

Specific contributions to the Company's long-term success: Brian's current experience as a Chief Executive and his work in the financial and technology sectors provide valuable industry insight.

Independent: Yes.

Jo Harlow

Non-Executive Director

C N R

Appointed to the Board: 11 September 2017.

Jo joined the Board on 11 September 2017 and became Chair of the Remuneration Committee in July 2022.

Skills and experience: Jo brings a wealth of experience in consumer-facing businesses and the telecoms and technology industries, both in the UK and internationally. She was Corporate Vice President of the Phones Business Unit at Microsoft Corporation and, before that, was Executive Vice President of Smart Devices at Nokia, following a number of senior management roles at Nokia from 2003. Prior to that, Jo held marketing, sales and management roles at Reebok International Limited from 1992 to 2003 and at Procter & Gamble from 1984 to 1992. Jo was previously a Non-Executive Director and Chair of the Remuneration Committee of InterContinental Hotels Group plc.

External appointments: Non-Executive Director and Chair of the Remuneration Committee of Halma plc, Non-Executive Director and member of the Remuneration Committee and Nominations Committee at Centrica plc, and Director of Chapter Zero Limited.

Specific contributions to the Company's long-term success: Jo has broad experience from executive and non-executive roles and she has helped the business deliver and evolve its sustainability strategy. She also brings current external remuneration committee experience.

Independent: Yes.

Key to Committee members

- A Audit Committee
- C Corporate Responsibility and Sustainability Committee
- N Nomination and Governance Committee
- R Remuneration Committee
- Denotes Chair of Committee

J Sainsbury plc – Board of Directors 2024/25 continued



Adrian Hennah

Non-Executive Director

A N R

Appointed to the Board: 1 April 2021.

Skills and experience: Adrian has significant financial and strategic expertise from leading the performance and strategy of many large companies. He started his career working in audit and consultancy with PwC and Stadtsparkasse Köln, the German regional bank. Adrian spent 18 years in Chief Financial Officer roles at three FTSE 100 companies. He was Chief Financial Officer at Reckitt Benckiser (RB) for seven years and held the same position at Smith & Nephew and Invensys. Prior to this, he spent 18 years at GlaxoSmithKline, working in both finance and operations. He was also previously Non-Executive Director and Chair of the Audit Committee at RELX.

External appointments: Non-Executive Director of Oxford Nanopore Technologies plc, a Non-Executive Director of Unilever plc, an external member (NED) of the Finance Committee (Board) of Oxford University Press and a Trustee of Our Future Health.

Specific contributions to the Company's long-term success: Adrian brings extensive financial and leadership experience to Sainsbury's gained from Chief Financial Officer positions held in some of the UK's largest companies, notably at RB, which produces leading hygiene, health and nutritional brands.

Independent: Yes.

Tanuj Kapilashrami

Non-Executive Director

N R

Appointed to the Board: 1 July 2020.

Skills and experience: Tanuj is an international banker with significant experience in transformation, talent and change management, both in the UK and globally. She is the Chief Strategy and Talent Officer of Standard Chartered Bank, where she leads the strategy, HR, corporate affairs, brand and marketing, property and supply chain teams and in turn is responsible for how the Standard Chartered Bank develops, executes and communicates its strategy. She joined Standard Chartered in 2017 and has been the Bank's CHRO from 2018 to 2024. Prior to this, Tanuj built her career in banking over 17 years in key global and regional HR leadership roles across multiple markets within HSBC. She has also previously served as a Director of Financial Services Skills Commission Limited.

Tanuj is a recognised thought-leader on the future of work and has been featured by leading global media on a range of topics, including culture, leadership, inclusion and skills.

External appointments: Chief Strategy and Talent Officer at Standard Chartered Bank, Associate Non-Executive Director of the Board of NHS England, member of the Asia House Board of Trustees, and on the Board of Autum, an integrated digital wealth, health and lifestyle solutions start-up.

Specific contributions to the Company's long-term success: Tanuj is a valuable member of the Board as the business continues to adapt and support its colleagues in a rapidly changing marketplace.

Independent: Yes.

Keith Weed CBE

Non-Executive Director

A C N

Appointed to the Board: 1 July 2020.

Keith joined the Board on 1 July 2020 and became Chair of the Corporate Responsibility and Sustainability Committee on 7 July 2022.

Skills and experience: Keith is an exceptionally capable marketing and digital leader. He has championed new ways of integrating sustainability into business and building brands with purpose. Keith was awarded a CBE for services to the advertising and marketing industry in the 2021 New Years Honours List. He has a strong business background, having spent 36 years at Unilever plc, most recently as Chief Marketing and Communications Officer, which included leading the company's ground-breaking sustainability programme globally. Whilst at Unilever, Keith led different parts of the business, during which time he worked closely with Sainsbury's and other retailers. He has strong international experience and knowledge, having run international businesses both in the UK and overseas.

External appointments: Non-Executive Director of WPP plc, Trustee Director of Business in the Community, Trustee Director of The Leverhulme Trust and President of The Royal Horticultural Society. He is also a trustee of Grange Park Opera.

Specific contributions to the Company's long-term success: Keith plays an important role in Sainsbury's plan to become First choice for food and delivering on our Plan for Better. He has an excellent understanding of both sustainability and digital, and the ways that technology is transforming businesses.

Independent: Yes.


Key to Committee members

- A Audit Committee
- C Corporate Responsibility and Sustainability Committee
- N Nomination and Governance Committee
- R Remuneration Committee
- Denotes Chair of Committee

J Sainsbury plc – Operating Board 2024/25




Simon Roberts
Chief Executive

 See page 68



Bláthnaid Bergin
Chief Financial Officer

 See page 68



Rhian Bartlett
Chief Food Commercial Director

Date of appointment: November 2020.

Skills and experience: Rhian joined the Operating Board in November 2020, having returned to Sainsbury's in 2019 as Director of Fresh Food. She is responsible for delivering the commercial performance of Sainsbury's food business and brands. Rhian is also the Operating Board Sponsor for Gender. She has over 20 years' experience in the retail industry and has held a variety of senior commercial roles, including Customer and Digital Director at Screwfix and Director of UK Trading at eBay. Rhian's previous roles at Sainsbury's include Business Unit Director Fresh Foods and Head of Online Merchandising.

Rhian is a Non-Executive Director of Speedy Hire Plc and is a Trustee of GroceryAid.



Graham Biggart
Chief Transformation & General Merchandise Commercial Officer

Date of appointment: March 2022.

Skills and experience: As Chief Transformation & General Merchandise Commercial Officer, Graham is responsible for our strategy and the delivery of our major change programmes across our business, in addition to our Supply Chain, Logistics & Fulfilment, and Central Business Services. He is also accountable for the commercial performance of our General Merchandise and Clothing businesses; including Argos, Habitat and Tu. Graham is the Operating Board Sponsor for Ethnicity. He joined Sainsbury's in 2015 and has led a number of different areas of the business in that time, across commercial, operations and channels, including as Commercial Director for Fresh Food & Foodservice and as Commercial Operations Director covering Range, Space, Price & Formats in Food, General Merchandise and Clothing, as well as the Sainsbury's Local and Argos Republic of Ireland businesses. Prior to Sainsbury's, Graham worked at McKinsey & Company, and before that at Brunswick Group. Graham is a Non-Executive Director and Chair of the Risk & Audit Committee of GS1 UK.



Tim Fallowfield OBE
Company Secretary and Corporate Services Director

Date of appointment: September 2004.

Skills and experience: Tim joined Sainsbury's in 2001 as Company Secretary, having previously held the position of Company Secretary and General Counsel at Exel plc, the global logistics company, now part of DHL. Tim is a qualified solicitor and began his career at the international law firm, Clifford Chance. In addition to his role as Company Secretary, he is responsible for the Corporate Services Division, comprising Legal Services, Data Governance and Information Security, Safety and Insurance, and Shareholder Services. He also chairs the Group Safety Committee and the Data Governance Committee. Tim is the Operating Board Sponsor for Caring Responsibility and Hidden and Visible Physical Disability. Tim was Chairman of the Disability Confident Business Leaders Group, between 2016 and 2023, which works with government in shaping the disability employment agenda and in raising awareness of the benefits of employing disabled people. He was awarded an OBE for services to disability awareness in the 2020 New Year Honours List. Tim is a member of the Trustee Board of Save the Children and chairs their Audit and Risk Committee. He is a Non-Executive Director of the Government Legal Department and Chair of the Sainsbury's Archive.

J Sainsbury plc – Operating Board 2024/25 continued



Mark Given Chief Marketing Officer

Date of appointment: June 2020.

Skills and experience: Mark has significant experience in customer insight, brand communication and digital marketing. Mark joined Sainsbury's in 2012, becoming Marketing Director in 2017. He was appointed Chief Marketing Officer in August 2019 and has responsibility for Marketing & Loyalty across the Sainsbury's, Argos, Tu clothing and Habitat brands. Mark has also been responsible for the Nectar Loyalty coalition and the Nectar360 Retail Media business since 2018. In 2021, Mark assumed responsibility for all Corporate Responsibility and Sustainability activity, including delivery of our Plan for Better targets. Mark is the Operating Board Sponsor for Neurodiversity. Prior to joining Sainsbury's, Mark built his digital skills leading the Priority programme at O2, where he was Head of Sponsorship. Before this, Mark worked with key brands at Heineken UK where he was Brand Director. He began his career at Procter & Gamble UK before working across Europe on a variety of brands. Mark is currently a Council Member of the Incorporated Society of British Advertisers and a Fellow of the Marketing Society. He is also a trustee on the Sainsbury's Archive Charitable Trust board.



Prerana Issar Chief People Officer

Date of appointment: May 2023.

Skills and experience: Prerana joined the Operating Board in May 2023. She is responsible for human resources and our people services across the business. Prior to joining Sainsbury's, Prerana was the NHS's first Chief People Officer and supported the 1.2 million people who work for the NHS to deliver critical care for patients, including through the COVID-19 pandemic, the most challenging period of the NHS's history. Before that, Prerana worked at the United Nations World Food Programme as Director of Public-Private Partnerships and Chief HR Officer. She is focused on HR delivering commercial impact, having started her career at Unilever plc, where she spent 15 years and finishing her time there as Vice President of HR for Global Food. Prerana is a trustee on the Marie Curie Board of Trustees.



Clodagh Moriarty Chief Retail and Technology Officer

Date of appointment: June 2018.

Skills and experience: Clodagh joined the Operating Board in 2018 and was appointed as Chief Retail and Technology Officer in March 2023, combining the leadership of Technology with the Group's Digital and Retail teams. She is responsible for all stores and their operations, as well as Sainsbury's digital offer and strategy, ensuring customers experience an integrated and seamless shopping experience across Sainsbury's, Argos, Tu, Sainsbury's Bank and Nectar. Clodagh's previous roles in Sainsbury's include Retail and Digital Director and Chief Digital Officer. Clodagh is the Operating Board Sponsor for Wellbeing, ensuring we uphold our colleague mental health and wellbeing commitments across the business. Clodagh joined Sainsbury's as Head of Strategy, following nine years at Bain & Company and, during her time with us, has had numerous leadership roles across commercial and channels. She is a Non-Executive Director and member of the Remuneration and Nomination and Governance Committees of Taylor Wimpey plc.

Operating Board changes

After five years as an Operating Board member, Jim Brown retired as CEO, Sainsbury's Bank in March 2024.

Following Paula Nickolds' departure from the Operating Board in February 2024, Graham Biggart's role was expanded to Chief Transformation & General Merchandise Commercial Officer, combining the leadership of transformation and commercial performance of Argos and the Group's General Merchandise and Clothing Business.


After 22 years of service, Tim Fallowfield has confirmed his intention to retire from Sainsbury's in July 2024.

Board leadership and Company purpose

Our new purpose of “We make good food joyful, accessible and affordable for everyone, every day” underlines our commitment to keep food firmly at the heart of what we do, whilst also reflecting the unique role we play for our customers and the communities we serve.


Role of the Board

The Board is the principal decision-making body in the Company. It is collectively responsible for promoting the long-term success of the business for the benefit of its shareholders, achieving this through the creation and delivery of sustainable shareholder value. The Board also carefully considers its wider stakeholders, including customers, colleagues and suppliers, when making decisions.


 More information on the Board's engagement with its stakeholders can be found on pages 22 to 29

The Board is responsible for setting the strategy of the business and overseeing its implementation by management. It is committed to delivering on each of the Group's strategic priorities, which are aligned with the Group's purpose and values. It ensures effective corporate governance, succession planning and stakeholder engagement. The Board is also responsible for ensuring that effective internal controls and risk management systems are in place.

Colleague engagement is critical to the Board, and it monitors culture through the Make It Better Together panels, colleague listening and the outputs of colleague engagement surveys. The Board and senior leaders set the tone from the top and lead by example on the Group's valued behaviours.

 Further information on colleagues and culture can be found on pages 18 to 21

The Board has formally delegated certain governance responsibilities to its Board Committees and the Operating Board, as outlined below. During the year, the Board reviewed the delegated responsibilities and Terms of Reference of each of the Board Committees.

 Further information can be found on page 84

Operating Board

Matters not specifically reserved for the Board have been delegated to the Operating Board, chaired by Simon Roberts. The Operating Board is responsible for the day-to-day operation of the business and the execution of our strategy, ensuring that this is done in an ethical and sustainable manner. During the year, the Operating Board delivered progress against our key performance measures across each of the five strategic pillars.

 Each Operating Board Director has a range of responsibilities, as detailed in their biographies on pages 71 to 72


Sainsbury's Bank Board

Sainsbury's Bank plc Board membership comprises an independent Chair, four Non-Executive Directors, all of whom are independent, together with the Bank's Chief Executive Officer and Chief Financial Officer. The Bank's Chief Executive Officer is supported by the Sainsbury's Bank Executive Committee and is responsible for the day-to-day management of the business and executing its strategy. The Bank's Chief Executive Officer meets regularly with the Chief Financial Officer, bringing the Bank's priorities and perspective to the wider business.

Summary of matters reserved for the Board

The Board has adopted a formal schedule of matters reserved for its attention, detailing matters that are considered of significance to the Group owing to their strategic, financial or reputational importance. The schedule of matters reserved for the Board is reviewed on an annual basis and approved by the Board. Below is a summary of Matters Reserved for the Board:

- Group strategy, operating plans, long-term plans and budget
- Changes to corporate and capital structure
- Major acquisitions, mergers, joint ventures and disposals
- Significant capital expenditure and borrowing
- Material contracts
- Risk management and internal control
- Changes to the pension scheme
- Financial reporting and disclosures
- Review of remuneration policies and share schemes
- Dividend policy and payment

 The Matters Reserved for the Board can be found on our website at www.about.sainsburys.co.uk.

Evolution of our governance framework

In February 2024, we announced our Next Level Sainsbury's strategy. Translating our updated strategy into delivering the strategic outcomes will require our existing governance framework to evolve. A new decision-making structure, below the Operating Board, has been implemented and will be effective for 2024/25. The new structure is directly aligned to the strategic outcomes, with clear accountability and ownership of deliverables.

“

We're going to build on what has driven our success since 2020.

Simon Roberts
Chief Executive

Board leadership and Company purpose continued

Board

Board Committees

The Board Committees support the Board in specific areas of its responsibilities, as outlined below. The Committee Chairs provide regular updates to the Board on Committee meetings and activities.

Audit Committee

- Reviews and monitors integrity of financial information prior to publication, ensuring that the Annual Report as a whole is fair, balanced and understandable
- Oversees systems of internal control and risk management
- Approves internal and external audit processes
- Maintains relationship with auditors
- Carries out in-depth reviews of specific risks, ensuring that risks are appropriately identified, managed and mitigated



More information can be found on page 92

Corporate Responsibility and Sustainability Committee

- Reviews the Plan for Better strategy, monitoring progress against key environmental and social sustainability targets and metrics
- Undertakes horizon scanning of future social and environmental sustainability matters
- Monitors business engagement on sustainability and corporate responsibility matters



More information can be found on page 89

Nomination and Governance Committee

- Reviews the Board's size, structure and composition, including the recommendation of new appointments to the Board
- Monitors balance of skills, knowledge, experience, independence and diversity of the Board and its Committees to ensure that they remain appropriate
- Oversight of succession planning and development plans of the Board and senior management
- Reviews the Board's governance framework, including the Group's compliance with applicable laws and regulations
- Oversight of annual performance evaluation of the effectiveness of the Board and its Committees
- Monitors compliance against the UK Corporate Governance Code



More information can be found on page 85

Remuneration Committee

- Recommends and reviews the Remuneration Policy, ensuring that it promotes the delivery of our strategy and the long-term sustainable success of the business
- Approves remuneration and benefits for the Chair, Executive Directors and Operating Board Directors
- Approves remuneration principles throughout the business



More information can be found on page 99



The Terms of Reference for these Committees can be found on our website at www.about.sainsburys.co.uk.

Operating Board

Operating Board Committees

The Operating Board Committees support the work of the Operating Board through delegated powers, as outlined below. Members of senior management provide regular updates from these Committee meetings to the Operating Board.

Business Performance Review

- Monitors and reviews implementation of the Group's plans to meet budget targets, as set out by the Operating Board
- Approves in-year capital expenditure
- Monitors business performance with regards to customers, the market, product proposition and perceptions of our brand
- Monitors and reviews colleague engagement

Group Data Governance Committee

- Oversees programmes that deliver compliance with Data Protection, Data Security and Payment Card Industry data security standards
- Oversees effective information security and risk management throughout the business
- Provides assurance, with the Group CISO and Director of Data Governance, to the Operating Board, Audit Committee and Board

Group Safety Committee

- Reviews the safety culture and the robustness of safety management systems throughout the business, including food safety, online safety and colleague security
- Oversees standards for management and monitoring of colleague and customer safety
- Provides assurance, with the Director of Safety and Insurance, to the Operating Board, Audit Committee and Board
- Reviews the Group's safety performance and potential safety risks within the business

Plan for Better Steering Committee

- Leads operational execution of our Plan for Better strategy
- Oversees Plan for Better activities in relation to this strategy to ensure delivery

Customer, Commercial and Channels Forum

- Leads the development and execution of our customer, commercial and channel plans against our strategy
- Manages the in-year operating performance of the retail business

Key areas of focus for the Board

Our Board and Committee meetings were held in person and remotely during the year, enabling agile and effective decision-making. The Chair also held regular calls between meetings with the Non-Executive Directors. Members of the Operating Board, management teams and other colleagues attended Board meetings to enable improved Board dialogue, review performance, discuss progress and agree key priorities for the short, medium and longer term.

Key activities of the Board

The Board has a detailed programme of activities which is agreed by the Chair, in conjunction with the Chief Executive and Company Secretary, covering operational and financial performance, strategy and transformation planning, risk, governance, culture and stakeholder matters. This enables consideration and decision-making which is appropriate for the business, our stakeholders and the markets in which we operate.



Further information on how the Board has taken the respective views of its key stakeholders into account during Board discussions is provided in our s.172 statement

A typical Board meeting will comprise the following elements:

- Performance reports including Chief Executive overview, Chief Financial Officer review and operational performance reports
- Deep dive reports into areas of particular strategic importance to evaluate progress, provide insight and, where necessary, decide on appropriate action
- Verbal Committee updates from the Chairs of our Board Committees, including the key discussion points and particular matters to bring to the Board's attention
- Feedback from shareholder meetings
- Updates from our Make It Better Together panel, with further context provided by the Non-Executive Directors who attended that particular session
- Legal, risk and governance updates, including approval of the revised governance framework, approval of the Modern Slavery Statement and updates and review of material litigation

The table on the following pages sets out the key topics that the Board reviewed, discussed and debated during the year. Board reviewed, discussed and debated during the year.

Matters considered

Strategy

Outcome

- Discussed progress against the strategic plan and the impact of the cost of living crisis and inflationary pressures on our customers, colleagues and suppliers
- Monitored progress against culture, behaviours, diversity, equity and inclusion strategy which supports the long-term planning and future direction of the Group
- Approved key decisions and outcomes required to finalise the updated strategy and purpose announced in February 2024
- Reviewed the Operating Board's investment choices and ways of simplifying the Group's operating model
- Held deep dive discussions on the Group's strategic and transformation programmes
- Discussed and created relevant action plans for long-term strategic challenges
- Committed to working with suppliers over the longer term, enabling suppliers to invest in their business and build resilience
- Concluded a strategic review of the financial services division



More information can be found on pages 10 to 14

Benefits and consideration

- Having a clear, strategic direction for the short, medium and long term and understanding our stakeholder expectations is vital for the execution of our strategic priorities
- Staying connected to our stakeholders has enabled the Board to make deliberate decisions on value investment, colleague pay and ensuring the longevity of our supply chain
- The decisions taken have helped to deliver strong results in the short term, but will also enable the Group's longer term goals
- Focus on a multi-year purpose-led organisation will create multiple opportunities for commercial and social growth

Stakeholders considered

- Customers
- Suppliers
- Colleagues
- Communities
- Shareholders
- Regulators

Link to KPIs

- Grocery market share performance
- Customer satisfaction score
- Colleague engagement score
- Plan for Better commitment
- Retail free cash flow
- Return on capital employed
- Retail operating cost to sales
- Underlying profit before tax

Link to strategy

- First choice for food
- Loyalty everyone loves
- More Argos, more often
- Save and invest to win

Board leadership and Company purpose continued

Key areas of focus for the Board continued

Strategy update: “Next Level Sainsbury’s”

We make
good food
joyful, accessible and affordable
for everyone, every day

Against a backdrop of continued change in the retail industry and increasing importance of environmental and social considerations, the Board reviewed the Company’s strategy at a number of meetings during the year. Dedicated strategy days were also held in July and October 2023.

Focus areas

The Board discussed the short and long-term goals and the choices that the business would need to make to achieve them. The main discussion themes included:

- Medium and longer-term competitor, customer and market trends and the implications for the business
- Identifying the appropriate strategic priorities and short, medium-and long-term choices required
- Challenges to achieving strategic priorities and where improvements would need to be made across the business, including key investment and cost-saving priorities
- Cultural change needed for growth

Outcomes

- Updated purpose, strategic outcomes and commitments
- Colleague engagement plan developed to ensure awareness and understanding of the new purpose and strategy
- Capital Markets Day held in February 2024 to announce the new purpose, strategy and commitments

Next steps

- The Board will receive regular updates on the strategic outcomes at every Board meeting
- Deep dive updates will be presented at the Strategy Review days in July and October 2024

Matters considered

Chief Executive Report and Financial Updates

Outcome

- The Chief Executive and Chief Financial Officer provided an overview of the operational and financial performance of the business at each meeting
- Periodic updates on sales, profit, cash flow, stakeholders and progress against KPIs

 More information can be found on page 4

Benefits and consideration

- The Board has delegated authority to the Chief Executive for the day-to-day management of the business
- Operational and financial updates provide oversight of the business, and the impact actions may have on stakeholders

Stakeholders considered

- Customers
- Colleagues
- Shareholders
- Suppliers
- Communities

Link to KPIs

- Grocery market share performance
- Colleague engagement score
- Retail free cash flow
- Retail operating cost to sales
- Customer satisfaction score
- Plan for Better commitment
- Return on capital employed
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“

**We are a food first,
people first business.**

Simon Roberts
Chief Executive

Matters considered**Review of financial position, going concern and the viability of the Group****Progress against the long-term plan and budget****Review of balance sheet and leverage targets****Review of funding and liquidity plans****Outcome**

- Refreshed capital allocation framework and review of shareholder returns and dividend policy
- Management of Group financing activities, including debt refinancing and pension plans

 More information can be found on page 46

Benefits and consideration

- Board oversight supports the strategic direction and long-term viability and ensures that future liabilities can be met

Stakeholders considered

- Customers
- Colleagues
- Shareholders
- Suppliers
- Communities

Link to KPIs

- Group market share performance
- Retail free cash flow
- Retail operating cost to sales
- Return on capital employed
- Underlying profit before tax

Link to strategy

- First choice for food
- Loyalty everyone loves
- More Argos, more often
- Save and invest to win

Matters considered**Risk management framework****Updates on principal and emerging risks****Risks, including principal risks as appropriate, are also discussed through the other matters considered****Outcome**

- Maintained responsibility for the identification and management of risks to ensure the successful operation of the business
- Identified and monitored principal and emerging risks, including economic and political uncertainty, supply chain security and raw material availability
- Reviewed Audit Committee discussions and decisions to monitor internal controls, stress testing and risk mitigation across the business

 More information can be found on page 53

Benefits and consideration

- The Board reviews the most significant or principal risks facing the Group
- Strengthening the risk and internal control environment is fundamental to our governance framework

Stakeholders considered

- Customers
- Colleagues
- Shareholders
- Suppliers
- Communities

Link to KPIs

- Grocery market share performance
- Colleague engagement score
- Retail free cash flow
- Retail operating cost to sales
- Customer satisfaction score
- Plan for Better commitment
- Return on capital employed
- Underlying profit before tax

Link to strategy

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Board leadership and Company purpose continued

Key areas of focus for the Board continued

Matters considered

Culture, diversity and inclusion

Talent, succession and development

Outcome

- Committed to further investment into colleague pay for our retail colleagues and other enhancements to colleague benefits
- Maintained focus on culture and development as a critical enabler of our longer-term success
- Focused on succession planning across pivotal roles within the business, including the change in structure of the Operating Board
- Building leadership capability to develop and grow diverse talent and strengthen future pipelines through tailored development programmes
- Supported the Operating Board in the launch of our new purpose to further embed a positive, forward-thinking culture whilst improving business outcomes
- Received regular updates on colleague engagement reviewing colleague feedback from listening groups, the Make It Better Together panel and the We're Listening survey

 More information can be found on page 18

Benefits and consideration

- Understanding what allows the Board to make effective decisions to ensure our culture is fit for purpose
- Supporting colleagues with leading pay and benefits is a key part of our strategy to drive outstanding service

Stakeholders considered

- Colleagues

Link to KPIs

- Colleague engagement score
- Plan for Better commitment

Link to strategy

- First choice for food

Focusing on culture

A healthy corporate culture is one in which Sainsbury's has a purpose, values and strategy that are respected by its stakeholders, and an operating environment that encourages employees to make a positive difference for stakeholders 'doing the right thing'.

Aligning with purpose, strategy and values

Our culture comes to life through our three values, Own It, Make It Better and Be Human, which remain unchanged. These values underpin our purpose and have become a vital part of our culture, supporting our growth and success across the Group. They ensure that all of our colleagues understand what is most important to us – understanding our customers and their needs, working as a team in a respectful and supportive way, and showing that when we add up all the small things we do, we can make a big difference to the issues customers, colleagues, communities and wider society care about.

Monitoring culture

The business has a framework of policies and practices in place which allow the Board and its Committees to monitor and measure culture. These include updates on the outcomes of the We're Listening survey benchmarked against peers, interactions with the Make It Better Together panel and regular updates on a broad range of risk and business integrity matters, including fraud, compliance, bribery, corruption and modern slavery, and standard supplier protocols and procedures. Collectively, these updates provide the Board with broad insights into day-to-day operations, the practical execution of strategy and the culture context in which our colleagues work.

Our cultural metrics:

79%

of colleagues who told us they are able to be themselves at work

74%

of colleagues who told us they were treated respectfully at work

71%

of colleagues who told us they were happy at work

67%

of colleagues who told us they have good opportunities to learn and grow

Matters considered**Oversight of our Plan for Better strategy by the Corporate Responsibility and Sustainability Committee****Outcome**

- Renewed partnership with Fairtrade to deliver living wage to banana workers, three years ahead of the IHD industry commitment
- Continued price investment making good food affordable for everyone
- Approved the Group's Science Based Targets initiative submission and net zero transition planning
- Launch of our Smart Charge: new ultra-rapid service to build confidence in public EV charging

 More information can be found on page 15

Benefits and consideration

- Our commitment to our customers, colleagues and the communities we serve are reflected in our Plan for Better strategy which underpins our four strategic outcomes
- Building the resilience of our business and changing the way we work with partners and suppliers for people and planet

Stakeholders considered

- Customers
- Colleagues
- Shareholders
- Suppliers
- Communities
- NGOs

Link to KPIs

- Grocery market share performance
- Plan for Better commitment
- Colleague engagement

Link to strategy

- First choice for food
- Loyalty everyone loves
- More Argos, more often
- Save and invest to win

Matters considered**Investor relations, investor views and key market updates****Outcome**

- Understanding of investors' strategic and performance expectations of Sainsbury's
- Visibility of market conditions, share price performance and future outlook
- Feedback on investor meetings held during the year
- Updated investors on Next Level Sainsbury's strategy
- Announcement of share buyback programme

 More information can be found on page 25

Benefits and consideration

- Ensures shareholder sentiment is understood and considered when making decisions

Stakeholders considered

- Shareholders

Link to KPIs

- Grocery market share performance
- Retail free cash flow
- Retail operating cost to sales
- Customer satisfaction score
- Plan for Better commitment
- Return on capital employed
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Link to strategy

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Board leadership and Company purpose continued

Key areas of focus for the Board continued

Matters considered

Safety updates focusing on people and food safety

Outcome

- Review of major safety incidents and the safety strategic plan, including updates on trends and the Group's safety culture

 More information can be found on page 19

Benefits and consideration

- The Board places significant importance on looking after the safety of colleagues, customers and anyone else impacted by our business

Stakeholders considered

- Customers
- Colleagues
- Suppliers

Link to KPIs

- Colleague engagement score
- Customer satisfaction score
- Plan for Better commitment

Link to strategy


- First choice for food
- More Argos, more often
- Save and invest to win

Matters considered

Governance matters

Outcome

- Updates from the Chairs of the Committees
- Review of audit and governance reform processes
- Discussed the results of the Board effectiveness review and progress against actions
- Legal and governance updates, including material litigation and Modern Slavery
- Review and approval of statutory reporting and shareholder documentation
- Ensured continued compliance with the UK Corporate Governance Code 2018, as outlined on page 66

 More information can be found on page 66 to 121

Benefits and consideration

- An important part of the Board's role is the oversight of the Group's activities, ensuring that the Group is properly governed with the required resources

Stakeholders considered

- Colleagues
- Shareholders

Link to KPIs

- Colleague engagement score
- Customer satisfaction score
- Plan for Better commitment

Link to strategy

- First choice for food
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Composition, succession and evaluation

Director development Induction

We have a comprehensive and tailored induction programme in place for Directors when they join the Board to ensure their smooth transition and enable them to gain an understanding of all major aspects of the business. This includes an introduction to our purpose, vision, strategy, culture and values, alongside our governance framework, sustainability strategy and the opportunities and challenges facing the sector.

When joining the Board, a new Non-Executive Director typically meets individually with each Board and Operating Board member, with senior leadership from key areas of the business to gain an insight into their respective areas of responsibility, and with key advisers. The Company

Secretary and Corporate Services Director briefs new Directors on Company policies, Board and Committee procedures, and core governance practice, which includes Directors' duties and Market Abuse Regulations. They also receive induction materials, including recent Board and Committee papers and minutes, strategy papers, investor presentations, Matters Reserved for the Board and the Board Committees' Terms of Reference. New Directors visit stores, depots and other business locations to help them gain a broader understanding of the business. Director inductions are ongoing processes over a number of years, during which they will cover the areas in the table below.

The Directors' induction process

1 ▶	2 ▶	3 ▶	4 ▶
Understanding the business	Understanding the sector and environment	Meeting the Sainsbury's internal team and advisers	Visiting Group operations
<ul style="list-style-type: none"> • Business strategy, purpose and vision • Overview of each business area and its opportunities • Operating plans, current KPIs and targets • Key business relationships • Board and governance procedures, including Directors' duties • Board effectiveness reviews and actions • Matters relevant to the Board Committees they join • Recent Board and Committee papers and minutes • Key people and succession plans • Remuneration and reward across the business • Finance, Treasury and Tax overviews • Risk profile and approach • Internal audit, risk and internal controls 	<ul style="list-style-type: none"> • The market and competitors • Customer trends • Consumer and regulatory environment, including Market Abuse Regulations • Brand perception and reputation • Analyst and investor perspectives • Key stakeholders' views 	<ul style="list-style-type: none"> • Directors • Committee Chairs • Company Secretary and Corporate Services Director • Members of the Operating Board • Senior leadership across the business • Members of the external audit team • Remuneration consultants • Brokers 	<ul style="list-style-type: none"> • Store visits • Distribution centres • Store support centre

Continuing professional development and training

Non-Executive Directors continue to learn about the business by meeting with senior leadership, colleagues, suppliers and other key stakeholders. All of the Non-Executive Directors continue to engage with different aspects of the business to support their ongoing development.

The Board believes that good decision-making is enabled by a deep understanding of the Group's operations and people. During the course of the year, Directors receive training and presentations to keep their knowledge current and enhance their experience. To ensure the Board updates and refreshes its skills and knowledge, we have a programme to support Directors' training and development requirements in relation to governance, investor expectations and regulatory impacts. This programme includes regular presentations from management on relevant governance matters.

The Board strategy reviews took place in July and October and included updates from our advisers on medium and longer-term competitor, customer and market trends, the impact of current economic and political situations, and views within the supermarket and general merchandise sectors. These updates were a key part of the Board's strategy discussion process and enabled the Board to identify the appropriate strategic priorities, the challenges to achieving these priorities and the cultural change needed for growth. Further information on the Next Level Sainsbury's strategy can be found on pages 10 to 14.

The programme of activities for the Board includes store visits and dinners with external attendees, including key stakeholders. This builds the Directors' understanding and knowledge of the wider business and the macro environment in which the Group operates.

The Audit and Remuneration Committees received updates on relevant accounting and remuneration developments, trends and changing disclosure requirements from management. The Corporate Responsibility and Sustainability Committee received stakeholder and regulatory updates on ESG matters from management. More information can be found on pages 89, 92 and 99.

The Board and Committees received annual updates on compliance with the Market Abuse Regulation, the Modern Slavery Act, Task Force on Climate-related Financial Disclosures, the 2018 Corporate Governance Code and Directors' responsibilities under Section 172 of the Companies Act. In addition, the Board will receive training on key topics which are relevant to the implementation of strategy and changing regulation. Key training and development activities for 2023/24 are detailed on the next page. Directors have access to advice from the Company Secretary and independent professional advice is available at the Company's expense, if necessary, in relation to fulfilling their duties and responsibilities.

Composition, succession and evaluation continued

2023/24 training and development activities

- Internal Controls programme updates at every Audit Committee meeting
- Updates on the proposed UK Corporate Governance and Audit reforms
- An overview of the NIST Cybersecurity Framework and examples of the Group's compliance with the framework
- Sustainability updates, including an update from Dame Sara Thornton on Modern Slavery evolving risks and key areas of focus for 2024/25
- Presentation from external advisers on:
 - The findings of an investor perception study conducted by an external party
 - Sell-side perspective on UK grocery; and
 - Transformation opportunities and challenges facing retailers globally

Board evaluation

In line with best practice, the Board's effectiveness is reviewed on an annual basis through a formal performance evaluation, including an assessment of the Board and its Committees. An external evaluator conducts the review every third year, and, in the two intervening years, this is carried out by the Company Secretary and Corporate Services Director to ensure continuity over the three-year cycle. The last external evaluation was carried out by Clare Chalmers, an experienced independent provider of board effectiveness reviews, from November 2022 to March 2023.

This year's internal evaluation was conducted from December 2023 to March 2024 and was led by the Company Secretary and Corporate Services Director, who met with each Director on an individual basis to carry out the evaluation. The review explored the key areas of focus set out below and themes that arose for action in the 2022/23 external evaluation.

The process was designed to assess the strengths of the Board and to raise challenges and opportunities for improvement. The meeting agenda was sent to each attendee before their individual meeting. Their discussions remained confidential and no views were attributed to any individual in the final report.

The key areas of focus included: the effectiveness, role and priorities of the Board and its Committees with particular reference to the development of the new purpose and strategy; the Board's composition, skills, diversity, culture and succession planning; the leadership of the Board and the business; oversight of financial performance; decision-making and risk management; stakeholder engagement; talent management; and the Board's focus on ESG. In addition, the Directors were asked to give their views on key focus areas for the Board in 2024/25. Each Director was given the opportunity to raise their own additional points.

Following the individual discussions, the Company Secretary and Corporate Services Director discussed the conclusions (including any feedback with individual Directors) with the Chair and then presented a final written report to the Nomination and Governance Committee. A meeting was held with the Board to discuss the findings and agree the key actions. Each of the Committee Chairs received specific feedback on the effectiveness of the relevant Committee for their consideration.

Findings of the 2023/24 review

The report identified a number of strengths of the Board including:

- The Board continues to be effective, operating a collaborative approach to the development of the updated strategy
- The Board has open discussions before major decisions are taken, and the pace and progress of decision-making has been appropriate, with robust iteration between meetings to maintain momentum
- The external input provided by key advisers was well received by the Board
- The Chair is a highly effective leader and has developed strong relationships and trust with the Non-Executive Directors
- The Executive Directors keep the Board well informed of key issues arising, provide strong leadership
- The Non-Executive Directors are highly engaged and provide a good level of challenge and support to management

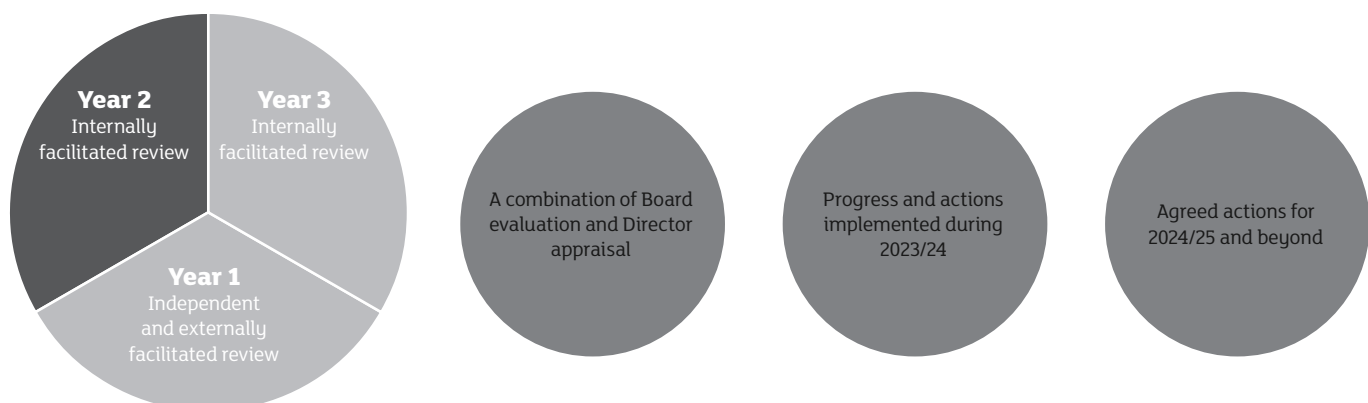
The review identified some opportunities for the Board, including the following key priorities:

- Board focus on strategy: updates on strategic outcomes to be provided at each meeting of the Board with scheduled deep dives, including updates against key milestones, incorporated into the forward agenda
- Colleague engagement: Non-Executive Directors to meet with high-potential colleagues, ideally in a store environment
- Skills and experience of the Board and Committees: skills matrix to be reviewed and top five skills identified

The Board considered all of the recommendations contained in the report. The Board has developed an action plan which will be reviewed on a regular basis by the Nomination and Governance Committee and also identified development areas for the Board, which are detailed on page 83. The Board reviews progress against the agreed actions regularly during the year. Any Committee-specific findings and action points will be overseen by each Committee Chair, with consideration of the overall Board findings which are deemed relevant to the Committee's work.

In accordance with the 2018 Corporate Governance Code, the findings of the review of the Chair were shared with the Senior Independent Director respectively. The Senior Independent Director met with the Chair to review this feedback. The review concluded that the Board was well led by the Chair and the Directors were very satisfied with the Chair's current performance.

Board evaluation cycle



Key areas of focus from 2022/23 review

Progress and actions implemented during 2023/24

Board focus on strategy

Continued focus on the Group's financial services strategy by undertaking a review of Sainsbury's Bank.

A strategic review of the Group's financial services division was completed during the year, concluding in a decision to carry out a phased withdrawal from the core Bank business.

Continued professional development

Continue to use third-party experts to both upskill Directors and to challenge and enhance discussions.

Third-party views were included at various points during the strategy preparation, the strategy days and at the Corporate Responsibility and Sustainability Committee. Positive feedback was received from the Directors on the relevance and quality of these presentations.

Performance

Incorporate regular updates on operational efficiency, cost savings and productivity.

The Board received regular updates on these topics as part of the update on the Save to Invest strategic priority.

Colleague engagement

Provide greater visibility of high-potential senior management below Operating Board.

The Board were provided with regular updates from the Operating Board and key members of their teams during the year. This has been identified as an area of continued focus for 2024/25.

Division of responsibilities

How the Board operates

The Board and its Committees have a forward programme of meetings to ensure that sufficient time is allocated to each key area and the Board's time is used effectively. There is flexibility for items to be added to each agenda, which enables the Board to focus on key matters relating to the business at the right time.

Our Board comprises the Chair, two Executive Directors and six independent Non-Executive Directors. Our Board members' responsibilities are listed below and more information on their specific contributions can be found in their biographies on pages 68 to 70.

Chair

Martin Scicluna

- Leading the Board and ensuring its effectiveness in all aspects of its role
- Promoting the highest standards of corporate governance
- Ensuring that the Board is aware of the views of shareholders and other stakeholders
- Promoting a culture of openness and debate in the boardroom and constructive relations between Executive and Non-Executive Directors

Chief Executive

Simon Roberts

- Leading the day-to-day management of the business and executing the strategy agreed by the Board
- Proposing strategies, business plans and policies to the Board
- Ensuring effective implementation of the Board's decisions
- Leading, motivating and monitoring performance of the Company's senior management
- Creating a framework of strategy, values, culture, performance management and objectives to ensure the successful delivery of results for the business
- Maintaining an effective framework of internal controls and risk management

Chief Financial Officer

Bláthnaid Bergin

- Supporting the Chief Executive in developing and implementing strategy
- Overseeing the day-to-day financial activities and the financial performance of the business
- Together with the Chief Executive, ensuring that financial policies and practices set by the Board are adopted at all levels of the business
- Oversight of key financial functions, including Pensions, Tax, Treasury and Internal Controls

Senior Independent Director

Brian Cassin

- Acting as a sounding board for the Chair and as an intermediary for the other Directors when necessary
- Being available to meet with shareholders and representative bodies as required
- Leading the annual appraisal and review of the performance of the Chair

Independent Non-Executive Directors

Jo Bertram

Jo Harlow

Adrian Hennah

Tanuj Kapilashrami

Keith Weed CBE

- Bringing an external perspective, independent judgement and objectivity to the Board's deliberations and decision-making
- Supporting and constructively challenging the Executive Directors and senior management, holding them to account and offering specialist advice using their wide and varied experience
- Monitoring delivery of the agreed strategy within the risk management framework set by the Board

Company Secretary

Tim Fallowfield OBE

(retiring with effect from 5 July 2024)

Nick Grant

(appointed with effect from 7 July 2024)

- Advising and assisting the Board and the Chair, particularly in relation to governance, Board evaluations, induction, training and formulating the agenda for Board meetings
- Ensuring that Board procedures and the governance framework are effective
- Ensuring the Board receives accurate, timely and clear information and is consulted on all matters important to it

During the year, the Chair and Non-Executive Directors met without the Executive Directors being present. The Chair held regular and informal calls between Board meetings with the Non-Executive Directors to consider their views and to enable thorough preparation for Board discussions. In addition, the Senior Independent Director held discussions with the Non-Executive Directors without the Executive Directors or the Chair being present.

Directors were kept informed of the key discussions and decisions made at each of the four principal Committees – Audit, Nomination and Governance, Remuneration, and Corporate Responsibility and Sustainability. The Chair of each Committee provided a detailed summary at the Board meeting following the relevant Committee meeting.

In the rare event that a Director is unable to attend a Board meeting, the Chair will meet with the relevant Director in advance, so that their comments and inputs can be considered. Following the meeting, the Chair will provide an update to them on the outcomes of the discussions.

The table on page 67 shows the attendance of Directors at scheduled Board meetings. The Board held eight scheduled meetings during the year, together with additional unscheduled meetings which were well attended by all Directors.

Nomination and Governance Committee Report



Dear Shareholder

On behalf of the Board, I am pleased to present the Nomination and Governance Committee's report for 2023/24, which describes the Committee's role and responsibilities, as well as our activities and areas of focus during the year. The development and execution of our long term strategic objectives, embedding of our purpose and culture and promotion of the interests of our stakeholders are all dependent upon effective leadership at both Board and executive level. The Committee plays a significant role in ensuring the Board is sufficiently diverse and has the appropriate balance of skills, knowledge, experience, and background to provide the breadth, depth, diversity of thinking and perspective needed to support our strategy and deliver our purpose.

The Committee has a key role in supporting the Board with succession planning, reviewing Board composition and promoting diversity, equity and inclusion. We seek to balance the composition and tenure of the Board and that of its Committees, and to refresh them over time. This enables the Board to benefit from the experience of longer-serving Directors and the fresh perspectives and insights from newer appointees.

To support the Board succession planning process, a skills matrix is regularly reviewed to ensure the Board and its Committees have and maintain the skills required to deliver the strategy and objectives in the longer term. This also identifies the skills and experience that may potentially be lost with a retiring Non-Executive Director. The matrix shown on page 67 demonstrates the broad diversity and experience of the Board.

The Committee also received comprehensive updates during the year on talent and succession planning and the revised people strategy, which is aligned to the implementation of our Next Level Sainsbury's strategy.

The Board continues to make good progress against its diversity, equity and inclusion strategy, and we are fully compliant with the requirements of the Parker Review on ethnic diversity and the diversity targets outlined in the Hampton-Alexander Review. I am proud of the continued progress we have made to reach gender balance across our senior leadership; four of our nine Board Directors and 50 per cent of our Operating Board members are women. During the year, the Committee reviewed the changes to the Listing Rules regarding diversity and we have increased our disclosures on ethnic and gender diversity amongst our employees in this year's Annual Report in accordance with the new requirements. I am pleased to confirm full compliance.

In March 2023, the Committee's role was extended to governance matters, including the annual Board evaluation and oversight of the Governance framework. I am pleased to report that the Board and its Committees have been found to be effective and any identified actions for improvement will be implemented in 2024/25.

Martin Scicluna
Chair

Principal role and responsibilities

The Nomination and Governance Committee is responsible for:

- Reviewing the structure, size and composition of the Board and its Committees, taking into account skills, knowledge, experience and diversity and making recommendations to the Board for any changes
- Formulating plans for succession at Board and senior management levels, taking into account the challenges and opportunities facing the business and the skills and expertise needed to ensure the long-term success of the Company
- Reviewing diversity, equity and inclusion across the business
- Reviewing and approving any changes to the Board's governance framework, including monitoring compliance with applicable legal, regulatory and listing requirements
- Assessing the Company's compliance with the 2018 UK Corporate Governance Code
- Oversight of the Board and Committee evaluation process, including review of progress against identified actions
- Conducting an effectiveness review of Non-Executive Director time commitments, independence and the Directors' conflicts of interests



The Committee's Terms of Reference, which are reviewed annually, are available on the Company's website www.about.sainsburys.co.uk.

Key actions from 2023/24

- Reviewed progress against the Board evaluation action plan
- Completed the annual evaluation of the Board and its Committees, identifying actions for implementation in 2024/25
- Reviewed and approved the Directors' register of interests
- Recommended to the Board that all of the Directors stand for re-election at the AGM
- Reviewed and approved talent and succession planning for Operating Board and senior management
- Approved the revised Board Diversity policy
- Received updates on the revised 2024 UK Corporate Governance Code

Priorities for next year

- Continued oversight of the business's diversity, equity and inclusion strategy
- Implementation of actions arising from the Board evaluation in 2023/24
- Review of talent and succession planning for senior management
- Review of governance framework to align with 2024 UK Corporate Governance Code

Nomination and Governance Committee Report continued

Committee governance

The Committee consists of the Chair of the Board and the six Non-Executive Directors, all of whom are independent. The Chair of the Board is also the Chair of the Committee, and the Company Secretary and Corporate Services Director or their nominee acts as the Secretary of the Committee.

The Chief Executive, Chief Financial Officer and Deputy Company Secretary attend meetings by invitation.

The Committee held one scheduled meeting in the year and one scheduled meeting immediately following year-end. Attendance at the scheduled Nomination and Governance Committee meetings can be found on page 67.

Succession planning

Talent development

The Committee plays an important role in overseeing the development of a diverse pipeline for succession to senior management roles across immediate, short and longer-term timescales. Succession planning at executive and senior management level continues to be a priority and throughout the year the Committee monitored the development of future business leaders and the available pool of talent within the Group to strengthen our diverse management pipeline. This is essential to mitigating people risk, ensuring a continuous level of quality in management and that we have the required capability to deliver. This review includes progress against the strengthening of role profiles and development plans for high-potential colleagues.

During the year, we announced changes to our Operating Board following the departure of Paula Nickolds in February 2024 and the retirement of Jim Brown in March 2024. Tim Fallowfield, our Corporate Services Director and Company Secretary, has confirmed his intention to retire after the AGM in 2024. The decision was taken to create a smaller Operating Board, with a simpler structure for the leadership team. Further information on the changes to the Operating Board can be found on page 72.

We recognise the importance of developing our people, and the talent pipeline within our business continues to be a key focus for the Committee. Our senior leadership population is a source of future Operating Board talent, with six members of our Operating Board, Rhian Bartlett, Bláthnaid Bergin, Graham Biggart, Tim Fallowfield, Mark Given and Clodagh Moriarty progressing through this route.

Our Leadership Acceleration Programme, Leading Together and Leading Steps Up programmes are key investments we continue to make into developing our senior leadership.

Appointments to the Board

The Nomination and Governance Committee has a formal, rigorous and transparent procedure for the appointment of new Directors to the Board. When the need to appoint a Director is identified, for instance when a Director is approaching the end of their ninth year on the Board, the Committee reviews the experience, skills and knowledge required, taking into account the Board's skills matrix, existing composition and the relevant experience and understanding of our stakeholder groups. We engage executive search consultants to develop a diverse list of possible candidates who meet the desired specification. Suitable candidates are then interviewed by Committee members. The process is led by the Chair of the Board, who receives support from the Company Secretary and Corporate Services Director and the Directors as appropriate.

Careful consideration is given to ensure that proposed appointees have enough time available to devote to the role and that the balance of skills, knowledge and experience on the Board with regard to experience and understanding of our stakeholder groups is maintained.

When the Nomination and Governance Committee has identified a suitable candidate, it makes a recommendation to the Board, enabling the Board to make the final decision.

The Committee has followed the above procedure for all recent appointments to the Board.

Identify

The Committee discusses the overall skill sets of the Board and Operating Board to agree a detailed job specification, skill set and preferred attributes for the appointee. A thorough review of potential candidates is undertaken, resulting in a diverse long list of external and internal candidates from a broad range of backgrounds. The Committee will then shortlist a number of candidates.

Interview

The Chair and several of the Directors will meet with the shortlisted candidates who confirmed their interest in the role. Following the interviews, the Nomination and Governance Committee members will meet to discuss feedback.

Select

The Committee will discuss and approve a final selection of candidates. Once the final candidate is identified, the Committee will recommend to the Board that the individual be appointed to the Board.

Appoint

The Board will review the Committee's recommendation to appoint the individual to the Board.

Time commitment and conflicts of interest

Prior to appointment, each prospective Non-Executive Director confirms that they will have sufficient time available to be able to discharge their responsibilities effectively and that they have no conflicts of interest. This is discussed by the Board before any appointment is made.

In addition, the Board reviews and approves requests by Directors wishing to undertake new external responsibilities or directorships, considering both the time commitments involved and any potential conflicts. The conflicts of interest register is reviewed annually to ensure it is up to date and that there are no new conflicts to consider. No changes were recorded during the year that would impact the independence of any of the Directors.

The Board supports Executive Directors having a non-executive directorship role as part of their continuing development, provided that they have sufficient time to balance their commitments to the business with any external role. Subject to Board approval, each Executive Director may hold one Non-Executive Director position. Whilst recognising the benefits of Non-Executive Directors having varied and broad experiences, the Board keeps in mind investor guidance and reviews the commitments of each Director annually.

Throughout the year, all Directors have demonstrated high levels of availability and responsiveness for additional meetings and discussions where these have been required. The Board remains confident that individual members continue to devote sufficient time to undertake their responsibilities effectively.

Board effectiveness

The Board and senior management set the tone from the top and lead by example through effective management and good stewardship.

Independence

The Non-Executive Directors provide a strong independent element to the Board and a solid foundation for good corporate governance, fulfilling the vital role of corporate accountability. The Committee formally reviews the independence of each of our Non-Executive Directors at least annually. The Committee is of the opinion that each of the current Non-Executive Directors continues to be independent in character and judgement in line with the definition set out in the Code. In assessing each Director's independence, the Committee concluded that each provides objective challenge, strategic guidance and holds management to account.

Annual election and re-election

Annually, the Committee considers and recommends to the Board the re-election of Directors by shareholders at the AGM. This is supported by each Director's individual assessment undertaken as part of the annual Board evaluation process. The Committee concluded that there were no reasons identified to prevent any Director from being recommended for re-election at the 2024 AGM.

Board evaluation

The Committee oversees the Board evaluation process. During the year, the Committee reviewed the progress of the actions identified through the 2022/23 Board evaluation and reviewed the proposed approach to the 2023/24 evaluation of the Board, Committees and Directors, considering the key themes and focus of the review. An internal review of the Committee's effectiveness was conducted during the year and it found that the Committee continued to be effective. Full details of the Board evaluation are on pages 82 to 83.

Diversity, equity and inclusion

The Board and Committee continue to promote the importance of diversity, equity and inclusion across the business. We are committed to being a truly inclusive retailer where every single one of our colleagues is treated fairly and with respect and can fulfil their potential. We want our customers to feel welcome when they shop with us. We embrace and encourage diversity, inclusion and equity and aim to reflect the diverse communities we serve. Simon Roberts and the Operating Board provide clear and committed leadership and accountability of our inclusion agenda, with members of the Operating Board acting as sponsors across wellbeing, diversity and inclusion and our Colleague Networks. The governance of diversity, equity and inclusion is a regular part of the Operating Board agenda to ensure ongoing progress and focus. Further information on our Colleague Networks can be found on page 20.

To ensure sustained improvement, we continue to look at focused initiatives, culture and accountability through aspirational targets. In 2021, we set stretching targets to take us to 2024, covering more of our talent pipeline and Black representation specifically. We set a target of 50 per cent female, 12 per cent Ethnically Diverse and 3 per cent Black representation at senior management level⁹⁾. Importantly, these targets form part of our long-term incentives for management. We report on our progress against these targets twice a year and further information is available on our website www.about.sainsburys.co.uk/sustainability/better-for-everyone/diversity-and-inclusion. We will be setting our new gender and ethnicity targets to further increase diverse representation during 2024.

The Board receives regular updates on our inclusion initiatives and the Board, Corporate Responsibility and Sustainability Committee and Nomination and Governance Committee receive detailed presentations throughout the year on our inclusion priorities and the progress we are making. The Remuneration Committee also reviewed and approved the Ethnicity and Gender Pay Report which can be found on our website www.about.sainsburys.co.uk/making-a-difference/gender-pay-gap.

Board diversity policy

We promote diversity on our Board and believe there is good balance amongst our Executive and Non-Executive Directors, with extensive, wide-ranging experience of retail and other consumer-facing businesses and varying length of service. Our Non-Executive Directors have other highly relevant skills derived from serving in a range of major executive and non-executive positions throughout their careers and a blend of cognitive, personal strengths and backgrounds.

We are keen to ensure that Board membership reflects diversity in its broadest sense, our colleague base and the communities in which we serve. The Board's approach to its own diversity is as follows:

Board diversity objectives

The Board aims to maintain a level of at least 40 per cent female representation on the Board and senior management¹⁾. It is recognised that there may be periods of change on the Board when this number may be smaller while the Board is refreshed. However, it is the Board's longer-term intention to maintain this balance.

The Board supports the recommendations set out in the Parker Review and intends to maintain at least one Director who identifies as ethnically diverse.

Four of our nine Board Directors are women (44 per cent) and one identifies as ethnically diverse. In making its recommendations to the Board, the Committee has due regard to the 2018 Corporate Governance Code and other best practice and will consider the balance of skills, experience, independence and knowledge of the Board, its diversity in the broadest sense, including gender and ethnicity, how the Board works together as a team and other factors relevant to its effectiveness.

The Board continues to review the development of the pipeline of both ethnically diverse and female senior management within the business. Four of the eight members of our Operating Board are women and one member identifies as ethnically diverse. More information on the Group's diversity and inclusion strategy can be found on pages 19 to 21.

The Board supports and encourages initiatives that strengthen the pipeline of talent in the Company including:

- A comprehensive talent management review is presented and discussed by the Board
- Highly personalised plans and initiatives are developed for high-potential colleagues to broaden their skill sets and experience to prepare them for future senior roles; for example, through boardroom exposure, and non-executive and trustee roles outside the business
- Senior leadership mentoring schemes sponsored by Board and Operating Board members

Monitoring and reporting

The Nomination and Governance Committee is responsible for ensuring that the Board has the right balance of skills, experience and knowledge and there is a diverse pipeline for succession for key leadership positions in the Group in the longer term. In accordance with the Committee's Terms of Reference, the Committee regularly reviews Board composition, succession planning, talent development and the broader aspects of diversity.

- a) The definition of 'senior management' in the 2018 Corporate Governance Code should be the Executive Committee or the first layer of management below Board level, including the Company Secretary. However, with such a large workforce, we believe including our top 230 senior leadership in the scope of our targets ensures that we are focused on improving diversity in all of our most significant leadership positions and developing our pipeline of talent. Our top 230 lead large teams and are critical role models in the organisation, playing a vital role in shaping the inclusive culture that we are working hard to create. We want all of our colleagues to see visible and diverse leaders in every part of the business.

Board Diversity targets

The Board is committed to promoting the importance of diversity, equity and inclusion across our business. As at 2 March 2024 (the reference date), the Company has complied with the Board diversity targets detailed in Listing Rule 9.8.6R(9), specifically:

- At least 40 per cent of the Board are women
- At least one of the senior Board positions (Chair, Chief Executive, Senior Independent Director or Chief Financial Officer) is a woman
- At least one member of the Board is from a minority ethnic background

There have been no changes to the Board between the reference date and the date on which this Annual Report is approved.

Nomination and Governance Committee Report continued

Diversity, equity and inclusion continued

Reporting table on sex representation

	Number of Board Members	Percentage of the Board	Number of senior positions on the Board (Chair, CEO, SID, CFO)	Number in executive management ^{a)}	Percentage of executive management
Men	5	56%	3	4	50%
Women	4	44%	1	4	50%
Not specified/ prefer not to say	0	0	0	0	0

a) Executive management means the Operating Board.

Reporting table on ethnicity representation

	Number of Board Members	Percentage of the Board	Number of senior positions on the Board (Chair, CEO, SID, CFO)	Number in executive management ^{a)}	Percentage of executive management
White British (or other White including minority-white groups)	7	77.8	4	8	88.9
Mixed/Multiple Ethnic Groups	0	0	0	0	0
Asian/Asian British	1	11.1	0	1	11.1
Black/African/Caribbean/Black British	0	0	0	0	0
Other Ethnic Groups, including Arab	0	0	0	0	0
Not specified/ prefer not to say	1	11.1	0	0	0

a) Executive management means the Operating Board.

Our diversity data contained in the above tables was self-reported by the Board and Operating Board during onboarding and/or through our internal human resource management system.

We encourage all colleagues to self-report information such as gender, gender identity, ethnicity, age, sexual orientation and disability, whilst also including a 'prefer not to say' option.

Corporate Responsibility and Sustainability Committee Report

Dear Shareholder

It has been a busy year for the Committee as we continue to deliver against our sustainability agenda. As a Committee, we are passionate in overseeing the implementation of our Plan for Better strategy across the Group aligned to our purpose, strategy and valued behaviours.

I am delighted that we are taking our plan to the next level, playing a leading role in creating a more sustainable food system in the UK to make good food available for everyone.

We launched Plan for Better in 2021, focusing on three key pillars: Better for You, Better for the Planet, and Better for Everyone. This strategy provides the Committee with a clear set of focus areas which we prioritise for action.

The Committee oversees the governance of our sustainability plan, focusing on environmental and social strategy, as well as stakeholder engagement with our customers, colleagues, suppliers, shareholders, communities and government. We firmly believe that we have a responsibility to operate and promote sustainable business practices with all of our stakeholders. Regular engagement with our stakeholders develops our understanding of key issues and is pivotal to the Committee's decision-making. Further information on how we have engaged with key stakeholders can be found on pages 22 to 29.

During the year we reviewed progress against our targets, ensuring that they are robust to address the social and environmental challenges facing the world, and made good progress on integrating Plan for Better into our strategic outcomes.

Our efforts to reduce greenhouse gas (GHG) emissions across the value chain were recognised by the Science Based Targets initiative (SBTi), who approved our accelerated Scope 1, 2 and 3 targets. We were also awarded an A rating for our Climate Change CDP submission, the only UK food retailer to have achieved this for ten consecutive years. We continue to decrease the GHG emissions in our operations, with 51.7 per cent reduction versus our baseline, and made good progress in our Scope 3 emissions, with six per cent of emissions now having SBTi 1.5°C net zero targets approved.

Plastic reduction is a primary sustainability concern for our customers and this year we continued to work with our suppliers to reduce the plastic used in our packaging. We have landed several market firsts, including our new plastic-free mushroom punnets and the removal of plastic hangers from our Tu clothing baby range, all contributing to an overall relative decrease of 2.8 per cent year-on-year (12.9 per cent relative reduction from our baseline).

Through our Community and Partnership strategy, now in its second year, we continue to help improve access to food and tackle food poverty, with £36 million raised for good causes this year. We continue to work in partnership with Neighbourly to ensure no good food goes to waste, which has supported the redistribution of 13.5 million meals to those in need this year. Overall, we increased the surplus food redistributed to communities by 57.8 per cent year-on-year.

We are committed to working together with our suppliers to build strength in their businesses, benefitting not just our supply chain but ultimately, the resilience of the UK food system. To enable this, we have moved increasingly to offering longer term contracts with our key suppliers, providing them with longer term security to plan and invest in their businesses. We are also working in collaboration with many of our suppliers on new and emerging methods of production and with new technologies, allowing us to develop

better surety of supply, while helping us towards achieving our Plan for Better targets.

I am confident in the progress we've made on Plan for Better; however, we acknowledge fully the scale of the challenge that lies ahead. We are committed to delivering against our plan and our stretching targets because not only is it critical to the success of our strategy, it is critical to protecting and preserving the planet for future generations. We look forward to sharing more on our achievements in the coming year.



Keith Weed

Chair, Corporate Responsibility and Sustainability Committee

Principal role and responsibilities

The Committee is responsible for:

- Overseeing the sustainability strategy, ensuring it is aligned with the Company's purpose, strategy, culture, vision and values
- Ensuring that the sustainability strategy is fully integrated into every aspect of our business and overseeing updates and progress against our targets and commitments
- Monitoring the Company's progress and performance against the Group's sustainability strategy, including its related targets
- Providing support and guidance to management on sustainability matters, as appropriate
- Monitoring the business's engagement with stakeholders including customers, colleagues, suppliers, the community, shareholders and government on sustainability and corporate responsibility matters
- Receiving updates on the Group's engagement on sustainability matters with external stakeholders, non-Governmental organisations and other interested parties
- Monitoring external developments on sustainability
- Reviewing proposals for the funding of community programmes and charity partnerships
- Approving the Committee report on its activities and any sustainability content in the Company's Annual Report and any standalone Sustainability Report
- Recommending the approval of the Company's Modern Slavery Statement to the Board



The Committee's Terms of Reference, which are reviewed annually, are available on the Company's website www.about.sainsburys.co.uk.

Key activities in 2023/24

- Reviewed customers' perceptions across the Plan for Better pillars
- Approved the year-end results and reporting for 2022/23
- Received updates on key sustainability matters
- Discussed the Health year-end results and agreed an evolved approach for 2023/24
- Reviewed food waste targets, noting key challenges to reporting
- Approved the general merchandise plan to deliver Plan for Better targets
- Approved the Group's SBTi submission and net zero Transition planning
- Reviewed the Plan for Better targets, including the key risks and dependencies to deliver
- Approved changes to the Committee's Terms of Reference

Corporate Responsibility and Sustainability Committee Report

continued

Priorities for next year

- Continued focus on embedding Plan for Better into all aspects of the Next Level Sainsbury's strategy
- Future reporting, regulations and disclosure readiness, including TNFD, UK Sustainability Disclosure Standards and IFRS ISSB
- Community and charitable partnerships
- Climate transition planning
- Supplier engagement, including visits to key suppliers
- Evolve our approach in 'Healthy and sustainable diets' whilst influencing the system through sector advocacy.
- Accelerate our strategic approach to food waste, to deliver end-to-end opportunities
- Evolve our approach on plastic and take a leading role to drive action in the sector
- Develop our approach to protecting and regenerating nature, including responding to emerging frameworks such as TNFD
- Redevelop commitments for our diversity, equity and inclusion strategy
- Develop roadmaps for each of our human rights commitments

Committee governance

The Committee consists of the Chair of the Board, three Non-Executive Directors and the Chief Executive. The Committee is chaired by Keith Weed, and the Company Secretary and Corporate Services Director or his nominee acts as the Secretary of the Committee.

Other attendees include: Chief Marketing Officer, Director of Corporate Affairs, Director of Corporate Responsibility and Sustainability and the Senior Assistant Company Secretary.

Complementing the Committee's role, the Audit Committee is responsible for overseeing the assurance of our Plan for Better commitments and the Remuneration Committee for monitoring and approving sustainability-linked performance metrics and the alignment of senior executives' individual objectives with sustainability goals. As shown below, cross-Committee representation provides a link between all the Board Committees and enables collaboration.

The Committee held two scheduled meetings in the year. Attendance at the Corporate Responsibility and Sustainability Committee meetings can be found on page 67.

Further information on the Group's Corporate Responsibility and Sustainability agenda can be found on pages 15 to 17 and in our Plan for Better Report, available at www.about.sainsburys.co.uk



a) Remit of Committee in relation to the sustainability strategy. For full details on the Committees, please read the Remuneration Committee Report on page 99 and the Audit Committee Report on page 92.

b) Membership consists of Directors from across the business, with additional Director representation from Audit, Finance and Strategy attending the Committee twice a year to review Corporate Risk Updates, including TCFD recommendations.

Plan for Better

Sustainability is integrated into the Group's overall strategy and is key to delivering our Next Level Sainsbury's strategy. The Committee's role is to provide oversight and challenge on any material sustainability matters identified, advising and making recommendations to the Board where appropriate. The Committee is satisfied that good progress continues to be made in understanding and managing the impact of climate-related risks and opportunities across the business. Further information can be found on pages 15 to 17.

The Committee reviewed Plan for Better 2022/23 results which included the performance, targets and priorities.

The Committee approved the plan to commercially integrate Plan for Better into the General Merchandise operations, including priority areas – plastic reduction, Scope 3 carbon emissions, championing human rights and becoming nature positive – and targets. The Committee expressed their support for this plan and the requirement to accelerate progress, while acknowledging risks and challenges.

Deep dives into material issues support the Committee in overseeing and challenging management in the delivery of our sustainability targets. The Committee also receives regular updates on key stakeholders and how this aligns to our sustainability agenda.

Material sustainability matters

During the year, the Committee received deep dive presentations on a number of key issues:

- The Group's progress against our health targets and the wider context, including lack of impact seen by HFSS legislation, cost of living impact on consumer choices translating into a decrease in healthy and sustainable choices in shopping baskets, and lack of alignment across the industry on a definition of health resulting in different approaches being adopted by retailers. The Committee also discussed opportunities for further action
- The latest insight into consumer knowledge, perceptions and attitudes towards ESG matters, which included the evolution over recent years, impact of the current inflationary environment and priorities for action. This presentation included visibility of plans to communicate Plan for Better activity to customers
- An update on the renewed partnership with Fairtrade to deliver living wage to banana workers, three years ahead of the IHD industry commitment
- An overview of the Group's approach to water, including our plans to be water neutral and our approach beyond our own operations
- A presentation from Dame Sara Thornton on Modern Slavery evolving risks and Sainsbury's partnership with Nottingham Human Rights Lab
- An overview of H1 milestones achieved and key actions to drive progress in H2
- An update on Food Waste reporting and the roadmap for accelerated action on redistribution
- The Group's approach to SBTi submission and Climate Zero Transition planning

Stakeholder engagement

The Committee considers the impact of the Plan for Better strategy on our key stakeholders, including customers, colleagues, the community, suppliers, shareholders and government. At each Committee meeting, members discussed our engagement across these stakeholder groups, with deep dives of individual groups at each meeting.

The Committee was updated on the latest investor feedback on ESG themes and the company's ESG communication activities. The Committee was updated on next steps for our investor ESG communications strategy.

The Committee reviewed our engagement with suppliers. The feedback we received from suppliers via the Advantage Suppliers Survey and Groceries Code Adjudicator report helped set out our future direction. More information on suppliers can be found on page 26.

Further information on stakeholder engagement can be found on pages 22 to 29.

Audit Committee Report

Dear Shareholder

I am pleased to present the Committee's report for the year ended 2 March 2024. This report is intended to provide shareholders with an insight into key areas considered by the Committee, together with how the Committee has discharged its responsibilities during the year.

The Committee plays an important role in ensuring the integrity of the financial reporting, the internal control environment and risk management processes. This has included ensuring that the financial reporting is aligned with latest requirements and guidance from regulators, that it is fair, balanced and understandable and that all matters disclosed and reported upon meet the needs of our stakeholders. During the year, the Committee has focused on its fundamental priorities, which include the evolution of the Group's systems of internal control, the quality and effectiveness of the external and internal audit processes and we have considered a variety of matters aligned with the Group's principal risks.

Cyber security is an area that requires ongoing attention and vigilance, and the Committee receives updates from the Group Chief Information Security Officer and Director of Data Governance at every meeting. The Committee continuously reviews the maturity of the Group's cyber security using the National Institute of Standards and Technology framework, considering the nature of potential threats, areas of vulnerability, implemented mitigations and residual risks. Activities in 2023/24 included an Operating Board simulation exercise, penetration tests on our key websites and systems, as well as internal training for key functions where processes could be improved. The Group also announced an increase in investment in technology as part of its next three-year plan; and this investment includes a high focus on security and resilience. The Group engages a variety of third-party cyber security firms for these tests and to work with the internal IT team on exercises. Cyber security will continue to receive attention this year.

In addition, a key area of focus for the Committee has been the internal controls programme, including a strong focus on IT general controls. I am pleased to report that positive steps have been taken to strengthen the Group's internal controls and good progress has been made in this area, including improved documentation of our control environment and the strengthening of some elements of internal controls.

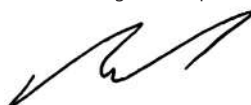
The Committee also received regular updates in relation to Sainsbury's Bank, which operates its own audit and risk committees governed by specific banking regulations. The Director of Group Finance attends the Sainsbury's Bank Audit Committee meetings, ensuring that knowledge is shared for mutual benefit.

In January 2024, we received a letter from the Financial Reporting Council's (FRC) Corporate Reporting Review Team regarding the FRC's review of the Group's 2022/23 Annual Report and Financial Statements and 2023/24 interim results, seeking information in respect of one specific aspect of the financial statements. The letter also contained further observations about the Group's Annual Report and Financial Statements for consideration over future reporting. Further information on our response can be found on page 94. The Committee and management welcome the FRC's drive for continuous improvement in the quality of reporting and responded by providing the FRC with clarifications and indicating enhancements to disclosures, which have been reflected in this Annual Report, where appropriate. The FRC subsequently confirmed that the Group had provided satisfactory explanations which had enabled them to close their enquiries into the 2022/23 Annual Report and 2023/24 interim results.

In last year's report, we shared our plan for the external audit tender and details of the full process and timeline are set out on page 95. Over the course of the tender, members of the Audit Committee met with each of the firms several times, while members of management spent time meeting the audit teams and getting a sense of their capabilities, as well as briefing them on the Group. One area of particular focus was data and technology. As our audit processes become more reliant on data and systems, we needed to make sure the chosen firm's capabilities and investment plans in that space matched our ambitions. The Committee recommended PricewaterhouseCoopers (PwC) as the best fit for the Group based on the experience of the engagement team and the opportunities arising from the use of digital tools and techniques in the audit approach. Subject to approval at the 2025 AGM, PwC will be appointed as the Group's auditor for the year ending 28 February 2026. Ernst & Young (EY), who have been the Company's auditor since July 2015, will continue in the role until that time, and will therefore undertake the Group audit for the year ending 1 March 2025 as well as the year just ended.

Through the annual Board evaluation process (pages 82 to 83), the Board has confirmed the effectiveness of this Committee in its role of supporting the Board in compliance with its duties. Looking ahead to 2024/25, the Committee will remain focused on the Group's reporting, internal control and risk management processes.

I would also like to thank my Committee colleagues, Brian Cassin and Keith Weed, and all the members of management who attend, report to and support the Audit Committee, for their energy and focus in enabling us to discharge our responsibilities effectively.



Adrian Hennah
Chair, Audit Committee

Principal role and responsibilities

The primary role of the Committee is to ensure the integrity of the financial reporting and auditing processes and monitor the effectiveness of the Group's internal control and risk management systems. This includes:

- Monitoring the effectiveness of the financial statements of the Company, discussing formal announcements relating to the Company's financial performance and any significant issues and any significant judgements contained in them
- Reviewing the Group's financial statements and the material financial reporting judgements contained in them
- Advising the Board on whether the Committee believes that this Annual Report and the financial statements contained within it, when taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy
- Reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional regulatory requirements
- Developing and implementing a policy on the level, amount and pre-approval of non-audit services provided by the external auditor
- Advising the Board on the appointment, reappointment and removal of the external auditor and the remuneration and terms of engagement of the external auditor
- Monitoring the effectiveness of the Group's internal control and risk management systems, including whistleblowing and fraud controls
- Reviewing the scope, activities and results of the Internal Audit function
- Reviewing the Committee's Terms of Reference, carrying out an annual performance evaluation exercise and noting the satisfactory operation of the Committee
- Reporting to the Board on how it has discharged its operations



The Committee's Terms of Reference are available on the Company's website www.about.sainsburys.co.uk

Key actions from 2023/24

- Financial reporting, including the processes in place to ensure the Annual Report and Financial Statements are fair, balanced and understandable
- Review of cyber security and the IT control environment, incorporating deep dives on, and continued monitoring of, cyber risk
- Assessment of Environmental, Social and Governance (ESG) metrics and assurance
- Considered management's assessment of the status of ongoing regulatory investigations and litigations
- The continued evolution of our risk management framework
- Completed a review of the FRC 'Audit Committee and the External Audit: Minimum Standard', noting that the majority of provisions are already met by the Group
- Conducted a competitive tender for our external auditor
- Continued to monitor the government's proposals on audit and corporate governance reforms and our response

Priorities for next year

- Adoption of the FRC's Audit Committees and the External Audit: Minimum Standard
- Cyber security
- Internal control evolution
- Preparation for the transition of the external auditor

Committee governance

The members of the Committee are all independent Non-Executive Directors who, together, have experience and skills relevant to the retail sector. The Board has determined that Adrian Henna has recent and relevant financial experience, and each member of the Committee has extensive general business and management experience. The different and complementary skills each member brings to the Committee have helped ensure robust and productive discussions with management and the external auditor. The Committee members' expertise and experience is set out in each of their biographies on pages 69 and 70. All our Non-Executive Directors have an open invitation to attend Committee meetings and are particularly encouraged to attend those that consider the full-year and interim results.

The Committee is also well supported by the Director of Internal Audit, Risk and Resilience and the Internal Audit team; they play an important role and their work is respected throughout the business.

Regular attendees at Committee meetings include the Chair of the Board, the Chief Executive, Chief Financial Officer, Director of Internal Audit, Risk and Resilience, Director of Group Finance, Company Secretary and Corporate Services Director, Deputy Company Secretary, the Chief Information Officer, the Chief Information Security Officer, representatives of Sainsbury's Bank and the external auditor.

The Committee held four scheduled meetings in the year. Details of attendance at scheduled Audit Committee meetings can be found on page 67. Each Committee meeting followed a distinct agenda to reflect the financial reporting cycle and particular matters for the Committee's consideration.

The Committee has a periodic and structured forward-looking planner. This is designed to ensure that responsibilities are discharged in full during the year and that regulatory developments continue to be brought to the Committee's attention. Meeting content is regularly reviewed with management and the external auditors, evolving to support appropriate discussion. An update is provided to the Board following each meeting.

Committee meetings are generally scheduled close to Board meetings to facilitate effective and timely reporting. Committee members regularly hold private sessions following each meeting with each of the Director of Internal Audit, Risk and Resilience and the external auditor to provide an additional opportunity for open dialogue and feedback without management present. The Committee Chair also meets with the Chief Financial Officer, Director of Internal Audit, Risk and Resilience and external auditor on an ad hoc basis and prior to each Committee meeting.

In addition to its key areas of discussion, the Committee received regular updates from management in relation to: key financial controls; ESG metrics assurance and reporting; general controls; treasury; capital structure; internal audit; and compliance. The Committee also received regular updates in relation to Sainsbury's Bank which operates its own audit and risk committees governed by specific banking regulations.

Audit Committee Report continued

Financial reporting

The integrity of the financial statements and formal announcements relating to financial performance


The Committee reviewed the Annual Report, the Preliminary and Interim Results, and supporting information to assist in these reviews.

Significant financial and reporting matters

The Committee ensures that the Group's accounting policies are applied correctly, including implementing accounting standards, and applies judgements effectively. During the year, the Committee reviewed items relating to pensions, tax, going concern and viability, and the impact of the Group's strategic review of its Financial Services division.

In January 2024, Sainsbury's received a letter from the FRC's Corporate Reporting Review Team in relation to its regular review and assessment of the quality of corporate reporting in the UK. The letter focused on the Group cash flow statement for the period ended 16 September 2023, and in particular the classification of bond redemption payments associated with the Highbury and Dragon property transaction as an investing cash flow. The Committee reviewed the FRC's findings, and the Company's response to the FRC to provide additional information in relation to the classification of the pre-funded cash flows which formed part of the Highbury and Dragon property transaction.

The FRC's review was based solely on the 2023 Annual Report and Financial Statements and interim results for the 28-week period ended 16 September 2023, and therefore did not benefit from prior discussion with the Company on the underlying detail. Sainsbury's responded to the FRC and proposed additions to future disclosures, following which the review was closed. Enhanced disclosures have been included in the 2024 financial statements within note 2.6.


 More information can be found in Significant financial and reporting matters on page 97

Treasury funding and liquidity

The Committee assessed the business's secured and unsecured borrowing facilities and their appropriateness in tenure and amount to Group requirements.

Assumptions and qualifications in support of the viability and going concern statements

The Committee assessed the financial projections over three years, which continues to be an appropriate timeframe for the Statement of Viability as approved by the Board.

 More information can be found in the Statement of Viability on page 62 and the Significant financial and reporting matters on page 97

Assessment of whether the Annual Report is fair, balanced and understandable

One of the Committee's key roles is to advise the Board that it is satisfied that the Annual Report and Financial Statements are fair, balanced and understandable (see page 123) and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy. In doing so, the Committee ensures that management disclosures reflect the supporting detail, and/or challenges management to explain and justify their interpretation and, if necessary, re-present their position. The external auditor supports this process, in the course of its statutory audit, by auditing the accounting records of the Company against agreed accounting practices, relevant laws and regulations. In addition, the Committee:

- Reviewed the processes and controls that underpin the Annual Report preparation including confirmation that the reporting team and senior management were fully aware of the requirements and their responsibilities
- Received a draft of the Report and provided feedback on it, highlighting any areas that required further clarity. The draft Report was amended to incorporate any feedback ahead of final approval
- Was provided with a list of the key matters included in the Annual Report, highlighting both positive and negative influences
- Reviewed and discussed the key factors considered in determining whether the Report is fair, balanced and understandable

The Committee advised the Board that the Annual Report and Financial Statements are fair, balanced and understandable, and that the Directors have provided the necessary information for our shareholders to assess the Company's prospects, business model and strategy.

Risk management and internal controls, and principal risks and uncertainties

The risk management process reviews the principal risks and uncertainties, and emerging risks and opportunities, facing the Group and compares these to the assumptions, scenarios, and actions used and addressed in the Group's corporate plans

The Committee reviewed the Group's risk register, principal and emerging risks and mitigation strategies, with particular discussion around prioritised risks and risk movements. A robust assessment of the Group's principal risks was performed and the risks were fully refreshed to ensure that they align to the Next Level Sainsbury's strategy. Detailed scenario analysis work to stress test liquidity was performed as part of the viability scenario modelling.

 For further information on the Group's risk management framework, see pages 53 to 61

Reports from the Audit and Risk Committees of Sainsbury's Bank, including risk and compliance reporting processes

Sainsbury's Bank plc is a subsidiary of the Company, with an independent Board responsible for setting the Bank's strategy, risk appetite and annual business plan. It has an independent Chair and four Non-Executive Directors, all of which are independent. The Bank's Chief Executive Officer and Chief Financial Officer also sit on the Bank's Board. The Bank's Chief Executive Officer, supported by the Bank's Executive Committee, is responsible for day-to-day management of the business.

The Chairs of the Bank's Audit and Risk Committees, the Bank's Chief Executive Officer, the Bank's Chief Financial Officer and the Bank's Chief Risk Officer attended meetings of the Committee and provided updates on critical accounting judgements and estimates, important operating and regulatory matters, operational resilience and capability, the control framework and environment, and key risks. During the year, this included updates on the impacts of the Group's announcement that financial services products to be offered in the future will be provided by dedicated financial services providers through a distributed model and over time, this would result in a phased withdrawal from the core Banking business. There is regular communication between Sainsbury's Internal Audit function and its equivalent within the Bank.

 See Significant financial and reporting matters on page 97

Key financial controls and IT general controls

The Committee considered the effectiveness of key financial control programmes and monitored the control environment, and implementation of recommendations to further enhance the Group's financial reporting systems. The Internal Controls over Financial Reporting (ICFR) programme was established in 2020/21 to design, implement and embed a framework to both improve the Group's internal control framework and to comply with expected enhancements to corporate governance for UK listed companies. Sponsored by the Chief Executive and Chief Financial Officer, the Committee received regular updates on the progress made towards the implementation of the ICFR framework, including key milestones achieved and feedback from third-party reviews, with regular updates on the IT General Controls workstream. In addition, the Committee monitored the implementation of management actions to remediate issues identified and make improvements.

 Further information on our internal controls framework is on page 98

External audit

Scope of the external audit plan and fee proposal

The Committee reviewed EY's overall work plan, and, through regular communication, advised EY of any specific matters which the Committee was considering from previous audits and current operations. The Committee approved EY's remuneration and terms of engagement.

Independence and objectivity

The independence and objectivity of the external audit function is a fundamental safeguard to the interests of the Company's shareholders.

In line with regulation, the previous EY audit partner rotated off the audit at the end of the 2020/21 audit. The Committee approved the appointment of Colin Brown as the new EY partner for 2021/22 in April 2021.

Non-audit services and fees

The Committee has overseen the Company's policy which restricts the engagement of EY in relation to non-audit services. The intention is to ensure that the provision of such services does not impact on the external auditor's independence and objectivity. It identifies certain types of engagement that the external auditor shall not undertake, including internal audit and actuarial services relating to the preparation of accounting estimates for the financial statements. It requires that individual engagements above a certain fee level may only be undertaken with pre-approval from the Committee or, if urgent, from the Chair of the Committee and ratified at the subsequent meeting of the Committee. It recognises that there are some types of work where a detailed knowledge of the Company's business is advantageous. The policy is designed to ensure that the auditor is only appointed to provide a non-audit service where it is considered to be the most suitable supplier of that service.

The Committee received a report on the non-audit services provided. The annual aggregate of non-audit fees is capped at 70 per cent of the annual average of the audit fees for the business for the preceding three-year period.

The audit fees for the year in respect of the Group and subsidiaries were £3.7 million. A breakdown of the fees is provided in note 9.4 of the consolidated financial statements on page 153. Total non-audit fees were nil.

Effectiveness and quality of external audit

The Committee considers the effectiveness of the external auditor on an ongoing basis during the year, including its independence, objectivity, appropriate mindset and professional scepticism. The Committee has regard to the:

- Experience and expertise of the external auditor
- Quality of their direct communication with, and support to, the Committee
- Content, insights and value of their reports
- Fulfilment of the agreed external audit plan
- Robustness and perceptiveness of the external auditor in their handling of key accounting and audit judgements
- Interaction between management and the external auditor, including ensuring that management dedicates sufficient time to the audit process
- Provision of non-audit services
- Evaluation of the effectiveness of the external auditor
- Other relevant UK professional and regulatory requirements

The Committee conducted an audit effectiveness review. The review included the distribution of questionnaires to those Directors and managers in the business directly involved in the audit. The questionnaires sought feedback on their experience with the external auditor, considering areas such as the knowledge and experience of the audit team, audit strategy and planning, and the quality of communication. Management collated the responses and reported back to the Board.

As a result of the review, it was determined that EY maintained good working relationships and had demonstrated strong technical understanding, including within the Tax and Pensions specialist teams. Previously identified improvements had been implemented and opportunities for further improvements in the planning process were positively discussed between EY and Sainsbury's management during the audit debrief, with steps being taken on both sides to drive further improvements to the process going forward. The review enabled the Committee to conclude that EY has continued to provide a high quality audit, which it conducted with great rigour and constructive challenge, including questioning key accounting issues, and exercising professional scepticism in its challenge of management's assumptions, judgements and assertions, particularly over the Group's review of impairment. The Committee concluded that EY remained effective, objective and independent in their role as external auditor.

The Committee has confirmed compliance with the provisions of the Statutory Audit Services Order 2014.

Recommendation of the reappointment of EY as auditor

The Committee has recommended to the Board the reappointment of EY as auditor for the 2024/25 financial year. A resolution to this effect will be tabled at the 2024 AGM.

Tender of external auditor

In accordance with current regulations that require an audit tender every ten years, the Committee held a competitive tender process for the statutory audit for the financial year ending 28 February 2026.

The Committee approved the tender participants, process, timetable and assessment criteria. The tender was open to all audit firms; however, only two firms, including the incumbent auditor, EY, agreed to participate in the tender. As a first phase, the participants were provided access to a data room which contained information to enable the participants to gain a better understanding of how the Group is structured and operates. This information was supplemented by meetings with senior management. This process ran in parallel with each firm conducting an audit independence assessment for the purpose of year ended 28 February 2026. The second phase of the process included discussions as to how the firms would structure their audit at an operational level and work with our management team. The Committee then reviewed the written proposals and met with the participants who were assessed against a range of criteria, including how the participants responded in their proposal to the scale and complexity of the Group, the strength and depth of the engagement team and the opportunities arising from the use of digital tools and techniques in the audit approach.

On 22 February 2024, it was announced that the Board had approved the appointment of PwC as statutory auditor for the year ending 28 February 2026. The appointment is subject to the approval by shareholders at the Annual General Meeting in July 2025. A plan will be put in place during 2024/25 to enable a smooth transition. Going forward, the Committee anticipates that the audit will be put out to tender at least every ten years.

Audit Committee Report continued

Internal Audit

Director of Internal Audit, Risk and Resilience

The Director of Internal Audit, Risk and Resilience reports to the Committee Chair and has direct access to all members of the Committee. The purpose, authority and responsibility of Internal Audit are defined in the Internal Audit Charter, which the Committee reviews annually.

Management's responsiveness to Internal Audit's findings and recommendations

Internal Audit plays an integral role in our governance structure and provides regular reports to the Committee on the effectiveness of governance, systems and processes and controls across the Group. The Committee was provided with updates on Internal Audit's findings, key agreed actions and the status of all actions at each meeting.

Internal Audit Plan

Internal Audit's activity is primarily driven by the Internal Audit Plan, which is agreed each half-year, ensuring it reflects the key risks the Group faces, the governance frameworks, management structures and operations. The scope of the Internal Audit Plan and subsequent amendments were reviewed by the Committee.

Effectiveness of the Internal Audit function

In line with the Internal Audit Charter, Committee terms of reference, and the recommendations of the Institute of Internal Auditors, the Committee conducts an annual assessment of the effectiveness of Internal Audit, in 2023/24 the Audit Committee reviewed Internal Audit resources, its work programme and results. The Director of Internal Audit, Risk and Resilience provides an annual overview of Internal Audit's performance to the Audit Committee including key performance indicators and stakeholder feedback. Areas for improvement and actions required are highlighted and are used to assist in reviewing the effectiveness of Internal Audit. The Committee concluded that Internal Audit continued to be effective.

Other

Audit Committee's effectiveness

The Committee was evaluated this year as part of the Board evaluation process and the Committee was rated highly overall. See pages 82 and 83 for further details. The review found the Committee to be strong, robust and challenging, with good coverage of financial and other skills. The evaluation suggested some areas for improvement, which will be incorporated into the 2024/25 forward agenda. Overall, the Committee was found to be effective.

Significant issues raised through the whistleblowing process

The Committee received updates at each meeting on any significant whistleblowing matters. The Committee Chair receives earlier notification of matters that may develop into a significant incident. No issues arose that required the Committee to be updated ahead of a scheduled meeting.

All issues were escalated to the relevant manager for investigation. Internal Audit reviewed the effectiveness of the whistleblowing process during the year. Actions to further improve the process will be implemented in the next financial year.

Data governance and information security

Updates on the data governance and information security programme were provided at each meeting of the Committee during the year, including updates on strategic risks, third-party assurance, cyber security, the plan for legacy assets, access controls and security.

Ongoing material litigation

The Committee is appraised on all material litigation and potential impacts on financial reporting disclosures. These are also provided to the Board.

Compliance with the Groceries Supply Code of Practice (GSCOP)

GSCOP sets out how large retailers should manage certain aspects of their relationship with grocery suppliers. Each retailer to which it applies has to appoint a Code Compliance Officer (CCO) whose duties include hearing disputes between suppliers and the retailer. Sainsbury's had appointed the Director of Internal Audit, Risk and Resilience as its CCO. Following her departure in September 2023, the Director of Group Legal Services was appointed as the CCO.

GSCOP requires that the business delivers an Annual Compliance Report to the Competition and Markets Authority as approved by the Chair of the Audit Committee, and that a summary must be included in the Annual Report and Financial Statements. This is set out below.

Summary Annual Compliance Report

Sainsbury's GSCOP compliance framework is based on a collaborative relationship with the Groceries Code Adjudicator (GCA), clear policies and procedures, mandatory training and regular monitoring and reporting of compliance. Sainsbury's also has specific internal resource who provide all relevant colleagues with day-to-day advice and guidance.

We continue to engage positively with the GCA on GSCOP matters and work collaboratively to address any concerns and improve our processes through our regular catch ups. We also proactively contact the GCA for clarification and guidance.

Throughout the year, inflationary pressures, global supply chain challenges and the changing pattern of inflation have impacted the management of cost prices. Our approach continues to be driven by close analysis of inflation, commodity prices and by a commitment to delivering value for our customers. Sainsbury's Buying and Supply Chain teams have worked closely with suppliers to minimise the impact on customers. In particular, we work collaboratively with suppliers when responding to Cost Price Increase (CPI) requests and cost price decreases. Our approach aligns to the GCA's 7 Golden Rules for CPIs and these Rules are included in mandatory GSCOP training. During the year, the mandatory training programme was also extended to ensure the 7 Golden Rules principles covered cost price decreases.

During the year, we communicated with suppliers on various matters. In particular, we re-communicated the CCO's independence, as part of the changes in the CCO role, re-committed to maintaining supplier confidentiality whenever requested and re-emphasised that suppliers should not hesitate to contact the CCO if they feel they have been adversely impacted after raising a GSCOP concern.

This is in support of the GCA re-confirming to suppliers that they should not experience retribution or retaliation as a result of raising a concern to the CCO.

Relevant policies are reviewed and updated on at least an annual basis and are made available to colleagues. This is supported by Sainsbury's GSCOP training, which is compulsory for colleagues who are part of the Buying Team and for colleagues who are directly or indirectly involved in decisions that impact GSCOP. As a result, over 1,700 colleagues completed appropriate training during the year. GSCOP training is reviewed and refreshed annually to ensure it remains current. There are defined consequences for training non-compliance.

Regular meetings are held between the CCO, Legal, Internal Audit and the Commercial Planning team to identify and assess emerging risk areas and an established compliance monitoring programme is embedded within the business. The Operating Board and Audit Committee are updated four times a year on GSCOP matters.

Twenty-one potential breaches were reported in 2023/24 (31 in 2022/23). Of the 21 potential breaches of GSCOP, 19 were in scope of the Code, two were deemed to be outside of the Code and two were withdrawn by the supplier.

Ten breaches were raised directly to the CCO and 11 were raised within our Trading Division and, where required, were escalated to the CCO using standard escalation procedures. Nineteen potential breaches reported in the year were resolved in the year, and two potential breaches are ongoing at the date of this report. The majority of complaints raised directly to the CCO related to delists.

Two were pursued as a formal Article 11 Dispute but, for one of these, a formal response has been provided noting that the supply agreement does not fall within the scope of the Market Investigation Order. None have been referred to the GCA for arbitration. Causes of potential breaches are reviewed to identify areas for improvement.


Significant financial reporting matters and judgements

The areas of focus and actions taken by the Committee in relation to the 2024 Annual Report are outlined below. The Committee was satisfied in each case with the accounting and disclosure in the financial statements.

Areas of focus	Actions taken
<p>Presentation of financial statements</p> <p>The Group uses Alternative Performance Measures (APMs) and includes additional disclosures, including reconciliations to statutory measures.</p> <p> See pages 199 to 203</p> <p> See note 5, Non-underlying items, on pages 149 to 150</p>	<p>The Committee considers it important to take account of both the statutory measures and the APMs when reviewing these financial statements.</p> <p>In particular, items excluded from underlying results were reviewed by the Committee and it is satisfied that the presentation of these items is clear, applied consistently across years and that the level of disclosure is appropriate. The net non-underlying charge this year was £(424) million (2023: net charge of £(363) million). Excluded items are detailed on pages 149 to 150. The most significant items relate to the Group's announcement of a phased withdrawal from the core Banking business which resulted in the recognition of impairments of non-financial assets and other restructuring costs, and the continuation of restructuring programmes announced in November 2020.</p> <p>The Committee gave particular attention to ensure the Group's APMs are not presented in ways that give them greater prominence than amounts stemming from the financial statements; that specific, tailored explanations for the inclusion of individual APMs are provided; and that APMs are reconciled to the most directly reconcilable line items.</p>
<p>Pensions accounting</p> <p>The Group's balance sheet shows a pension surplus of £690 million, which comprises £6,702 million of assets, and £(6,012) million of liabilities. This compares to a net surplus in the prior year of £989 million.</p> <p> See note 34, Retirement benefit obligations, on pages 183 to 188</p>	<p>The Committee reviewed a summary of the actuarial assumptions used in arriving at the valuation for the defined benefit pension scheme and was satisfied that they are reasonable.</p> <p>In particular, the Committee reviewed the financial impact of discount, inflation and mortality rates and related sensitivities.</p>
<p>Going concern and viability</p> <p>Going concern and viability projections are produced bi-annually and monitored regularly.</p> <p> See Statement of Viability on page 62</p>	<p>The Committee undertook a detailed review of the financial liquidity of the business over the formal viability assessment period of three years, and made further enquiries beyond this timeframe, taking into account cash flows, current levels of debt and the availability of future finance. The viability assessment was discussed by the Committee in March 2024 and scenarios to be stress-tested through the business's corporate plan were agreed. The outcomes of scenarios, stress-tests and further enquiries were discussed and concluded in April 2024.</p>
<p>Sainsbury's Bank reporting and charges arising from the strategic review of the Financial Services business</p> <p>During the year, the Group announced a phased withdrawal from its core Banking business such that financial services offered in the future will be provided by dedicated financial services providers through a distributed model. This represented an indicator of impairment and accordingly a full impairment review was undertaken on the Bank's non-financial assets, as well as the Group's goodwill in relation to the Bank. Furthermore, the requirement for certain provisions and impacts on effective interests has also needed to be assessed.</p> <p>The review resulted in impairment and other restructuring costs of £273 million treated as non-underlying costs as detailed in note 5, Non-underlying items on pages 149 to 150.</p> <p>Separate to the announced phased withdrawal above, the Bank disposed of its mortgage portfolio during the year.</p> <p>In addition, the Bank's impairment provisioning for customer loans is a significant risk and is subject to complex IFRS 9 accounting requirements.</p>	<p>The Committee receives updates on the key agenda items discussed at the Bank's Audit Committees. These include accounting judgements and estimates and important operating and regulatory matters such as liquidity, cash flows, capital adequacy and risk management processes.</p> <p>The Committee reviewed summary reports produced by management setting out the outcomes of the impairment assessment as well as the other costs triggered by the strategic decision over the future of the Banking business.</p> <p>The Committee challenged the assumptions used in the impairment reviews and the recognition and timing of other costs and provisions, the consistent application of accounting methodology, and the treatment of these charges as non-underlying items. The Committee were satisfied with the outcomes of the impairment reviews and recognition of other costs and provisions as well as the classification as non-underlying.</p> <p>The Committee also reviewed the impact of the announced phased withdrawal on the Group's going concern and viability assessments, and were satisfied that these did not impact the conclusions reached.</p> <p>The Committee also reviewed the accounting treatment for the disposal of the mortgage portfolio, and the accounting judgements and estimates applied to the impairment of loans to Bank customers.</p>

Audit Committee Report *continued*

Significant financial reporting matters and judgements *continued*

Areas of focus	Actions taken
<p>Climate change disclosures</p> <p>With the impacts of climate change being felt around the world, we understand the important leadership role we can play to help reduce the impact of the food system on the climate. Consideration has been given to the impact of both physical and transition climate change risks, and how these impact the financial statements.</p> <p> See pages 30 to 43 for our Task Force on Climate-related Financial Disclosures</p>	<p>The Committee challenged and reviewed the Task Force on Climate-related Financial Disclosures, in particular the qualitative and quantitative scenario analysis performed, our transition plan, and cross-industry metrics.</p> <p>The Committee are satisfied that appropriate consideration and disclosure has been given to the impacts of Climate Change on the Group's financial statements.</p>
<p>Contingent liabilities</p> <p>Along with other retailers, the Group is currently subject to claims from current and ex-employees in the Employment Tribunal for equal pay under the Equality Act 2010 and/or the Equal Pay Act 1970.</p> <p> See note 37, Contingent Liabilities, on page 190 for further details</p>	<p>The Committee further considered management's assessment of the status of ongoing regulatory investigations and litigation.</p>
Areas of focus	Actions taken
<p>Asset acquisition</p> <p>The Group purchased Supermarket Income REIT's beneficial interest in a commercial property investment pool, in which the Group already held a beneficial interest, during the year.</p> <p> See note 2.6, Asset Acquisition, on page 139</p>	<p>The Committee reviewed the accounting treatment applied to the transaction, including the assessment as to whether the assets and liabilities acquired in the transaction constituted a business under IFRS 3 Business Combinations. The Committee reviewed the significant judgement applied when considering the classification of the pre-funded cash flows which formed part of the total consideration within the Group's cash flow statement. The Committee were satisfied with the accounting treatment and the disclosures made in the financial statements.</p>
<p>Internal controls framework</p> <p>The internal controls framework encompasses controls relating to financial reporting, preparation of consolidated Group accounts, operations, compliance, risk management and Sainsbury's interests in joint ventures.</p> <p>The Audit Committee reviews the effectiveness of internal controls on an ongoing basis and monitors any remedial action required. An overview of key elements of the control framework is set out below.</p> <p>Our control environment</p> <ul style="list-style-type: none"> • The Board discusses and approves the Company's strategy, plans, objectives, budget and the risks to achieving them • Group-wide policies covering delegations of authority, anti-bribery and corruption and key compliance requirements such as keeping information safe and HR policies set clear parameters for colleagues • Management regularly reviews risks to achieving objectives, with mitigating controls identified and actions taken <p>Controls embedded in the business</p> <ul style="list-style-type: none"> • Policies, procedures and controls are embedded within business processes • Specific teams, such as Central Retail and Technical Operations, support the design and implementation of specific controls across the business • Training programmes are provided to support implementation and compliance with key policies, processes and controls 	<p>Monitoring and oversight</p> <ul style="list-style-type: none"> • Compliance with policies, standards and controls is monitored and evaluated in finance, accounting, treasury, information security and safety management • The Business Performance Review forum provides oversight and approval of capital spend • The Capital Returns forum monitors the outcome of capital spend • Quarterly commercial reviews by Executive Directors of financial and operational performance cover all business areas • Oversight and governance committees have delegated responsibility for monitoring key risk areas such as the Data Governance, Group Safety, and Treasury Committees <p>Our assurance framework</p> <ul style="list-style-type: none"> • Operating Board members certify annually that the corporate risk map accurately reflects their view of key risks across the business, that they are responsible for managing risks relevant to their division and that internal controls exist to provide reasonable, but not absolute, assurance that the risks in their areas of responsibility are appropriately identified, evaluated and managed • The Board and the Committee review any significant fraudulent activity and whistleblowing by colleagues, suppliers or other parties, including alleged incidents of bribery, and actions being taken to remedy any control weaknesses • Reports from management are presented to the Operating Board and Audit Committee on how we manage material risks • Management and the Audit Committee review the scope and results of the work of Internal Audit across the Company and of the implementation of their recommendations • The Committee reviews the scope and results of the work of the external auditor and any significant issues arising

Annual Statement from the Remuneration Committee Chair

Dear Shareholder

As we move from our Food First strategy to our Next Level Sainsbury's strategy, the role of the Remuneration Committee is to ensure that executive remuneration is aligned to the performance achieved over the last three years and supports the delivery of our future objectives.

In 2021, we set ourselves stretching targets, measured through eight key performance indicators. We are very proud of what we have achieved, particularly in light of the significant economic challenges that have presented themselves during the life of the plan. We've grown grocery volume market share, won more loyal customers, become consistently more competitive on price and led the market on customer service, while also delivering strong financial results and investing in colleagues.

In 2023/24 we delivered underlying profit before tax of £701 million, as well as strong retail free cash flow generation of £639 million, both above the top end of our guidance range. The proposed full-year dividend of 13.1 pence continues the strong returns to shareholders over recent years.

The Remuneration Committee seeks to take a measured and responsible approach to executive pay, considering the specific circumstances and the perspectives of all our stakeholders. When making its decisions this year, it has carefully considered the external environment, the results delivered and executive pay in the context of wider workforce investments.

In January 2024 we were the first full choice supermarket to announce we would be paying colleagues £12 (£13.15 in London), continuing to be in line with the Real Living Wage. This was our biggest ever single investment in colleague pay – £200 million – bringing the three year total investment to over £500 million. Our wage bill is our biggest operating cost but we are committed to investing in our people first, in the knowledge that our strong performance would not be possible without our colleagues' engagement and customer focus.

In February 2024, we presented our new purpose and the next phase of our strategy to shareholders and committed to a progressive dividend policy and a share buyback programme of £200 million in 2024/25. Our Next Level Sainsbury's strategy will see us going faster and further than ever before, as we continue to put good food at the heart of all that we do. During the course of the year the Committee reviewed our incentive arrangements to ensure they support the delivery of the strategy over the next three years.

2023/24 remuneration

- Chief Executive received a four per cent pay increase, below the ten per cent increase that retail hourly-paid colleagues received over the year
- Reflecting strong financial performance and delivery of strategic scorecard measures, the annual bonus paid out at 100 per cent of maximum for Simon Roberts and 98 per cent of maximum for Bláthnaid Bergin
- The long-term incentive plan launched in 2021 to drive the Food First strategy – the 2021 Win in Food incentive plan – vested in 2024 at 70 per cent of maximum as a result of delivery against the eight key performance indicators

2024/25 remuneration

- Continued investment in colleagues – £200 million pay investment in retail hourly-paid colleagues. Pay rates continuing to be in line with the Real Living Wage, alongside a competitive benefits package
- Executive Directors receive a four per cent pay increase, below the over nine per cent increase for retail hourly paid colleagues
- The Committee reviewed the long-term incentive plan and updated the targets to ensure it is aligned to our new purpose and the next phase of our strategy
- The 2024 Next Level incentive plan measures performance over the next three years against our eight performance commitments (with 70 per cent subject to financial performance and 30 per cent subject to strategic indicators)

Principal role and responsibilities

- Determining and agreeing with the Board a transparent Remuneration Policy which supports the Company's strategy and promotes long-term sustainable success
- Setting the Remuneration Policy and individual remuneration arrangements for the Chair, Executive Directors and Operating Board Directors
- Reviewing and noting remuneration trends and reward policies applying to all colleagues, considering alignment to culture and taking these into account when determining executive pay
- Approving the service agreements of each Executive Director, including termination arrangements
- Considering the achievement of the performance conditions under annual and long-term incentive arrangements



The Committee's Terms of Reference are available on the Company's website www.about.sainsburys.co.uk.

Annual Statement from the Remuneration Committee Chair

continued

Colleague pay and engagement

The Remuneration Committee's remit includes oversight of pay arrangements across the Group and we have always considered broader colleague pay when making executive pay decisions. All Remuneration Committee meetings start with an update on recent reward changes and initiatives for our colleagues and an overview on feedback from colleagues via different communication channels. In addition, the Non-Executive Directors spend time visiting stores and participating in colleague listening so they can hear colleagues' own perspective on pay at first hand.

The Chair and I meet at least once a year with colleagues specifically to give more insight into the structure of our executive remuneration package and hear their views.

From 3 March 2024, our base rates of pay for our national Sainsbury's and Argos Retail, Travel Money and LFC colleagues, increased by over nine per cent to £12 per hour, and by 10 per cent to £13.15 per hour for our London colleagues. This £200 million investment in colleague pay is the largest single investment we have made and the new rates remain in line with the Real Living Wage and well ahead of the government's National Living Wage of £11.44.

We introduced free food for colleagues in stores, depots, LFCs and Contact Centres during the cost of living crisis and this continues to be valued by our colleagues. We have continued to build on our competitive benefits package. In July 2023, we introduced free sanitary products in all sites and stores. In addition to our financial wellbeing support (which includes a salary advance product, loans and debt consolidation support), we launched a colleague savings scheme in January 2024. Building on our enhancements to colleague discount over the last two years, colleague discount on Sainsbury's purchases now increases from 10 per cent to 15 per cent every Friday and Saturday. This provides additional certainty to colleagues and makes their weekly shop more affordable.

As last year, we have also targeted investment in pay towards our front-line managers. For the last three years, we have applied different standard percentage increases depending on grade. In 2024, the pay review pot for front-line managers is five per cent and for senior management four per cent.

The Committee continues to review the Company's progress in closing its gender and ethnicity pay gaps. We are moving closer towards gender balance in our business with improved representation for women at senior leadership level and a higher percentage of men year-on-year in our hourly paid roles. Our mean gender pay gap is 8.4 per cent (down from 8.5 per cent last year), with a small increase to the median pay gap to 6.7 per cent (from 6.3 per cent), but both remain well below the UK average. Our ethnicity pay gap remains negative and the mean has changed from -1.6 per cent to -2.9 per cent.

Customers and community

Our colleagues play a vital role in delivering great customer service leading to more people choosing Sainsbury's more often. We continue to focus on delivering great value for our customers, investing £780 million in price over the last three years. During the year we also expanded our Aldi Price Match to cover over 600 products and Nectar Prices have enabled customers to access great value and make significant savings on their weekly shop.

Sainsbury's has a strong community presence across the UK and this year we have raised £36 million for good causes across all of our programmes. Our partnership with Neighbourly has allowed us to redistribute over 13.5 million meals to those in need and we have donated £11.4 million to tackle food poverty through our Nourish the Nation programme. We aim to support local communities through our Community Grant scheme and have committed over £1 million to local causes this year.

Executive remuneration in 2023/24

The Committee carefully assesses performance against a framework to ensure that incentive outcomes are aligned to the underlying performance of the business and the experience of shareholders.

The Committee is satisfied that the total remuneration for Executive Directors in respect of 2023/24 reflects performance over the period, considering the prevailing market and economic conditions and the strong progress that has been made against the Food First strategy.

Annual bonus

Profit accounts for 50 per cent of the overall bonus, with 20 per cent based on retail free cash flow and 30 per cent based on a strategic scorecard. Reflecting our strong performance during 2023/24, we exceeded our profit and retail free cash flow targets, resulting in an outturn of 100 per cent of the maximum.

The 30 per cent of the bonus based on a strategic scorecard is made up of customer metrics, colleague metrics and individual strategic objectives. The Committee considered performance across all elements in order to determine the outturn. We have delivered strongly for customers, demonstrated by growth in customer satisfaction scores. Colleague engagement scores increased further against a high base, and we made further progress towards our stretching gender and ethnicity targets. The Committee has agreed that both the customer element and the colleague element should pay out at ten per cent (each out of a possible ten per cent).

The Committee reviewed Simon Roberts' and Bláthnaid Bergin's performances against their individual strategic objectives and determined that both had delivered their objectives.

Under Simon Roberts' leadership, Sainsbury's has made great progress in delivering the Food First strategy as well as developing the Next Level Sainsbury's strategy, including operating model changes that will deliver further cost savings. The Committee agreed he had delivered his objectives fully and determined a payout of ten per cent (out of a possible ten per cent) for Simon Roberts.

During Bláthnaid Bergin's first year as Chief Financial Officer, she has led the finance collaboration with the business to develop the Next Level Sainsbury's strategy, including delivery of returns to shareholders through the progressive dividend policy and share buyback programme. The Committee agreed she had a strong year and determined a pay out of eight per cent (out of a possible ten per cent) for Bláthnaid Bergin.

This results in an overall bonus of 100 per cent of the maximum for Simon Roberts and 98 per cent of maximum for Bláthnaid Bergin.

Long-term incentive plan – 2021 Win in Food

The 2021 Win in Food plan was aligned to the delivery of our Food First strategy and the eight key metrics that we used to track our progress. Because our senior leaders are integral to the delivery of the strategy, we made enhanced awards to c.230 colleagues who usually participate in the long-term incentive plan, as well as extending the eligible population to include a further 1,200 leaders (reverting to the standard eligibility for the 2022 and 2023 awards). Over the past three years, this award has galvanised our senior leaders behind the execution of our strategy, particularly those participating in the long-term incentive plan for the first time. This has had a material impact demonstrated by the strength of business performance over the period.

For Executive Directors, 80 per cent of the plan was based on the four key financial measures (retail free cash flow, ROCE, EPS and cost savings). The remaining 20 per cent of the plan was subject to key strategic indicators (market share, customer, colleague and Plan for Better). This award vested at 70 per cent of maximum.

This outturn is a result of strong retail free cash flow performance above the stretch target and ROCE, EPS and cost savings being part way through the performance range. Market share also outperformed the stretch target, with customer, colleague and Plan for Better part way through the performance range. The Committee had to make a performance assessment for the plastic and Scope 3 emissions due to market changes which impacted the targets and the assessment. Further detail is set out on pages 107 and 108.

Bláthnaid Bergin's 2021 award was granted prior to her appointment to the Board and reflected her previous role. The plan structure that applied for colleagues at this grade was based on comparable objectives, but with different weightings to metrics. Bláthnaid Bergin's award vested at 75 per cent of maximum in line with other participants.

2024/25 remuneration

When determining the pay review for Directors this year, the Committee again paid significant regard to the pay of the broader workforce and senior management. It awarded Simon Roberts and Bláthnaid Bergin a four per cent pay increase effective May 2024, taking their base salaries to £979,524 and £676,000 respectively. This is below the over nine per cent increase awarded to retail hourly-paid colleagues and in line with the pay increase awarded to other senior management roles.

Following the launch of our updated Next Level Sainsbury's strategy, we reviewed our incentive arrangement and determined the current long-term incentive plan structure drives the delivery of our future strategy and performance objectives. Following the success of the 2021 Win in Food incentive plan where, as outlined above, participants received enhanced awards and a broader population were included, we are proposing the same approach for 2024 only. Senior leaders play a vital role in leading colleagues across the business and delivering the next phase of our strategy and we want them fully aligned and incentivised to deliver our plans.

As outlined in February 2024 at the Capital Market's Day, our eight key performance indicators remain the same and these will continue to be used to track the successful execution of the updated strategy. Therefore, the performance metrics will remain consistent with those currently used, but we have reviewed the weightings and targets to provide appropriate emphasis on key objectives and to drive performance delivery. We recently engaged our major shareholders and investor bodies in respect of the approach for 2024/25 and the Remuneration Committee and I are grateful for their engagement and valuable feedback which was considered before finalising our proposals.

The total weighting on the strategic indicators (market share, customer satisfaction, colleague engagement and Plan for Better) has been increased from 20 per cent to 30 per cent to recognise the importance of these areas in achieving our long-term strategic ambitions. To ensure that each of the four areas of focus have a sufficiently material weighting each has increased from five per cent to 7.5 per cent. The four financial metrics (EPS, cost savings, retail free cash flow and ROCE) will each have a weighting of 17.5 per cent.

In relation to the element linked to Plan for Better, the metrics have been simplified. Given the ongoing challenge across the market to get an agreed methodology to measure Scope 3 emissions, the 2024 long-term incentive plan will be linked to carbon Scope 1 targets only. The Scope 1 targets reflect a rephrasing of our Scope 1 reduction initiatives over the next three years. We are still committed to our ambition to achieve net zero in our own operations by 2035. Investors are reminded that since January 2022, the Company has purchased all its electricity from renewable sources, which means our Scope 2 emissions are reported externally as zero. While we have simplified the ESG metric for long-term incentive purposes, the Committee recognises the breadth of our Plan for Better ambitions that are at the core of our new purpose. We are playing a leading role in creating a more sustainable food system in the UK to make good food available for everyone and the Committee will keep under review how these objectives are reflected in our incentive arrangements.

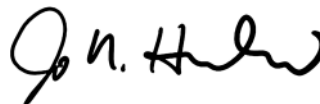
The award level for the Chief Executive in 2024 will remain at 250 per cent of salary in line with the current shareholder-approved remuneration policy. Consistent with the approach taken for the enhanced 2021 award, the Committee has decided to make a modest increase to the Chief Financial Officer's award level from 225 per cent to 250 per cent of salary in 2024 only. This award recognises the importance of Bláthnaid's contribution to the successful delivery of our updated strategy over the next three years.

Closing remarks

In 2023, in line with UK reporting regulations, our Remuneration Policy was put to a binding vote at the AGM and we thank shareholders for their support in delivering a 99.12 per cent vote in favour.

Over the next two pages there are summaries of the approach to remuneration in 2023/24 and 2024/25. We hope that the disclosure provided in this report provides clear insight into the Committee's decisions and we look forward to receiving your support at the AGM.

The Remuneration Committee is committed to rewarding our Executive Directors for acting in the interest of all our stakeholders, including our shareholders, and for delivering results that are aligned with our Company's purpose, strategy and values.



Jo Harlow
Chair, Remuneration Committee

Summary of 2023/24 remuneration decisions

Pay element

2023/24 decisions

Salary

Four per cent increase for Executive Directors (below that of colleagues)

- Chief Executive, Simon Roberts – £941,850 and Chief Financial Officer, Bláthnaid Bergin – £650,000
- A four per cent salary increase was awarded to Simon Roberts from 28 May 2023, which was below the ten per cent increase for retail hourly-paid colleagues, and in line with the pay review for senior management
- Bláthnaid Bergin commenced her role as CFO on 5 March 2023 on a salary of £650,000 and was not eligible for a salary increase

Annual bonus

Award of 100 per cent of maximum for CEO and 98 per cent of maximum for CFO

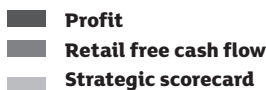
- The 2023/24 bonus outturn was 100 per cent of the maximum for Simon Roberts and 98 per cent of the maximum for Bláthnaid Bergin
- The profit element paid out at 50 per cent (out of 50 per cent)
- The retail free cash flow element paid out at 20 per cent (out of 20 per cent)
- The Committee determined an outturn of ten per cent for the customer and colleague metrics (each out of ten per cent). Simon Roberts' individual annual objectives paid out at ten per cent (out of ten per cent), resulting in an overall strategic scorecard outturn of 30 per cent (out of 30 per cent). Bláthnaid Bergin's individual annual objectives paid out at eight per cent (out of ten per cent), resulting in an overall strategic scorecard outturn of 28 per cent (out of 30 per cent)
- Further details of the bonus measures and outturn can be found on pages 106 and 107

CEO bonus outturn

Maximum opportunity



Actual % of maximum



Long-Term Incentive Plan (LTIP): 2021 Win in Food

Vesting at 70 per cent of maximum

- Financial metrics (each with a 20 per cent weighting): maximum payout under the retail free cash flow element, with ROCE, EPS and cost reduction all part way through the range
- Strategic indicators (each with a five per cent weighting): maximum payout under the market share element, with customer, colleague and Plan for Better paying out midway through the range
- This results in a vesting multiplier of 2.8x (out of a maximum of 4.0) or 70 per cent of maximum
- Further detail on the outcomes is set out on pages 107 and 108

Maximum opportunity

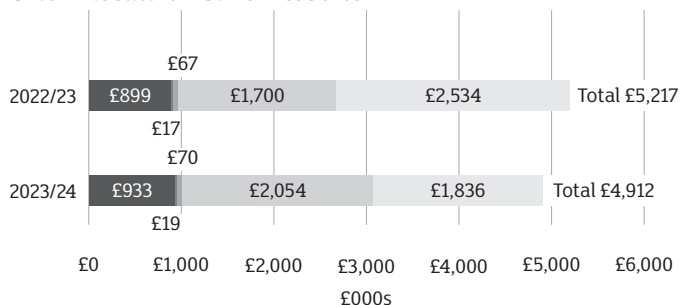


Actual % of maximum

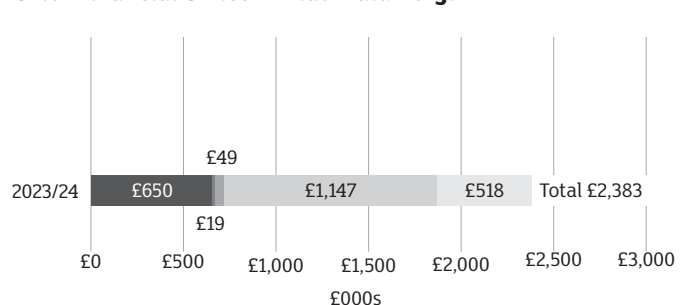


Total remuneration for 2023/24

Chief Executive – Simon Roberts



Chief Financial Officer – Bláthnaid Bergin



Summary of remuneration for 2024/25

Pay element	Executive Directors	Other colleague groups																								
Salary	<ul style="list-style-type: none"> Chief Executive, Simon Roberts – £979,524 effective 26 May 2024 (four per cent salary increase) Chief Financial Officer, Bláthnaid Bergin – £676,000 effective 26 May 2024 (four per cent salary increase) 	<ul style="list-style-type: none"> Over nine per cent increase for retail hourly-paid colleagues Five per cent for front-line managers, reducing to four per cent for senior management 																								
Benefits	<ul style="list-style-type: none"> Includes colleague discount, life assurance (six times salary), company car cash allowance (or car), private medical cover and long-term disability insurance 	<ul style="list-style-type: none"> All colleagues are eligible for colleague discount and life assurance (six times salary if in pension plan or one times if not in a pension or in an auto-enrolled scheme) Eligibility for other benefits is dependent on grade 																								
Retirement benefits	<ul style="list-style-type: none"> Pension and/or cash supplement totalling 7.5 per cent of salary 	<ul style="list-style-type: none"> Participation in a pension plan is offered to all colleagues on a contributory basis, with the Company contribution varying by grade Retail hourly-paid colleagues and front-line managers are offered a matching scheme up to 7.5 per cent of salary 																								
Annual bonus	<ul style="list-style-type: none"> Performance is based on profit (50 per cent), retail free cash flow (20 per cent) and strategic scorecard (30 per cent) Bonus paid 50 per cent in cash after the year-end and 50 per cent deferred into shares for two years Maximum opportunity of up to 250 per cent of salary per annum. For 2024/25: <ul style="list-style-type: none"> Simon Roberts – 220 per cent of salary Bláthnaid Bergin – 180 per cent of salary 	<ul style="list-style-type: none"> Retail and central management and central colleagues are eligible for an annual bonus and maximum opportunity varies by grade Annual bonus based on profit, retail free cash flow and personal performance For more senior grades part paid in cash, and part in shares deferred for two years 																								
LTIP: 2024 Next Level incentive plan	<ul style="list-style-type: none"> Awards are subject to a three-year performance period followed by a two-year retention period for Executive Directors The performance metrics remain unchanged and are fully aligned to our Next Level Sainsbury's strategy Small rebalancing of weightings towards strategic indicators reflecting importance Maximum award of up to 250 per cent of salary per annum For 2024 awards: <ul style="list-style-type: none"> Simon Roberts – 250 per cent of salary Bláthnaid Bergin – 250 per cent of salary 	<ul style="list-style-type: none"> Top 230 managers usually participate in this plan Extended to a further 1,100 managers for 2024 only Maximum award varies by grade 																								
	<table border="1"> <thead> <tr> <th>Measure</th> <th>Weighting</th> <th>Threshold</th> <th>Maximum</th> </tr> </thead> <tbody> <tr> <td>Underlying basic EPS^{a)}</td> <td>17.5%</td> <td>21.3p</td> <td>28.3p</td> </tr> <tr> <td>Cumulative cost savings</td> <td>17.5%</td> <td>£800m</td> <td>£1,100m</td> </tr> <tr> <td>Cumulative retail free cash flow^{a)}</td> <td>17.5%</td> <td>£1,500m</td> <td>£1,800m</td> </tr> <tr> <td>ROCE^{a)}</td> <td>17.5%</td> <td>8.0%</td> <td>11.0%</td> </tr> <tr> <td>Strategic indicators</td> <td>30%</td> <td colspan="2">Based on market share, customer satisfaction, colleague engagement and Plan for Better. Further details set out on pages 109 and 110</td> </tr> </tbody> </table>	Measure	Weighting	Threshold	Maximum	Underlying basic EPS ^{a)}	17.5%	21.3p	28.3p	Cumulative cost savings	17.5%	£800m	£1,100m	Cumulative retail free cash flow ^{a)}	17.5%	£1,500m	£1,800m	ROCE ^{a)}	17.5%	8.0%	11.0%	Strategic indicators	30%	Based on market share, customer satisfaction, colleague engagement and Plan for Better. Further details set out on pages 109 and 110		
Measure	Weighting	Threshold	Maximum																							
Underlying basic EPS ^{a)}	17.5%	21.3p	28.3p																							
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Strategic indicators	30%	Based on market share, customer satisfaction, colleague engagement and Plan for Better. Further details set out on pages 109 and 110																								
	a) These measures are defined in the Alternative Performance Measures section of the Annual Report on pages 199 to 203																									
Shareholding guidelines	<ul style="list-style-type: none"> In-employment guidelines: Chief Executive – three times salary; Chief Financial Officer – two times salary Post-employment guidelines: Executive Directors are required to hold shares equivalent to their in-employment guideline for two years post departure. This requirement applies only to shares acquired from Company incentive plans 	<ul style="list-style-type: none"> In-employment guidelines apply to Operating Board Directors only 																								
Recovery provisions	<ul style="list-style-type: none"> The Executive Directors' incentive arrangements are subject to malus and clawback 	<ul style="list-style-type: none"> Malus provisions apply for all senior leaders who are eligible for our LTIP 																								

Remuneration in context

Our reward objectives

Our objective is to have a fair, equitable and competitive total reward package that encourages colleagues to deliver against our purpose and strategy, drives profitable sales and provides opportunities for colleagues to share in Sainsbury's success.

Executive remuneration principles

The above reward objective applies to our senior executive population as well. The Committee believes it is important that a significant portion of the Executive Directors' package is performance-related, delivered in shares and that the performance conditions applying to incentive arrangements support the delivery of the Company's strategy and long-term shareholder value.

The Remuneration Policy for our senior executives is therefore based on the following principles:



Linking executive pay to our business strategy

The Committee carefully considers the performance metrics incorporated into the annual bonus and long-term incentive plan to ensure they support our strategic priorities. The annual bonus is linked to key financial and individual strategic objectives, while the long-term incentive plan rewards for delivery against our key strategic objectives and therefore includes all eight of the performance commitments that we use to track our success. Delivery of these commitments would support long-term sustainable performance and value creation for our shareholders.

Key considerations

When reviewing the Remuneration Policy for Executive Directors and determining the approach to pay, in line with the Code, the Committee gives consideration to the following:

- **Simplicity and transparency:** The Remuneration Policy has been designed to incentivise senior executives to achieve clearly defined financial, operational and strategic objectives. The Committee reviews performance metrics and targets each year to ensure that they continue to be clear and aligned to the delivery of the strategy
- **Alignment to our purpose, values and culture:** Sainsbury's has a clear purpose and strong value set resulting in a unique culture which plays an essential role in achieving our strategy. Our culture is underpinned by our Purpose (our core reason for being); our Valued Behaviours (what we want from our people); and being a great place to work (encouraging colleagues to want to be their best). The Committee ensures our pay practices drive the right behaviours in line with our values and culture
- **Risk mitigation:** The Committee reviews and sets performance targets each year to ensure that they drive the right behaviours and are appropriately stretching without encouraging unnecessary risks. Under the annual bonus and LTIP the Committee has the ability to adjust incentive outcomes to ensure that they are reflective of the underlying financial and non-financial performance of the participants and the Company. The Committee believes that this discretion is an important feature and mitigates the risk of unwarranted vesting outcomes. In addition, in the event that certain risk events come to light the Committee may operate recovery provisions on all incentive awards
- **Potential outcomes:** When setting, and subsequently implementing, the policy for senior executives, the Committee considers our business goals, the retail market and competitors, the potential and actual outcome and cost to the Company, stakeholder views and best practice. The Committee believes it is important to exercise sound judgement at all stages during the process to ensure that executive pay levels appropriately reflect performance and are aligned with the interests of shareholders

Fair pay for colleagues

When considering remuneration arrangements for Executive Directors, the Committee takes into account the pay and conditions of colleagues at all levels throughout the Company. Remuneration Committee meetings start with an update on any reward changes and initiatives for colleagues across the business, particularly investment decisions for our hourly-paid colleagues, as well as relevant external updates such as changes to competitor pay rates. The Committee also reviews information on internal measures, including colleague listening, engagement surveys, details of our gender and ethnicity pay gaps and the ratio of Chief Executive remuneration to the remuneration of our colleagues, and considers how these compare externally.

Sainsbury's employs over 148,000 colleagues who work hard to deliver for our customers. The Committee recognises that our colleagues are the cornerstone of our business and essential to the overall success of our plans. The remuneration objectives for our colleagues follow the same principles as the policy for the Executive Directors. Pay and benefits reflect the nature and contribution of the role and take into account levels of pay in comparable roles in the market.

Reward and benefits

- All colleagues are entitled to base salary, pension and a range of benefits
- Managers participate in annual bonus plans which are aligned under a common set of principles
- Senior executives also participate in our Long-Term Incentive Plan. In 2024, this plan will be extended to an additional 1,100 colleagues including store managers of our biggest stores
- We offer colleague discount in Sainsbury's, Argos, Tu and Habitat and during 2023/24 colleagues saved over £69 million – around £430 on average
- In 2023/24, we continued to evolve our colleague discount offer, by enhancing Sainsbury's discount from ten to 15 per cent every Friday and Saturday, enabling colleagues to plan their spending and access higher discount for their weekly shop

Recognition, development and wellbeing

- Being a place where colleagues love to work is crucial to the success of our business and we recognise colleagues who go the extra mile and bring our values to life through love it, our colleague recognition scheme
- During 2023/24 we issued over 300,000 recognition rewards worth over £3.4 million as well as giving additional gifts of appreciation with a value of £1 million
- We want to support colleagues in their career goals. During 2023/24 we reviewed and updated a number of development programmes including one to support retail colleagues who want to take their first steps into front-line management and leadership roles
- Our Wellbeing agenda is sponsored by Clodagh Moriarty, our Chief Retail and Technology Officer, demonstrating the importance of our colleagues' mental and physical wellbeing. We offer a range of support mechanisms, including an Employee Assistance Programme

Pensions and life assurance

- Participation in a pension plan is offered to all colleagues on a contributory basis, with the Company contribution varying by grade
- Retail hourly-paid colleagues are offered a matching scheme up to 7.5 per cent of salary
- We have c. 101,000 colleagues in our pension plans
- Colleagues in our pension plans also receive six times life assurance (one times if not in a pension or in an auto-enrolled scheme)

Share ownership

- All colleagues have the opportunity to become shareholders in the Company through our all-employee share plans
- Around 21,000 colleagues participate in our Sharesave plans, representing an uptake rate of 15 per cent
- Colleagues can also participate in Sainsbury's Share Purchase Plan (SSPP), which is our name for the partnership element of the Share Incentive Plan

Colleague engagement

- The Board recognises the important role our colleagues play in the success of Sainsbury's. It takes colleague engagement and the views of colleagues seriously. We communicate regularly with colleagues to provide information about our strategy, our performance and on operational matters as well as asking for feedback on how colleagues are feeling. Further details are set out on page 24 of the Annual Report
- Our 'Make it better together' groups operate at store level rolling up to a national group (which is our Workforce Advisory Panel), which meets with Board members on a regular basis to discuss what is on colleagues' minds. Whilst we do not formally consult with colleagues on the setting of the Executive Director Remuneration Policy, the Chair and the Remuneration Committee Chair engage with colleagues directly to talk about the way that executive pay is set and give colleagues the opportunity to share their views and opinions. The last listening session covering executive pay was held in July 2023 and the next one is in June 2024
- During the year we also introduced a new two-way discussion forum called Let's Talk. This provides opportunities for any colleague to have a direct, open and honest conversation with the Chief Executive and other members of the Operating Board. These are held every month and streamed live
- Colleagues are able to become shareholders in the Company and can comment on the policy in the same way as other shareholders

CEO pay ratios

- Our CEO median pay ratio is 212:1. The 25th, 50th and 75th percentiles ranked by total remuneration are all retail hourly-paid colleagues reflecting the size and make up of our colleague base
- The Chief Executive's total remuneration comprises a significant proportion of variable pay which will change each year depending on incentive outcomes

Gender and ethnicity pay

- Our colleagues are paid according to their role not their gender or ethnicity
- Our 2023 mean gender pay gap is 8.4 per cent (reduced from 8.5 per cent in 2022). Our median gender pay gap has increased slightly from 6.3 per cent to 6.7 per cent. Like a lot of companies our gap is caused by the fact that we have more men than women in our most senior roles, more women than men in our hourly-paid roles, and more men in hourly-paid specialist roles that attract premiums, such as online delivery drivers
- The ethnicity pay gap shows the difference in the average hourly rate of pay of ethnically diverse colleagues compared to that of white colleagues. Our 2023 mean ethnicity pay gap is negative and has changed from -1.6 per cent to -2.9 per cent and our median ethnicity pay gap from -4.0 per cent to -5.4 per cent. Location plays a key part in explaining the gap, as a high proportion of our ethnically diverse colleagues work in our London stores and earn a location premium
- The Board is committed to improving gender and ethnically diverse representation. Our aim is to have 50 per cent of our Operating Board – which we have achieved from the start of the 2023/24 financial year – and 50 per cent of our Directors and Senior Managers to be women. We have made solid progress within our senior leadership population, of whom 46.6 per cent are women (up from 44.2 per cent last year). Our ethnically diverse representation within our senior leadership population has moved from 9.3 per cent to 10.1 per cent over the course of 2023/24

Annual Report on Remuneration

Single total figure of remuneration for Executive Directors (audited information)

The table below shows a single remuneration figure for all qualifying services for the 52 weeks to 2 March 2024, together with comparative figures for the 52 weeks to 4 March 2023.

	Notes	Simon Roberts £000		Bláthnaid Bergin £000
		2023/24	2022/23	2023/24
Base salary		933	899	650
Benefits	a)	19	17	19
Pension		70	67	49
Total fixed pay		1,022	983	718
Annual bonus	b)	2,054	1,700	1,147
Long-term incentive plan	c)	1,836	2,534	518
Total variable pay		3,890	4,234	1,665
Total		4,912	5,217	2,383

- a) Benefits include a combination of cash and non-cash benefits, valued at the taxable value. For all Executive Directors, this includes a cash car allowance (£15,250), private medical cover and taxable expenses.
- b) Annual bonus relates to performance during the financial year, paid in May/June following the relevant year-end. Normally 50 per cent is paid in cash and 50 per cent in bonus shares which vest after two years.
- c) The Long-Term Incentive Plan value relates to the award vesting in April/May following the end of the relevant financial year, which is the third year of the performance period. The awards are then subject to an additional two-year retention period for Executive Directors. Bláthnaid Bergin's 2023/24 LTIP vesting relates to an award granted prior to her appointment as an Executive Director in March 2023, so is not subject to the two-year retention period. In the interests of transparency the full value has been included in the single figure table. The LTIP figures include accrued dividend equivalent shares over the performance period. The 2023/24 values are based on the average share price over the fourth quarter for 2023/24 of £2.785. The 2023/24 values shown above include the share price growth of the original award of: +£66k for Simon Roberts and +£19k for Bláthnaid Bergin. The 2022/23 LTIP figure has also been updated from the fourth quarter average share price to the actual share price on the vesting date of 28 April 2023 (£2.764).

Base salary (audited information)

	2023 Salary
Simon Roberts (effective 28 May 2023)	£941,850
Bláthnaid Bergin (effective from appointment 5 March 2023)	£650,000

Pension

Simon Roberts receives 7.5 per cent of salary in lieu of pension plan participation. Bláthnaid Bergin receives a pension and cash supplement totalling 7.5 per cent of salary. This is in line with the majority of the wider workforce.

Benefits

For 2023/24, benefits for Executive Directors included the provision of company car benefits, private medical cover, long-term disability insurance, life assurance and colleague discount.

Annual bonus for 2023/24 (audited information)

For 2023/24 the maximum annual bonus award opportunity for the Chief Executive was 220 per cent of base salary and for the Chief Financial Officer the maximum opportunity was 180 per cent of base salary. Normally 50 per cent of any bonus is paid in cash and 50 per cent is paid in shares which are deferred for two years.

The performance measures for 2023/24 were profit (50 per cent), retail free cash flow (20 per cent) and a strategic scorecard (30 per cent comprising colleague, customer and individual objectives each being ten per cent).

After the end of the financial year the Remuneration Committee undertook a review of performance to determine annual bonus outcomes for Simon Roberts and Bláthnaid Bergin. As detailed below, the Committee identified that a bonus was payable to the Executive Directors. As in prior years the Remuneration Committee has sought to take a measured and rounded approach to performance assessment when determining incentive outcomes to ensure that they are fair and proportionate.

The following table summarises the final outcomes for the Executive Directors.

	Outcome (% of overall maximum)	Simon Roberts £000 (% of overall maximum)	Outcome (% of overall maximum)	Bláthnaid Bergin £000
Profit	50%	1,027	50%	585
Retail free cash flow	20%	411	20%	234
Strategic scorecard	30%	616	28%	328
Total	100%	2,054	98%	1,147

Profit performance

The table below sets out the threshold, target and stretch profit targets and the actual profit outcome.

	Threshold (20% payable) £m	Target (50% payable) £m	Stretch (100% payable) £m ^{b)}	Outcome £m
Profit ^{a)}	619	648	700	701

- a) Underlying profit before tax. This measure is defined in the Alternative Performance Measures section of the Annual Report on pages 199 to 203.
- b) The Committee revised upwards the top end of the range due to changes in market conditions and external guidance.

Retail free cash flow

The table below sets out the threshold, target and stretch retail free cash flow targets and the actual outcome.

	Threshold (0% payable) £m	Target (50% payable) £m	Stretch (100% payable) £m	Outcome £m
Retail free cash flow ^{a)}	450	500	550	639

a) These measures are defined in the Alternative Performance Measures section of the Annual Report on pages 199 to 203.

Strategic scorecard

The strategic scorecard (30 per cent of the overall bonus) consists of customer, colleague and individual objectives, equally weighted.

The table below sets out a summary of the achievements of the Executive Directors in relation to these objectives as assessed by the Remuneration Committee. The Committee has determined an award of 30 per cent out of a possible 30 per cent for Simon Roberts and 28 per cent out of possible 30 per cent for Bláthnaid Bergin.

Shared objectives		Outturn	
Customer	<p>Delivered strongly for Sainsbury's and Argos customers, demonstrated by significant gains in our overall customer satisfaction scores. Sainsbury's customer satisfaction is 7.5 percentage points ahead of the average of other full-choice competitors</p> <p>Continued focus on delivering value for our customers, investing £220 million in 2023/24. Nectar Prices rolled out to over 7,000 products, saving customers £12 on an average £80 shop, and Aldi Price Match applies to over 600 products. Value perception has improved and is now the strongest it has been in six years</p>	10% (out of 10%)	
Colleague	<p>Material increase in colleague engagement by 300 bps from an already strong baseline, with new high for inclusion score in our annual colleague feedback survey. Continue to make good progress against our gender and ethnically diverse representation at senior levels (see page 108), named a 'The Times' Top 50 Employer for Gender Equality for the second year and now have a 50:50 gender split on the Operating Board</p>	10% (out of 10%)	
Director-specific	<p>Simon Roberts</p> <p>Led the development of the Next Level strategy with the Operating Board, focused on improving value creation and driving shareholder returns over next three years. Next Level strategy communicated to shareholders in February 2024</p> <p>Completed delivery of the Food First strategy, with record market share gains and volume growth over the last year</p> <p>Delivered operating model changes which reduced structural costs by a further c. £350 million against a challenging macroeconomic backdrop, and completed the review of Financial Services</p>	<p>Bláthnaid Bergin</p> <p>Extensive finance collaboration with the business to develop the Next Level Sainsbury's strategy, including delivery of shareholder returns through the progressive dividend policy and share buyback programme</p> <p>Led the review of the future operating model for Financial Services</p> <p>Delivered phase 2 of the finance outsourcing programme and made good progress in embedding a new Controls Framework</p>	<p>Simon Roberts: 10% (out of 10%)</p> <p>Bláthnaid Bergin: 8% (out of 10%)</p>

2021 Win in Food incentive plan (2021/22 to 2023/24 performance period) (audited information)

The 2021 Long-Term Incentive Plan is known as the 2021 Win in Food incentive plan. This plan was launched following Simon Roberts' appointment as Chief Executive in 2020 and our Food First strategy update.

Awards are granted under the Long-Term Incentive Plan approved by shareholders in 2016. A core award of shares is granted, calculated as a percentage of salary and scaled according to level of seniority. Vesting of the core award is dependent on performance against specific targets tested at the end of a three-year performance period. The core awards can grow up to four times at stretch levels of performance. For Executive Directors, any vested award is subject to a two-year retention period.

The 2021 Win in Food award was subject to the eight key performance indicators that we use to measure our success against our 2021 Food First strategy. For Executive Directors, the four financial metrics (retail free cash flow, ROCE, EPS and cost savings), were weighted at 20 per cent each, The four strategic indicators (market share, customer, colleague and Plan for Better) were weighted at five per cent each. In addition, a performance gateway had to be achieved before any element could vest.

In terms of the financial metrics, there was strong retail free cash flow performance above the stretch target and ROCE, EPS and cost savings were part way through the performance range. Market share also outperformed the stretch target, with customer, colleague and Plan for Better part way through the performance range.

For the colleague metric, the Committee reviewed the colleague engagement score (which had increased over the three years) and the improvement in representation against the aspirational 2024 targets set (see table on page 108) and determined an overall colleague outcome of 80 per cent of max or 0.16x of the total multiplier.

For Plan for Better, the Scope 1 and 2, Scope 3 and plastics elements are each weighted at 1.67 per cent of the total award (a combined total of five per cent).

The Scope 1 and 2 targets were met in full and since January 2022 we have purchased all electricity from renewable sources, meaning we report our Scope 2 emissions as zero. With the ongoing challenges across the market to get an agreed methodology to measure Scope 3 emissions, it was not possible to assess Scope 3 as originally intended. Therefore, the Committee considered a number of factors and data points to determine an appropriate outturn. While we have made progress in this area and retained our 'A' rating for CDP climate for the tenth consecutive year, there is still more to do and so the Committee determined an outcome of 45 per cent of max.

Annual Report on Remuneration continued

2021 Win in Food incentive plan (2021/22 to 2023/24 performance period) (audited information) continued

As disclosed last year, it was necessary to adjust the approach to assessing plastic reduction. As a result of branded suppliers choosing to move to using recycled plastics, we no longer track performance against the targets originally set in 2021. Therefore, in line with the approach for the 2023 awards, the Committee assessed performance against own brand reduction targets. The Committee was satisfied that the amended assessment is in line with the principles of the original targets and that they were no easier to achieve. On this basis it determined an outturn of 32 per cent of max.

This results in an overall outturn under the Plan for Better element of 60 per cent of max or 0.12x of the total multiplier.

Taking account of all eight metrics, this results in a performance multiplier of 2.8x (out of a possible 4.0) i.e. 70 per cent of the maximum for the 2021 award. The Committee reviewed the outcome of the awards in the context of performance and determined that it was appropriate.

The table below sets out the extent to which each performance measure was achieved for the Chief Executive.

Metric	Weighting	Sub-metric	Threshold target (1.0 x core award)	Maximum target (4.0 x core award)	Outcome	Multiplier achieved
Cumulative retail free cash flow ^{a)}	20%		£1,000m	£1,500m	£1,787m	0.80
ROCE ^{a)}	20%		6.75%	9.75%	8.28%	0.50
EPS ^{a)}	20%		19.8p	26.5p	22.1p	0.41
Cost reduction	20%		80bps	280bps	182bps	0.51
Market share	5%		10.85%	11.24%	11.53%	0.20
Customer	5%	Sainsbury's	300bps	900bps	590bps	0.14
		Argos	210bps	510bps	540bps	
Colleague	5%	Engagement	Maintain eSAT score		Met	0.16
		Representation		See below	Partially met	
Plan for Better	5%			See below	Partially met	0.12
<i>Performance Gateway</i>			<i>The Remuneration Committee must be satisfied that the Company's underlying performance over the period justifies the level of vesting</i>			<i>Achieved</i>
Total 2.8x						
(out of a maximum of 4.0x)						

a) These measures are defined in the Alternative Performance Measures section of the Annual Report on pages 199 to 203.

Colleague Representation Targets

	Target – senior leadership positions (top 230 leaders)	Outcome	Target – senior management positions (1,200 leaders beneath senior leadership)	Outcome
Female	50%	46.6%	43%	40.7%
Ethnically Diverse	12%	10.1%	12%	10.6%
Black	3%	3.2%	3%	1.2%

Plan for Better Targets

	Threshold	Stretch	Outcome
Scope 1 and 2 – GHG emissions	761,991 tCO2e	705,870 tCO2e	458,973 tCO2e
Scope 3 – GHG emissions	24,503,081 tCO2e	23,996,773 tCO2e	See text above
Own brand plastic packaging reduction	59,363 tonnes	48,887 tonnes	58,379 tonnes

The 2021 award granted to Bláthnaid Bergin was in respect of her previous role prior to her appointment to the Board. This award has been included in the Directors' Remuneration Report in the interests of transparency. For participants at this level, while the metrics and targets were broadly comparable to the approach for Executive Directors, the weightings were different. This award vested at 3.0x (out of a possible 4.0) i.e. 75 per cent of maximum and will be released in April 2024 consistent with the other below Board participants.

Recovery provisions

The Remuneration Committee may operate recovery provisions (malus and clawback) on all incentive awards. The Committee may reduce or cancel an unvested award, or impose further conditions on an unvested award in the event of material mis-statement of financial results, serious reputational damage, serious misconduct, fraud, or other cases of extreme failure where the Committee considers such adjustment to be warranted.

In addition, in the circumstances outlined above, the Committee may clawback incentives, by requiring an Executive Director to make a repayment in relation to bonus payments and share awards. This provision would apply for up to two years following the end of the relevant performance period.

No recovery provisions were applied during the last financial year.

Shareholding guidelines (audited information)

The Executive Directors are required to build up a specified level of shareholding in the Company. This is to create greater alignment of the Directors' interests with those of shareholders, in line with the objectives of the Remuneration Policy.

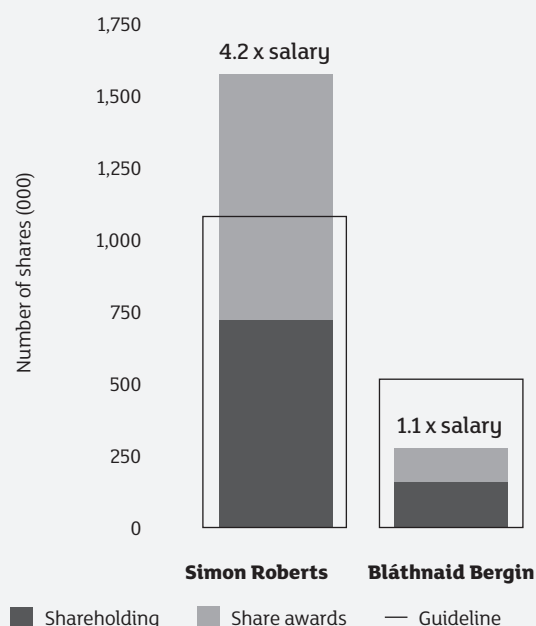
The guidelines in the 2023 Directors' Remuneration Policy require the Chief Executive to have a holding of three times salary and other Executive Directors to hold shares with a value of two times salary.

Executive Directors are required to hold all vested share awards (net of tax) until the guideline has been met. In addition to shares held, Bonus Share Awards and LTIP awards where the performance period has ended, as well as dividend equivalents accruing on LTIP awards once the performance period has ended, count towards the guideline (on a net of tax basis).

Simon Roberts was appointed in 2020 and has met his guideline. Bláthnaid Bergin was appointed at the start of 2023/24 financial year and holds 1.1x salary, as at the end of the financial year.

Post-departure, Executive Directors will be expected to maintain a shareholding equal to their guideline (or actual shareholding if lower) for two years post-employment irrespective of the reason for leaving. This requirement will apply to shares acquired from Company incentive plans.

Shareholding guidelines



Remuneration in 2024/25

Base salary

When considering salaries the Committee takes account of a number of factors, with particular focus on the general level of salary increases awarded throughout the Company. Where relevant, the Committee also considers external market data on salary and total remuneration but the Committee applies judgement when considering such data.

For 2024/25 Simon Roberts and Bláthnaid Bergin will receive a four per cent salary increase. This is below the over nine per cent award to retail hourly-paid colleagues and in line with senior management.

	2024 Salary (effective 26 May 2024)
Simon Roberts	£979,524
Bláthnaid Bergin	£676,000

Pension

Simon Roberts receives 7.5 per cent of salary in lieu of pension plan participation. Bláthnaid Bergin receives a pension and cash supplement totalling 7.5 per cent. This is in line with the majority of the wider workforce.

Benefits

Benefits for Executive Directors in 2024/25 are unchanged and will include the provision of company car benefits, private medical cover, long-term disability insurance, life assurance and colleague discount.

Annual bonus

The annual bonus for 2024/25 will operate on the same basis as 2023/24.

It will be based 50 per cent on profit, 20 per cent on retail free cash flow and 30 per cent on strategic objectives (equally weighted between customer, colleague and individual objectives). The colleague element will include colleague engagement and improvement of our gender and ethnically diverse representation at senior levels.

The maximum annual bonus award opportunity for the Chief Executive is 220 per cent of base salary and for the Chief Financial Officer is 180 per cent of base salary. 50 per cent will be paid in cash and 50 per cent in shares deferred for two years.

The profit and retail free cash flow targets are set against the Company's expected performance and are subject to a rigorous process of challenge before the proposals are considered by the Board. The targets are set considering external forecasts and stretching performance in excess of

internal forecasts is required for a maximum payout. The strategic objectives ensure that management continues to focus on operational priorities which contribute to the achievement of Group performance over the short and long term.

The Board is of the opinion that any performance targets for the current year annual bonus are commercially sensitive as the Company operates in a highly competitive, consumer-facing sector. The disclosure of targets would provide competitors with insights into the Company's strategic aims, budgeting and growth projections. However, in line with previous years, the Company will retrospectively disclose the targets in next year's Annual Report.

2024 Next Level incentive plan

During the year, we reviewed our incentive arrangements and determined the current long-term incentive plan structure supports the delivery of our strategy. As outlined in our February 2024 strategy update, our eight performance commitments are broadly consistent with those set for the Food First strategy and used in the Win in Food incentive plan. Therefore, the same eight metrics will be included in the 2024 Next Level incentive Plan. However, we reviewed the weightings and targets to ensure appropriate emphasis and to drive performance delivery of the updated strategy. We consulted shareholders regarding our proposals and considered their feedback before finalising our approach.

The total weighting on the strategic indicators (market share, customer satisfaction, colleague engagement and Plan for Better) has been increased from 20 per cent to 30 per cent to recognise the importance of these areas in achieving our long-term strategic ambitions. To ensure that each of the four areas of focus have a sufficiently material weighting each has increased from five per cent to 7.5 per cent. The four financial metrics (EPS, cost savings, retail free cash flow and ROCE) will each have a weighting of 17.5 per cent. The Committee has set stretching targets against these measures for the 2024 awards as shown overleaf.

For 2024, the Plan for Better metric has been simplified and will focus solely on Scope 1 emissions. Our Scope 2 emissions are reported as zero and, given the ongoing challenge across the market to establish an agreed methodology to measure Scope 3, we will not be including a Scope 3 metric. We will, however, keep this under review. While we have simplified the ESG metric for long-term incentive purposes, the Committee recognises the breadth of the Plan for Better ambitions that are at the core of our new purpose.

Annual Report on Remuneration continued

2024 Next Level incentive plan continued

The award level for the Chief Executive will be unchanged for 2024. Simon Roberts will receive a maximum award of 250 per cent of salary. For the reasons outlined in the Remuneration Committee Chair's letter, in 2024 Bláthnaid Bergin will receive a maximum award of 250 per cent of salary.

The Next Level incentive plan is subject to a two-year retention period following the end of the three-year performance period. This will result in awards to Executive Directors being released after a five-year period.

	Weighting	Threshold 25% of element vests	Maximum 100% of element vests
<i>Financial metrics</i>			
Underlying basic EPS ^{a)}	17.5%	21.3p	28.3p
Cumulative cost savings	17.5%	£800m	£1,100m
Cumulative retail free cash flow ^{a)}	17.5%	£1,500m	£1,800m
ROCE ^{a)}	17.5%	8.0%	11.0%
<i>Strategic indicators</i>			
Market share ^{b)}	7.5%	Targets are commercially sensitive but we will disclose targets at the end of the performance period	
Customer satisfaction	7.5%	0bps improvement against Company CSAT score	200bps improvement against Company CSAT score
Colleague engagement	7.5%	-200 bps vs strong 2023 score	+300 bps vs strong 2023 score
Plan for Better – Scope 1	7.5%	433,733 tCO2e absolute GHG emissions	354,872 tCO2e absolute GHG emissions

a) These measures are defined in the Alternative Performance Measures section of the Annual Report on pages 199 to 203.

b) From 2024/25 the Group's provider of market share data has been changed from Nielsen to Kantar. This will be reflected in the market share targets for all in flight awards with the Committee ensuring that the revised targets are of comparable stretch to the original targets.

In line with previous grants, the Remuneration Committee must be satisfied that the Company's underlying performance over the period justifies the level of vesting; vesting will be reduced if this is not the case. When making this judgement the Committee has scope to consider such factors as it deems relevant. The Committee believes that this discretion is an important feature of the Long-Term Incentive Plan arrangement and mitigates the risk of unwarranted vesting outcomes. This performance gateway assessment applies to all outstanding LTIP awards.

2024 Next Level Incentive Plan performance measures (definitions for other awards can be found in the relevant Annual Report)

EPS

- EPS directly reflects returns generated for shareholders
- Underlying basic EPS is underlying profit after tax attributable to the equity holders of the parent, divided by the weighted average number of ordinary shares in issue during the year

Cumulative cost savings

- Cumulative cost savings represents cost reductions over the performance period as a result of identified initiatives. This is a key long-term measure which is fundamental to delivering returns to shareholders

Cumulative retail free cash flow

- Retail free cash flow measures the total flow of cash in and out of the business as well as providing an assessment of underlying profitability
- Retail free cash flow for these purposes is net cash generated from retail operations, after cash capital expenditure but before strategic capital expenditure and exceptional cash flows to and from Financial Services. It includes payments of lease obligations and cash flows from joint ventures and associates. It is measured on a cumulative basis over the three-year performance period

Return on capital employed (ROCE)

- ROCE represents the total capital that the Group has utilised in order to generate profits. Management use this to assess the performance of the business
- It is defined as return divided by average capital employed where:
- Return is defined as 52-week rolling underlying profit before interest and tax
- Capital employed is defined as Group net assets excluding pension deficit/surplus, less net debt
- The average is calculated on a 14-point basis – the prior year closing capital employed, the current year closing capital employed, and 12 intra-year periods, as this more closely aligns to the recognition of amounts in the income statement

Market share

- Sainsbury's market share (volume) based on Kantar panel data

Customer

- Based on Company CSAT (excluding Bank and Tu)

Colleague

- Colleague engagement is measured using our annual We're Listening survey

Plan for Better

- Absolute, market-based, Scope 1 GHG emissions, which includes our direct emissions from heating, refrigerant gas and owned delivery vehicles/logistics fuel



More information can be found in the Alternative Performance Measures section of the Annual Report on pages 199 to 203.

Non-Executive Director remuneration

Single total figure of remuneration for Non-Executive Directors (audited information)

The table below shows a single remuneration figure for all qualifying services for the 52 weeks to 2 March 2024 for each Non-Executive Director, together with comparative figures for the 52 weeks to 4 March 2023.

	2023/24			2022/23		
	Fees ^{a)} £000	Benefits ^{b)} £000	Total £000	Fees ^{a)} £000	Benefits ^{b)} £000	Total £000
Martin Scicluna	512	1	513	493	0	493
Jo Bertram ^{c)}	73	0	73	47	1	48
Brian Cassin	93	0	93	83	0	83
Jo Harlow	93	1	94	89	0	89
Adrian Hennah	93	0	93	90	0	90
Tanuj Kapilashrami	73	0	73	70	0	70
Keith Weed ^{d)}	93	13	106	83	0	83

a) Paid in relation to the year. Fees were set 29 May 2022 and 28 May 2023.

b) The benefits for the Non-Executive Directors relate to the reimbursement of travelling expenses to Board meetings held at the Company's registered office.

c) Jo Bertram joined the Board on 7 July 2022 and the figures quoted for 2022/23 relate to the period from her appointment to 4 March 2023.

d) Keith Weed's expenses relate to a four year period.

In 2023 the Chair and Non-Executive Directors' fees were reviewed and an increase of four per cent was approved in line with senior management colleagues. The Chair fee increased to £516,914 and the base fee for Non-Executive Directors increased to £73,466. Senior Independent Director and Committee Chair fees increased from £19,500 to £20,280. The new fee levels were effective from 28 May 2023.

Non-Executive Directors receive a base annual cash fee; additional fees are paid to the Senior Independent Director and to the Chairs of the Audit, Remuneration and Corporate Responsibility and Sustainability Committees.

The Chair and Non-Executive Directors receive no benefits other than a colleague discount card and reasonable business travel expenses.

Chair and Non-Executive Director fees for 2024/25

In 2024 the Chair and Non-Executive Directors' fees were reviewed and an increase of four per cent was approved in line with senior management colleagues. The following table sets out the fee levels which are effective from 26 May 2024.

	Fees effective from 26 May 2024
Chair	£537,591
Base fee	£76,405
Senior Independent Director fee (additional)	£21,091
Chair of Remuneration Committee fee (additional)	£21,091
Chair of Audit Committee fee (additional)	£21,091
Chair of Corporate Responsibility and Sustainability Committee fee (additional)	£21,091

Non-Executive Directors' shareholdings and share interests

The beneficial interest of the Non-Executive Directors, in the shares of the Company are shown below.

	Ordinary shares ^{a)}		
	4 March 2023	2 March 2024	24 April 2024
Martin Scicluna	15,000	15,000	15,000
Jo Bertram	8,000	8,000	8,000
Brian Cassin	25,000	25,000	25,000
Jo Harlow	8,000	8,000	8,000
Adrian Hennah	15,000	15,000	15,000
Tanuj Kapilashrami	10,500	10,500	10,500
Keith Weed	2,446	2,446	2,446

a) Ordinary shares are beneficial holdings which include the Directors' personal holdings and those of their spouses and minor children.

Pay in the wider organisation

Chief Executive pay ratio

The following table provides pay ratio data in respect of the Chief Executive's total remuneration (as shown in the single figure table on page 106 compared to the remuneration of the 25th, 50th and 75th percentile of UK colleagues). All three of these colleagues are retail hourly-paid colleagues, with the 50th percentile and the 75th percentile colleague earning additional premiums such as unsociable hours premium and bakers' premium.

The Chief Executive's total remuneration comprises a significant proportion of variable pay which will change each year depending on incentive outcomes. The decline in the CEO pay ratio year-on-year is driven by the investment in retail hourly-paid colleagues.

Financial year	Method	25th percentile pay ratio (lower quartile)	50th percentile pay ratio (median)	75th percentile pay ratio (upper quartile)
2019/20	Option B ^{a)}	173:1	173:1	153:1
2020/21 ^{b)}	Option B ^{a)}	122:1	122:1	107:1
2021/22	Option B ^{a)}	202:1	183:1	178:1
2022/23	Option B ^{a)}	247:1	229:1	218:1
2023/24	Option B ^{a)}	227:1	212:1	202:1

a) Option B as defined in the regulations.

b) Change in Chief Executive impacted single figure and resulting pay ratio.

The colleagues used to calculate the pay ratios were identified using our 2023 gender pay gap data. In line with the regulations, our 2023 gender pay gap data identifies employees using a snapshot date of 5 April 2023. This method has been chosen as it makes use of our gender pay data, which provided a readily available and robust dataset.

A full-time equivalent total pay figure was calculated for each of these colleagues using the single figure methodology. The approach includes base salaries, pension contributions and any relevant pay premiums. To ensure these three colleagues were a suitable representative of their quartile, the total pay figures calculated were compared against a sample of colleagues either side of the three identified colleagues.

Annual Report on Remuneration continued

Pay in the wider organisation continued

Chief Executive pay ratio continued

The following table provides base salary and total remuneration information in respect of the 25th, 50th and 75th percentile colleagues, on a full-time equivalent basis.

Financial year	Remuneration	Chief Executive	25th percentile pay ratio (lower quartile)	50th percentile pay ratio (median)	75th percentile pay ratio (upper quartile)
2023/24	Base salary	£933,000	£21,021	£22,454	£23,569
	Total remuneration	£4,912,000	£21,685	£23,160	£24,282

The Remuneration Committee considers pay ratios as one of many reference points when reviewing executive remuneration and considers that the median pay ratio for 2023/24 is consistent with the pay, reward and progression policies for the Company. Due to the nature of the role of the Chief Executive, the Committee believes that it is important for a significant portion of the Chief Executive's remuneration package to be performance-related and aligned to the long-term, sustainable success of the Company. As a result, the Chief Executive's single figure fluctuates each year depending on the Company's performance and the outturns of the incentive plans and this will impact the pay ratio reported in any single year.

Percentage change in Executive and Non-Executive Director remuneration

The table below shows the percentage change in the salary, benefits and bonus of Executive and Non-Executive Directors compared with the percentage change in the average of each of those components of pay for all our colleagues, over the past four years.

	Percentage change in remuneration from 2019/20 – 2020/21			Percentage change in remuneration from 2020/21 – 2021/22			Percentage change in remuneration from 2021/22 – 2022/23			Percentage change in remuneration from 2022/23 – 2023/24		
	Salary % change	Benefits % change	Bonus % change	Salary % change	Benefits % change	Bonus % change	Salary % change	Benefits % change	Bonus % change	Salary % change	Benefits % change	Bonus % change
Simon Roberts	N/A	N/A	N/A	0.0%	42.7%	N/A	2.7%	-29.2%	1.5%	3.9%	12.4%	20.8%
Bláthnaid Bergin ^{a)}	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Martin Scicluna	1.1%	0.0%	N/A	0.0%	0.0%	N/A	2.7%	0%	N/A	3.9%	N/A	N/A
Jo Bertram ^{b)}	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3.9%	-100%	N/A
Brian Cassin ^{c)}	1.1%	0.0%	N/A	0.0%	0.0%	N/A	22.1%	0.0%	N/A	12.0%	0.0%	N/A
Jo Harlow ^{c)}	2.8%	-100%	N/A	0.0%	0.0%	N/A	7.2%	0.0%	N/A	4.9%	N/A	N/A
Adrian Hennes ^{c)}	N/A	N/A	N/A	N/A	N/A	N/A	18.4%	-100%	N/A	3.7%	0.0%	N/A
Tanuj Kapilashrami	N/A	N/A	N/A	0.0%	0.0%	N/A	2.9%	0.0%	N/A	3.9%	0.0%	N/A
Keith Weed ^{c)}	N/A	N/A	N/A	0.0%	0.0%	N/A	22.1%	0.0%	N/A	12.0%	N/A	N/A
All colleagues ^{d)}	4.0%	-15.3%	308.1%	-1.2%	-21.9%	5.2%	7.6%	-6.6%	-5.4%	15.3%	0.8%	30.2%

a) Bláthnaid Bergin was appointed to the Board on 5 March 2023 so there is no year-on-year comparison.

b) Jo Bertram joined the Board on 7 May 2022. Jo's 2022/23 fee has been annualised to provide a more meaningful comparison for 2023/24.

c) Year-on-year changes in Non-Executive Director fee levels will be impacted by responsibility and Committee membership changes during the year.

d) All colleague figures relate to averages based on number of full-time equivalent colleagues. These comparisons will be materially impacted by the grade mix of colleagues.

Relative importance of spend on pay

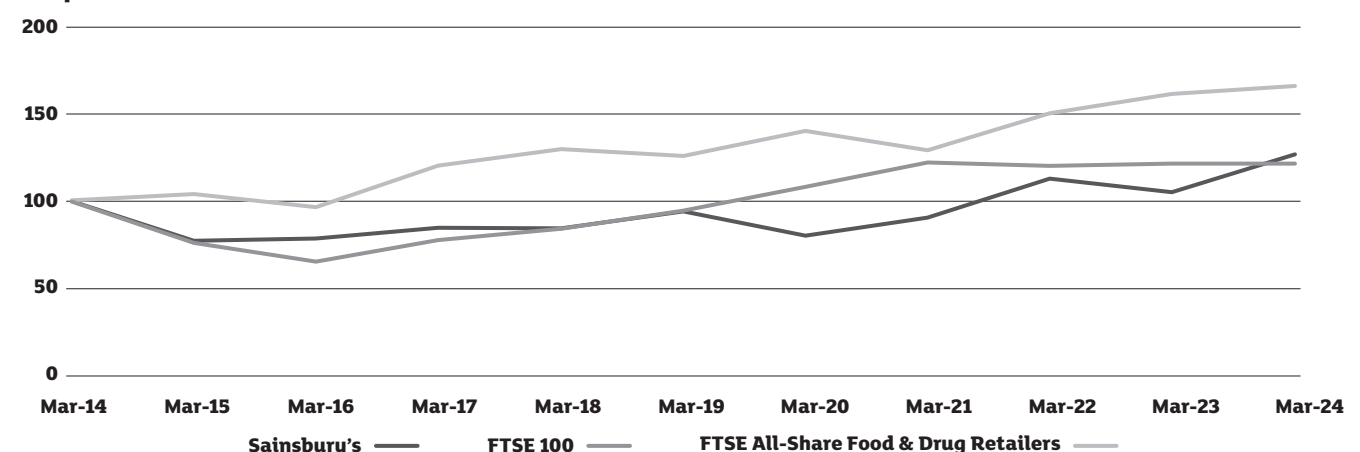
The table below illustrates the year-on-year change in total colleague pay (being the aggregate staff costs as set out in note 9 to the financial statements) and distributions to shareholders (being declared dividends).

Colleague pay			Distribution to shareholders		
2022/23 £m	2023/24 £m	% change	2022/23 £m	2023/24 £m	% change
3,578	3,879	8.4%	319	306	-4.1%

Performance and Chief Executive remuneration

The graph shows the TSR performance of an investment of £100 in J Sainsbury plc shares over the last ten years compared with an equivalent investment in the FTSE 100 Index. The FTSE 100 Index has been selected to provide an established and broad-based index. The graph also includes data for the FTSE All-Share Food & Drug Retailers Index. The Company is a constituent of both indices. The table details the total remuneration for the Chief Executive over this period.

TSR performance since March 2014



		2014/15 ^{a)}	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21 ^{b)}	2021/22	2022/23	2023/24
Single figure remuneration (£000)	S Roberts	—	—	—	—	—	—	1,325	3,599	5,217	4,912
	M Coupe	1,507	2,802	2,354	3,630	3,569	2,999	1,447	—	—	—
	J King	405	—	—	—	—	—	—	—	—	—
Bonus/Bonus Shares/Deferred Share Award award as a percentage of maximum	S Roberts	—	—	—	—	—	—	0%	87%	86%	100%
	M Coupe	26%	78%	35%	57%	56%	22%	0%	—	—	—
	J King	0%	—	—	—	—	—	—	—	—	—
LTIP vesting percentage of maximum	S Roberts	—	—	—	—	—	—	60%	70%	77.5%	70%
	M Coupe	0%	0%	22.5%	42.5%	55%	65%	60%	—	—	—
	J King	0%	—	—	—	—	—	—	—	—	—

a) For 2014/15, Justin King's figures relate to the time he was Chief Executive Officer and, consistent with the single figure table, the figures for Mike Coupe relate to the whole of 2014/15; he was Chief Executive Officer from 9 July 2014.

b) For 2020/21, Simon Robert's figures relate to the time he was Chief Executive Officer during 2020/21 and, consistent with the single figure table, the figures for Mike Coupe relate to the time up until his departure on 2 July 2020.

Governance – the Remuneration Committee

Committee membership

The Remuneration Committee during the year comprised of Jo Harlow (Chair), Tanuj Kapilashrami and Adrian Henna. All members of the Committee are independent Non-Executive Directors.

Tim Fallowfield, Company Secretary and Corporate Services Director, acts as secretary to the Committee. Martin Scicluna, Simon Roberts, Prerana Issar (Chief People Officer, since appointment in May 2023) and previously Angie Risley (Group HR Director until she left the Operating Board in May 2023), the Director of Reward and the Director of Group Finance are invited to attend Committee meetings either fully or partially. The Committee considers their views when reviewing the remuneration of the Executive Directors and Operating Board Directors. Individuals who attend Remuneration Committee meetings are not present when their own remuneration is being determined.

The Committee typically holds four scheduled meetings a year and meets more often as required. The Committee has a calendar of standard items within its remit and in addition it held in-depth discussions on specific topics during the year. In 2023/24 there were five unscheduled meetings, regarding changes to the Operating Board and the incentive review. The Committee complies with relevant regulations and considers the Code and best practice when determining pay and policy.

Annual Report on Remuneration continued

Governance – the Remuneration Committee continued

Advisers to the Remuneration Committee

The Committee is authorised by the Board to appoint external advisers if it considers this beneficial. Over the course of the year, the Committee was supported by its appointed advisers, Deloitte LLP (Deloitte).

Deloitte were reappointed by the Committee as advisers in 2013 following a competitive tender. Deloitte are members of the Remuneration Consulting Group and, as such, operate under the Code of Conduct in relation to executive remuneration consulting in the UK. During the year, the Committee reviewed the advice provided by Deloitte and has confirmed that it has been objective and independent. The Committee has also determined that the Deloitte partner who provides remuneration advice to the Committee does not have any connections with the Company that may impact their independence. The Committee has reviewed the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts.

During the year Deloitte provided advice to the Committee on a range of topics including remuneration trends, corporate governance, incentive plan design and incentive plan rules. Their consultants attended all of the Committee meetings. In relation to their advice, Deloitte received fees of £89,400 (fees are based on hours spent). During the year, Deloitte provided the Company with unrelated advice and consultancy in respect of information technology, operating models, data analytics and taxation.

Statement of voting at general meeting

The table below sets out the votes on the Annual Report on Remuneration and the Directors' Remuneration Policy at the 2023 AGM. The Committee is keen to hear the views of all shareholders and continually reviews the Remuneration Policy and its implementation.

	Votes for	Votes against	Votes abstained
Remuneration Report (2023 vote)	98.84% 1,757 million	1.16% 21 million	— 21 million
Remuneration Policy (2023 vote)	99.12% 1,782 million	0.88% 16 million	— 0.2 million

Directors' contracts

Executive Directors have rolling contracts which are terminable on 12 months' notice by either party. Non-Executive Directors are appointed for an initial three-year period, which may be extended for a further term by mutual consent. The initial appointments and any subsequent reappointments are subject to annual election or re-election by shareholders. Non-Executive Directors' appointments may be terminated at any time by giving three months' written notice by either party; six months in the case of the Non-Executive Chair.

Executive Directors' shareholdings and share interests (audited information)

The table below sets out details of the Executive Directors' shareholdings and a summary of their outstanding share awards at the end of the 2023/24 financial year. Further details of the movements of the Executive Directors' share awards are set out on page 117.

	Ordinary shares ^{a)}			Bonus Share Awards ^{c)}	Scheme interests ^{b)}		SAYE
	5 March 2023	2 March 2024	24 April 2024		LTIP awards with performance period completed ^{d)}	LTIP awards with performance period outstanding ^{e)}	
Simon Roberts	608,965	726,455	726,455	674,969	954,156	2,664,880	1,833
Bláthnaid Bergin	0	160,370	160,370	161,317	79,155	931,118	0

- a) Ordinary shares are beneficial holdings which include the Directors' personal holdings and those of their spouses and minor children. They also include the beneficial interests in shares which are held in trust under the Sainsbury's Share Purchase Plan.
- b) Long-Term Incentive awards are structured as nil-cost options.
- c) Relates to 2022 and 2023 Bonus Share Awards.
- d) Relates to 2020 Future Builder awards. Notional dividends are added for LTIP awards where the performance period has ended.
- e) Relates to 2021 Win in Food award, 2022 Leaders' Share Award and 2023 Leaders' Share Award (maximum) where the performance period has not ended. As noted above, following the year-end, the 2021 Win in Food award will vest at 70 per cent of maximum.

Note: The Executive Directors are potential beneficiaries of the Company's Employee Benefit Trust, which is used to satisfy awards under the Company's employee share plans, and they are therefore treated as interested in the 30.1 million shares (2023: 37.3 million) held by the Trustees.

Share awards made during the financial year (audited information)

The following share awards were made to Executive Directors during the year.

	Scheme	Basis of award (maximum)	Face value	Percentage vesting at threshold performance	Number of shares	Performance period end date
Simon Roberts	2023 Leaders' Share Award ^{a)}	250% of salary	£2,354,625	25% of each element	862,500	28 February 2026
	Bonus Share Award ^{b)}	93.9% of salary	£850,035	N/A	311,368	N/A
Bláthnaid Bergin	2023 Leaders' Share Award ^{a)}	225% of salary	£1,462,500	25% of each element	535,714	28 February 2026
	Bonus Share Award ^{b)}	Relates to previous role prior to Board appointment	£217,625	N/A	79,716	N/A

a) The performance conditions applying to 2023 Leaders' Share Award are set out later in this section. The basis of award shows the maximum value. The award was made on 2 June 2023 and the number of shares has been calculated using the average share price between 26 May and 1 June 2023 of £2.730. Subject to performance, the award will vest in May 2026 and will be released after a further two-year retention period. The award is structured as a nil-cost option with an exercise period of up to six years from grant.

b) The Bonus Share Award was made on 2 June 2023 based on performance over the 2022/23 financial year. The award was made at 86 per cent of the maximum level (maximum of 220 per cent of salary for Simon Roberts). Bláthnaid Bergin's award was made based on her eligibility prior to becoming an Executive Director. The number of shares has been calculated using the average share price between 26 May and 1 June 2023 of £2.730. No further performance conditions apply. The Bonus Share Awards will be released in March/April 2025.

Unvested Long-Term Incentive Plan awards

The targets for Long-Term Incentive Plan awards granted in 2022 and 2023 are set out in the tables over the next two pages.

2022 Leaders' Share Award

(2022/23 to 2024/25 performance period)	Weighting	Threshold (1.0x core award)	Maximum (4.0x core award)
Cumulative retail free cash flow ^{a)}	20%	£1,250m	£1,650m
ROCE ^{a)}	20%	6.75%	9.75%
Underlying basic EPS ^{a)}	20%	19.8p	26.5p
Cost reduction ^{b)}	20%	80bps improvement	280bps improvement
Strategic indicators (equally weighted)		<ul style="list-style-type: none"> Market share – targets are commercially sensitive but we intend to provide full disclosure of targets at the end of the performance period Customer satisfaction – improvement of 0 to 200 bps in Sainsbury's score and 300 to 500 bps in Argos^{c)} Colleague – progress against our existing 2024 representation targets (see page 108) and assessment of further representation improvements in 2025. Maintain colleague engagement scores Plan for Better – progress against our Scope 1 and Scope 3 and plastic reduction targets (see below)^{d)} 	

a) These measures are defined in the Alternative Performance Measures section of the Annual Report on pages 199 to 203.

b) Improvement assessed against 2019/20 results due to the COVID-19 impact on 2020/21 and 2021/22.

c) From 2023 we are using a new combined Sainsbury's and Argos customer satisfaction measure. Therefore, the Committee will need to consider the potential impact of these measurement changes on outstanding awards.

d) Our Scope 2 GHG emissions are reported as zero as we use 100 per cent renewable electricity and therefore this is not included in the LTIP. In relation to Scope 3, as with the 2021 Win In Food incentive plan, the Committee will consider a number of factors and data points to determine an appropriate outturn.

Plan for Better targets	Baseline	Threshold	Stretch
Scope 1 – GHG emissions	554,936 (tCO ₂ e) 18/19 FY	382,403	345,258
Scope 3 – GHG emissions	26,663,081 (tCO ₂ e) 18/19 FY	23,783,081	23,108,004
Plastic – Own Brand Food & General Merchandise & Clothing – tonnes of plastic packaging	69,839 Own Brand Food 2018 CY/ GM&C 2020 CY	55,871	41,903

Annual Report on Remuneration continued

Unvested Long-Term Incentive Plan awards continued

2023 Leaders' Share Award

(2023/24 to 2025/26 performance period)	Weighting	Threshold (25% of element vests)	Maximum (100% of element vest)
Cumulative retail free cash flow ^{a)}	20%	£1,350m	£1,650m
ROCE ^{a)}	20%	7.0%	10.0%
Underlying basic EPS ^{a)}	20%	20.0p	27.0p
Cumulative cost savings	20%	£750m	£1,250m
Strategic indicators (equally weighted)	20%	<ul style="list-style-type: none"> • Market share – targets are commercially sensitive but we intend to provide full disclosure of targets at the end of the performance period • Customer satisfaction – improvement of 0 to 200 bps in Company CSAT score • Colleague – range of -1 to -4 vs strong 2022 score • Plan for Better – progress against our Scope 1 and Scope 3 and plastic reduction targets (see below) 	

a) These measures are defined in the Alternative Performance Measures section of the Annual Report on pages 199 to 203.

Plan for Better targets	Baseline	Threshold	Stretch
Scope 1 – Absolute GHG emissions within our own operations	554,936 (tCO ₂ e) 18/19 FY	354,971	308,539
Scope 3 – GHG emissions – suppliers with SBTi 1.5°C net zero target approved	Less than 2% of emissions 22/23FY	50%	80%
Plastic – Own Brand Food, General Merchandise & Clothing – tonnes of plastic packaging	69,839 Own Brand Food 2018 CY/ GM&C 2020 CY	52,379	34,920

Details of the Executive Directors' share awards and movements

The table below shows the conditional awards granted and exercised under each of the Company's share plans.

Name	Award	Date of award	Share price at grant (£)	Original share options awarded	Options lapsed	Total share options	Dividends ^{d)}	Options exercised during the year	Remaining share options	Share price on exercise (£)	Date of exercise	Notional gain on exercise (£000) ^{e)}	
Simon Roberts	Long-Term Incentive Plan ^{a)}	09/05/2019 (Part 2)	2.194	256,092	76,828	179,264	37,065	216,329	0	2.835	05/05/2023	613	
		07/05/2020 (Part 1)	1.991	512,580	115,331	397,249	79,827	0	477,076	—	—	—	
		07/05/2020 (Part 2)	1.991	512,584	115,332	397,252	79,828	0	477,080	—	—	—	
		04/06/2021	2.670	819,288	0	819,288	0	0	819,288	—	—	—	
		01/06/2022	2.303	983,092	0	983,092	0	0	983,092	—	—	—	
		02/06/2023	2.730	862,500	0	862,500	0	0	862,500	—	—	—	
		Bonus Share Award ^{b)}	01/06/2022	2.303	363,601	0	363,601	0	0	363,601	—	—	—
			02/06/2023	2.730	311,368	0	311,368	0	0	311,368	—	—	—
		Sharesave ^{c)}	10/12/2019	N/A	3,040	—	3,040	—	3,040	0	2.764	28/04/2023	4
			14/12/2020	N/A	1,833	—	1,833	—	—	1,833	—	—	—
Total			4,625,978	307,491	4,318,487	196,720	219,369	4,295,838				617	
Bláthnaid Bergin	Long-Term Incentive Plan ^{a)}	09/05/2019 (Part 2)	2.194	76,352	22,906	53,446	11,048	64,494	0	2.835	05/05/2023	183	
		07/05/2020 (Part 1)	1.991	85,052	19,137	65,915	10,141	76,056	0	2.835	05/05/2023	216	
		07/05/2020 (Part 2)	1.991	85,052	19,137	65,915	13,240	0	79,155	—	—	—	
		04/06/2021	2.670	215,640	0	215,640	0	0	215,640	—	—	—	
		01/06/2022	2.303	179,764	0	179,764	0	0	179,764	—	—	—	
		02/06/2023	2.730	535,714	0	535,714	0	0	535,714	—	—	—	
		Bonus Share Award ^{b)}	07/05/2021	2.413	70,331	0	70,331	7,190	77,521	0	2.835	05/05/2023	220
			01/06/2022	2.303	81,601	0	81,601	0	0	81,601	—	—	—
			02/06/2023	2.730	79,716	0	79,716	0	0	79,716	—	—	—
		Conditional Share Award ^{f)}	07/05/2020	1.991	85,054	0	85,054	0	85,054	0	2.835	05/05/2023	241
Total			1,494,276	61,180	1,433,096	41,619	303,125	1,171,590				860	

a) The LTIP share figures relate to the maximum that could be achieved for awards.

b) Bonus Share Awards are after the application of performance conditions. Simon Roberts waived his 2020/21 bonus and therefore no Bonus Shares were awarded.

c) Sharesave is an all-employee share option plan and has no performance conditions as per HMRC Regulations. The option price for the Sharesave schemes shown were: 2019 – £1.610 and 2020 – £1.610.

d) Dividends includes notional dividends accrued on LTIPs where the performance period has finished.

e) This is the notional gain on the date of exercise had all shares been sold.

f) Bláthnaid Bergin was awarded a Conditional Share Award in May 2020 prior to appointment as an Executive Director. No performance conditions applied to this award.

Additional statutory information

Additional statutory information required by the Accounts Regulations can be found below:

Directors' interests	The beneficial interests of the Directors and their connected persons in the shares of the Company are shown on pages 111 and 114. During the year, no Director had any material interest in any contract of significance to the Group's business.
Directors' indemnities	<p>The Company maintains a Directors' and Officers' liability insurance policy which provides appropriate cover for legal action brought against its Directors. The Company has also executed deeds of indemnity for each of its Directors, to the extent permitted by law and the Company's Articles of Association. These indemnities were in force throughout the financial year and as at the date of this report.</p> <p>Qualifying third-party indemnity provisions (as defined by section 234 of the Companies Act 2006) are in force, to the extent permitted by law, for the benefit of the Directors in relation to certain losses and liabilities incurred in connection with the execution of their powers, duties and responsibilities.</p>
Research and development	In the ordinary course of business, the Company regularly develops new products and services. See page 12 to 14 for more information.
Employment policies	The Company values the different perspectives, experiences and abilities of all our colleagues. We ensure that those living with a disability or long-term health condition are fully and fairly considered for employment with the Company through well-developed policies for the equal treatment of all. We have a workplace adjustments process in place for our colleagues who find themselves with a disability or long-term health condition; workplace adjustments can be made at any point during a colleague's employment with us. We are committed to providing equal opportunities for all colleagues and applicants through recruitment, training, development and promotion. Further information can be found on pages 18 to 21.
Health and safety	The health and safety of our colleagues and customers is an essential part of our business operations. See page 19 for more information.
Colleague engagement	Details on how we engage with our colleagues can be found on page 24.
Political donations	The Company made no political donations in 2023/24 (2022/23: £nil).
Post balance sheet events	There were no material events after the balance sheet date requiring disclosure.
Financial risk management and financial instruments	Notes 28 and 29 on pages 167 to 177 disclose details relating to financial risk management and financial instruments.
Disclosure of information to the auditor	Each Director has confirmed that, so far as each Director is aware, there is no relevant audit information of which the auditor is unaware. Each Director has taken all steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information. For further information, please see the Statement of Directors' responsibilities on page 123.
Dividends	Details of the payment of the final dividend can be found on page 156.
Ordinary shares	Details of the changes to the ordinary issued share capital during the year are shown on page 165. As at 19 April 2024, 2,377,776,903 ordinary shares of 28 ⁴ / ₇ pence have been issued, are fully paid up and are listed on the London Stock Exchange.
Share capital	<p>Except as described below in relation to the Company's employee share plans, there are no restrictions on the voting rights attaching to the Company's ordinary shares or the transfer of securities in the Company; no person holds securities in the Company carrying special rights with regard to control of the Company; and the Company is not aware of any agreements between holders of securities that may result in restrictions in the transfer of securities or voting rights. Further details of the rights, restrictions and obligations attaching to the share capital of the Company, including voting rights, are contained in the Company's Articles of Association. The Articles of Association may only be changed with the agreement of shareholders.</p> <p>Shares acquired for the Company's employee share plans by the trustees rank <i>pari passu</i> with shares in issue and have no special rights. Where, under the Company's All Employee Share Ownership Plan, participants are beneficial owners of the shares but the trust is the registered owner, the voting rights are normally exercised by the trustee of the plan at the direction of the participants. All shares held by the J Sainsbury Employee Share Ownership Trust are held on an unallocated basis. As such, the trustee waives their rights to vote and to receive dividends on these shares. Total dividends waived by the trustee during the financial year amounted to £3,839,821.99. Some of the Company's employee share plans include restrictions on the transfer of shares while the shares are held within the plan.</p> <p>At the Annual General Meeting held in July 2023, the Company was authorised by shareholders to purchase its own shares within certain limits and as permitted by the Articles of Association. The Company made no purchases of its own shares during the financial year.</p>
Change of control	<p>All of the Company's employee share plans contain provisions relating to a change of control. On a change of control, options and awards granted to employees under the Company's share plans may vest and become exercisable, subject to the satisfaction of any applicable performance conditions at that time.</p> <p>A number of the Company's financing arrangements contain change of control clauses under which lenders may cancel their commitments and declare all outstanding amounts immediately due and payable. There are no other significant agreements that would take effect, alter or terminate upon a change of control following a takeover bid.</p>

Major interests in shares

As at 2 March 2024, the Company had been notified by the following investors of their interests in 3 per cent or more of the Company's shares. These interests were notified to the Company pursuant to DTR5 of the Disclosure Guidance and Transparency Rules:

	Date notified	Number of ordinary shares	% of voting rights ^{a)}
Qatar Holdings LLC	5 May 2021	335,446,132	14.99
VESA Equity Investment S.à r.l.	4 March 2022	234,887,363	10.07
BlackRock, Inc.	28 December 2023	149,530,300	6.29
Schroders plc	31 March 2021	116,161,658	5.22
Bestway Group UK Limited	13 October 2023	118,273,900	4.99
Pzena Investment Management, Inc	29 January 2021	104,292,488	4.69

a) Percentages shown are as a percentage of the Company's issued share capital when the Company was notified of the change in holding.

As at 22 April 2024, no further changes had been notified.

Directors' Report

The Directors' Report comprises pages 1 to 121 of this Annual Report and Financial Statements. The following information required by Rule 9.8.4R of the UK Listing Rules (LR) is also incorporated into the Directors' Report:

Information requirement	Location within Annual Report
Interest capitalised	See note 14 of the consolidated financial statements
Publication of unaudited financial information	See note 28
Details of any long-term incentive plans	See Remuneration Report, Remuneration Policy and note 35
Shareholder waiver of dividends	See note 27
Shareholder waiver of future dividends	See note 27

Other information requirements set out in LR 9.8.4R are not applicable to the Company.

Streamlined Energy and Carbon Reporting – 2023/2024 Annual Overview

J Sainsbury plc has been tracking and publicly disclosing its carbon dioxide and other greenhouse gas (GHG) emissions since 2005. Our emissions measurements are accompanied by a series of ambitious targets approved by the Science Based Targets initiative. By 2030, Sainsbury's commits to reducing Scope 1 and 2 emissions by 68 per cent and reducing absolute Scope 3 (energy/ industrial/ transport) emissions from purchased goods and services, upstream transportation and distribution and use of sold products by 50.4 per cent. This target aligns with the aim of limiting global warming to 1.5°C, as outlined in the Paris Agreement.

Methodology

Sainsbury's has conducted emission calculations and reporting aligning with the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), utilising emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2023. We are also separately evaluating the performance of Sainsbury's, Argos, and Habitat emissions, in addition to assessing the overall Group performance. Our emissions reporting encompasses all mandatory sources as outlined by the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. The reporting period spans the financial year 2023/24, consistent with the timeframe covered by the Annual Report and Financial Statements.

The scope of this GHG inventory covers the UK and Ireland. GHG inventory boundaries are established utilising the operational control approach. Scope 1 emissions include stationary combustion, mobile combustion, and refrigerants. Scope 2 emissions are reported using both the location-based method and the market-based method. Scope 2 emissions comprise purchased electricity, on-site renewable energy (solar and wind), and Power Purchase agreements with wind farms. Purchased electricity includes consumption from corporate contracts, non-operational sites which are vacant and contracts with other suppliers whereby the landlords are not reporting on electricity consumption themselves. For all corporate contract electricity and gas consumption, half-hourly data was used where possible, to increase the overall accuracy.

In 2023/24, 100 per cent of electricity is sourced from renewable sources (a combination of energy sourced directly from on-site solar and wind, Power Purchase agreements with UK wind farms, as well as certificate-backed renewable electricity from the UK, Northern Ireland, and the Republic of Ireland).

The following report compares Scope 1 and 2 Greenhouse gas emissions for 2023/24 and 2022/23.

UK and Global Annual Energy and Carbon Sainsbury's Group Total Carbon Figures and Intensities

The following report compares Scope 1 and Scope 2 Greenhouse gas emissions for 2023/24 and 2022/23.

Sainsbury's Group Total Carbon Figures and Intensities

GHG emissions (tCO ₂ e) – location-based emission source	2023/24	2022/23
Scope 1	458,972.65	461,692.37
Scope 2	247,142.54	234,397.43
Total (tCO₂e)^{a)}	706,115.19	696,089.80
S1 and 2 Intensity measurement (tCO ₂ e/000 sq. ft.)	25.09	25.23
GHG emissions (tCO ₂ e) – market-based emission source	2023/24	2022/23
Scope 1	458,972.65	461,692.37
Scope 2	—	—
Total (tCO₂e)^{a)}	458,972.65	461,692.37
S1 and 2 Intensity measurement (tCO ₂ e/000 sq. ft.)	16.3	17.08

a) This data has been subject to assurance this year and last year by ERM Certification and Verification Services Limited, in accordance with the International Standard on Assurance Engagements ISAE 3000 (Revised) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Standards Board.

b) 2022/23 electricity data has been updated this year to include improved data available for the last period of the year.

Additional statutory information continued

The table below represents Sainsbury's energy use and associated GHG emissions from electricity and fuel in the UK for the reporting years 2022/23 and 2023/24 in line with UK Government Streamlined Energy and Carbon Reporting requirements.

Sainsbury's breakdown UK locations

Emission source	Energy consumption kWh		Location-based (tCO ₂ e)		Market-based (tCO ₂ e)	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
Combustion of fuel and operation of facilities (Scope 1)	1,419,488,269.53	1,377,579,244.63	399,009.45	403,057.23	399,009.45	403,057.23
Electricity, heat, steam and cooling purchased for own use (Scope 2)	1,168,052,581.00	1,156,234,413.08	221,101.17	233,869.42	—	—
Total	2,587,540,850.53	2,533,813,657.71	620,110.62	636,926.65	399,009.45	403,057.23

Argos and Habitat Breakdown UK locations

Emission source	Energy consumption kWh		Location-based (tCO ₂ e)		Market-based (tCO ₂ e)	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
Combustion of fuel and operation of facilities (Scope 1)	267,876,532.86	238,394,880.35	62,491.85	55,847.67	62,491.85	55,847.67
Electricity, heat, steam and cooling purchased for own use (Scope 2)	59,229,411.91	60,767,536.10	11,416.63	12,583.46	—	—
Total	327,105,944.77	299,162,416.45	73,908.48	68,431.13	62,491.85	55,847.67

Global locations (excludes UK)

Emission source	Energy consumption kWh		Location-based (tCO ₂ e)		Market-based (tCO ₂ e)	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
Combustion of fuel and operation of facilities (Scope 1)	1,046,760.04	371,070.12	191.08	67.75	191.08	67.75
Electricity, heat, steam and cooling purchased for own use (Scope 2)	5,404,344.85	2,176,894.96	1,879.63	689.66	—	—
Total	6,451,104.89	2,547,965.08	2,070.71	757.41	191.08	67.75

Dual emissions reporting

Overall emissions have been presented to reflect both location and market-based methodologies, affecting both Scope 1 and Scope 2 emissions.

Scope 1: All Scope 1 emissions have been calculated using UK Government's GHG Conversion Factors for Company Reporting 2023 for all sources.

Scope 2: All Scope 2 Location based emissions have been calculated using UK Government's GHG Conversion Factors for Company Reporting 2023.

Market-based electricity is covered by either a Power Purchase agreement with UK wind farms, certificate-backed renewable electricity or falls within on-site renewable generation from wind and solar energy.

Energy efficiency statement

During 2023/24, Sainsbury's has demonstrated its commitment to reducing the energy consumption of its operations by implementing the following energy efficiency initiatives:

Electricity consumption

We are in our 13th year of Project Graphite, a dedicated programme focused on reducing carbon, energy consumption and costs. capital was allocated to the following initiatives during the year:

- The installation of additional on-site solar PV on new and existing stores and a continued programme of optimising existing solar PV systems.
- A number of energy efficiency projects have taken place including:
 - Heating and ventilation optimisation and Voltage Optimisation,
 - The installation of 'Air Doors' to mitigate air infiltration
 - Trialling the next generation of LED lighting.
 - We continue our programme of Engineering Innovation, reviewing and trialling the latest technology to support in achieving net zero by 2035.

We continue to deliver the most efficient new stores through the installation of highly efficient Zero Carbon technology.

Refrigeration

We continue to replace refrigeration systems that use HFC refrigerant gas with more efficient alternatives that use natural refrigerants – CO₂, along with installing fridge doors.

Natural Gas

We continue to remove natural gas heating, installing Refrigeration Integrated Heating and Cooling (RIHC) systems, which takes the residual heat generated by the refrigeration units and uses this for space heating around the store to meet the heating demand. This removes the need to use fossil fuels as the systems will use electricity instead of gas.

Delivery vehicles

To further support our transition from diesel to a zero-carbon fleet, we have been building on our previous R&D projects, which mapped out the transition of our grocery online delivery fleet to EV by 2035. We are working with manufacturers to test electric vehicles within our fleet, investing in EV infrastructure in our London Nine Elms store as a test bed for these trials. We have also rolled out a new routing system which has resulted in significant mileage reductions compared to previous routing algorithms.

Logistics:

We have seen a reduction in fuel usage, in part due to the purchase of new fleet which is more fuel efficient. We have also increased our driver training programme.



Tim Fallowfield OBE
Company Secretary and Corporate Services Director
24 April 2024

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Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, comprising FRS 101 'Reduced Disclosure Framework' (United Kingdom Accounting Standards and applicable law).

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK-adopted international accounting standards, international financial reporting standards and UK Accounting standards comprising FRS 101, have been followed by the Group and Company, respectively, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed in the Governance Report, confirms that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with the relevant financial reporting framework give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company; and
- the Strategic Report contained in the Annual Report and Financial Statements include a fair review of the development and performance of the business and the position of the Group, together with a description of the emerging and principal risks and uncertainties that it faces; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

By order of the Board



Tim Fallowfield OBE
Company Secretary and Corporate Services Director
24 April 2024

Independent Auditor's Report to the Members of J Sainsbury plc

Opinion

In our opinion:

- J Sainsbury plc's Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 2 March 2024 and of the Group's profit for the 52 week period then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of J Sainsbury plc (the "Parent Company") and its subsidiaries (the "Group") for the 52 week period ended 2 March 2024 which comprise:

Group	Parent company
Consolidated balance sheet as at 2 March 2024	Balance sheet as at 2 March 2024
Consolidated income statement for the period then ended	Statement of changes in equity for the period then ended
Consolidated statement of comprehensive income for the period then ended	Related notes 1 to 8 to the financial statements including material accounting policy information
Consolidated statement of changes in equity for the period then ended	
Consolidated statement of cash flows for the period then ended	
Related notes 1 to 39 to the financial statements, (except for the sections marked as "unaudited" in Note 28) including material accounting policy information	

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Confirming our understanding of the directors' going concern assessment process.
- Assessing the adequacy of the going concern assessment to 24 April 2025 and considering the existence of any significant events or conditions beyond this period.
- Verifying going concern model inputs against board-approved forecasts.
- Reviewing borrowing facility documentation to confirm availability to the Group through the going concern period and verifying that management had appropriately identified and assessed financial covenant compliance.
- Assessing management's forecasting process and the consistency of the assessment with information obtained from other areas of the audit, such as accounting estimates.
- Testing the assessment, including forecast liquidity under base and downside scenarios, for clerical accuracy.
- Assessing whether assumptions made (such as future costs including the impact of inflation and forecast margin) were reasonable with reference to information obtained elsewhere in the audit and, in the case of downside scenarios, appropriately severe in light of the Group's relevant principal risks and uncertainties and whether climate risk may materially impact the going concern assessment.
- Additional consideration was given to the impact of the phased withdrawal from the core banking business, considering the downside scenarios modelled by management including potentially adverse impacts of customer behaviour as well as the timing of repayment of external funding, as part of the assessment of the Group's liquidity forecasting.
- Challenging the amount and timing of identified mitigating actions available to respond to a 'severe but plausible' downside scenario, and whether those actions are feasible and within the Group's control.
- Performing independent sensitivity analysis on assumptions to assess the impact on headroom.
- Performing reverse stress testing in order to identify and understand which factors and how severe the downside scenarios would have to be to result in the Group utilising all liquidity or breaching a financial covenant during the going concern period.
- Assessing the appropriateness of going concern disclosures.

Our key observations

In management's base case and downside scenarios, there is significant headroom without taking into consideration the benefit of any identified mitigations.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern for the period to 24 April 2025.

In relation to the Group and Parent Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	<ul style="list-style-type: none"> We performed an audit of the complete financial information of 15 components and audit procedures on specific balances for a further 10 components. The components where we performed full or specific audit procedures accounted for 96% of Profit before tax, 100% of Revenue and 96% of Total assets.
Key audit matters	<ul style="list-style-type: none"> Accounting and reporting for the group's phased withdrawal from the core banking business Supplier arrangements Aspects of revenue recognition Measurement of provision for impairment of loans and advances to financial services customers Valuation of defined benefit pension scheme assets IT environment
Materiality	<ul style="list-style-type: none"> Overall Group materiality of £35 million which represents 5.0% of Profit before tax, adjusted for non-recurring items.

An overview of the scope of the Parent Company and Group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each component within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of group-wide controls, changes in the business environment, the potential impact of climate change and other factors such as recent Internal audit results when assessing the level of work to be performed at each component.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 98 reporting components of the Group, we selected 25 components covering entities within the UK, which represent the principal business units within the Group.

Of the 25 components selected, we performed an audit of the complete financial information of 15 components ("full scope components") which were selected based on their size or risk characteristics. For the remaining 10 components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The table below shows the coverage obtained from the work performed by our audit teams. Scoping changes from the prior year are not significant;

	Number of components	Group Profit before Tax ^{a)}		Group Revenue		Total assets	
		2023/24	2022/23	2023/24	2022/23	2023/24	2022/23
Full scope	15	69%	73%	99%	99%	77%	84%
Specific scope	10	27%	24%	1%	1%	19%	15%
Full and specific scope coverage	25	96%	97%	100%	100%	96%	99%
Remaining components	73	4%	3%	0%	0%	4%	1%
Total reporting components	98	100%	100%	100%	100%	100%	100%

a) as measured on an absolute basis.

The audit scope of these specific scope components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

Of the remaining 73 components that together represent 4% of the Group's Profit before tax as measured on an absolute basis, none are individually greater than 2% of the Group's Profit before tax on an absolute basis. For these components, we performed other procedures, including analytical review, testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the 15 full scope components, audit procedures were performed on 12 of these directly by the primary audit team and on 3 by EY component teams in Edinburgh and London. For the 10 specific scope components, work was performed by the primary audit team on 4 components and on 6 components by EY component teams in Edinburgh and London. For the full and specific scope components where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

During the current year's audit cycle, the Senior Statutory Auditor visited Edinburgh to discuss and direct the audit approach of the component team, meet with members of local management and attend planning meetings with a particular focus on the impact of the strategic review of the Financial Services division on the component audit approach. The Primary team, based in London, met regularly with the London component team throughout the year end audit. Virtual visits were also performed to Edinburgh at the year end, using video technology and our virtual audit software, meeting with members of local management, attending closing meetings, reviewing relevant working papers, including in response to the risk areas for which component teams perform procedures, including supplier arrangements, aspects of revenue recognition, the strategic review of the Financial Services division and the measurement of the provision for impairment of loans and advances to customers. The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed relevant working papers, retaining those that were considered key, and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Climate change

Stakeholders are increasingly interested in how climate change will impact J Sainsbury plc. The Group has determined that the most significant future impacts from climate change on its operations will be from physical risks, such as extreme weather events including heat events, drought and flooding, together with transition risks including regulation and changes in consumer preferences. These are explained on pages 30 to 43 in the required Task Force On Climate Related Financial Disclosures and on pages 53 to 61 in the principal risks and uncertainties. The Group has also explained their climate commitments as part of the Plan for Better strategy on pages 15 to 17. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

Independent Auditor's Report to the Members of J Sainsbury plc continued

Climate change continued

As explained in Note 2 of the consolidated financial statements, the Group has considered the impact of physical and transitional climate change risks on estimates made in the financial statements. The Group has concluded that the impact is not material to the financial statement estimates. These disclosures also explain where policy, technology and market responses to climate change risks are still developing, and where the degree of certainty of these changes means that they cannot be taken into account when determining asset and liability valuations under the requirements of UK adopted International Accounting Standards. In Notes 3, 4, 17, 25 and 34 to the financial statements, narrative explanations of the impact of reasonably possible changes in key assumptions have been provided.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transitional, their climate commitments, the effects of material climate risks disclosed on pages 33 and 34 and whether these have been appropriately reflected in the valuation of assets and liabilities, the useful economic lives of property, plant and equipment and the cashflow forecasts used in the assessment of impairment of non-financial assets in accordance with UK adopted international accounting standards. As part of this evaluation, we performed our own risk assessment, supported by our climate change internal specialists, to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk

Accounting and reporting for the Group's phased withdrawal from the core banking business

Refer to the Audit Committee Report (page 92), Notes 4 (page 147), 5 (page 149), 17 (page 160) and 28 (page 167) of the Consolidated Financial Statements

The Group announced the completion of a strategic review of the Bank, which will result in a phased withdrawal from the core banking business, with products that continue to be offered being provided by dedicated financial services providers through a distributed model.

A significant change in strategy triggers a number of accounting risks which can involve complexity and significant management judgement. This gives rise to a number of accounting and reporting risks.

We determined the risk to be most prevalent in financial statement line items and higher risk estimates which relied on prospective financial information or which contained direct financial impacts as a result of the change in strategy. These included:

- The appropriateness and completeness of £17 million provisions for onerous contracts;
- The appropriateness of the £212 million full impairment of fixed and intangible assets, including the goodwill previously recognised in the consolidated financial statements;
- The appropriateness of the £21 million reduction in interest income revenue recognised at the effective interest rate (EIR) where there is

significant judgement involved in forecasting customer behaviour and estimating the future expected cash flows. EIR adjustments are sensitive to judgements about the expected behavioural lives and future yields of the product portfolios to which they relate; and

- Classification, measurement and disclosure considerations under IFRS 5, IFRS 7 and IFRS 9.

We consider there to be significant judgement required by management in making these accounting considerations.

Our response to the risk

- We assessed the design effectiveness of key controls across the processes relevant to the Group's evaluation of accounting impacts from the change in strategy.
- We evaluated the revised forecasts underpinning the Group's change in strategy. This involved consideration of the significant impacts of either a sale of financial instrument portfolios or a managed wind-down of these portfolios. This involved an assessment of the Group's use of specialists to forecast these scenarios, involvement of independent specialists and subject matter experts to challenge and validate the reasonableness of these scenarios, and an assessment of the accounting impact of these scenarios.
- We challenged the appropriateness and completeness of provisions for onerous contracts and other related exposures by:
 - Scrutinising the calculations, input data and assumptions used by management in computing the provisions;
 - Assessing the completeness of the provisions by examining significant contracts and a sample of lower value contracts and recalculated the expected onerous contract provision; and
 - Reviewing internal papers presented to the Group and Bank Operating Boards and communications issued by the Bank to assess whether additional liabilities existed at the balance sheet date.
- We validated the impairment of fixed and intangible assets by:
 - Inspecting the impairment tests performed by management and confirming that these indicated a full impairment was appropriate;
 - Inspecting management's cashflow forecasts and validating the appropriateness of assumptions and calculations used to derive these forecasts;
 - Considering the sensitivity of the impairment to reasonable movements in key assumptions; and
 - Performing a stand-back analysis to identify whether the forecasts that supported a full impairment were consistent in all material respects with other areas of forecasting, including the going concern assessment.
- We validated the adjustment recorded to EIR interest income (shown through the revenue line in the Consolidated Income Statement) by:
 - Reviewing the methodology to assess whether all key variables were appropriately considered and were being accounted for in accordance with the applicable accounting standards;
 - Comparing judgements to: (a) observable recent customer behaviour, and (b) product pricing models;
 - Evaluating the reasonableness of future cashflows as a result of the impact of the decision to undertake a phased withdrawal from the core banking business; and
 - Testing for indications of management bias through: (a) comparison of customer behaviour to observable market data; (b) review of judgements made by management for consistency with prior periods where appropriate; (c) performing sensitivity analysis over the impact of alternative behavioural lives and challenging the current behavioural lives used; and (d) challenging model alignment adjustments ("true-ups") for appropriateness using our knowledge and experience across the industry, including assessing the appropriateness of the data, scenarios and calculations used in determining the true-up applied.

- We considered and evaluated the appropriate classification, measurement and disclosure of material items within the financial statements through:
 - i Reviewing papers prepared by management and expected timelines for key milestones of the strategic review as presented to the Board prior to the announcement to set an expectation for the status at the balance sheet date and the impact of financial statement reporting;
 - ii Enquiring of key management personnel at the Group and the Bank, to understand the specific circumstances and status relating to the strategic review as at the balance sheet date and obtaining supporting evidence to corroborate management's conclusions; and
 - iii Assessing the adequacy of the financial statement disclosures in respect of the above accounting impacts. This included disclosures which required additional judgement as a result of the change in strategy, including the assessment under IFRS 5 as to whether any assets and liabilities should be classified as 'held for sale' at the balance sheet date, the classification and measurement of financial instruments under IFRS 9 and the reporting of fair value disclosures.

Key observations communicated to the Audit Committee

We concluded that the accounting impacts for the Group's phased withdrawal from the core banking business were appropriately reported in the consolidated financial statements and the disclosures in the financial statements are appropriate.

Risk

Supplier arrangements

Refer to the accounting policy in Note 3.2 (page 140) and disclosure within Note 8 (page 152) of the Consolidated Financial Statements

The Group, through its Retail divisions, receives material discounts and incentives, fixed amounts (including promotions and utilisation of specific space), volume-based rebates and marketing and advertising income from suppliers, collectively referred to as supplier arrangements. The terms of agreements with suppliers can be complex and varied. In addition, there can be performance conditions or promotional periods that span the Group's reporting date.

Amounts recognised as deductions to Cost of sales for the period ended 2 March 2024 were £481 million (2022/2023: £383 million), with related balance sheet entries recognised in inventory, current trade receivables and current trade payables.

Accounting for rebate arrangements with suppliers requires judgement and estimation in determining the extent to which deal terms have been met, especially those spanning the Group's reporting date, impacting cut-off. High deal volumes are recorded just prior to the Group's reporting date which raises the risk that fixed amounts may be misstated. High levels of manual intervention within the marketing and advertising and discounts and incentives categories raise the risk of an error occurring in the calculation of income, either accidentally or purposefully through management override of controls.

In the current year our risk has been focused on those arrangements which had not been settled at the year end and where there is judgement in determining whether the Group has met its performance conditions.

Our response to the risk

We performed procedures over supplier arrangements at both the Sainsbury's Supermarkets Limited and Argos Limited components.

- We walked through and assessed the design effectiveness of the key controls in place within the supplier arrangements process.
- We selected a sample of suppliers across the categories of supplier arrangements, to whom we sent confirmations across certain 'deal' types to confirm key deal input terms. Where we did not receive a response from the supplier, we performed alternative procedures, including obtaining evidence of initiation (such as authorised deal forms) and if settled, settlement of the arrangement.

- We tested the existence and valuation of balance sheet amounts recognised in accounts receivable or as an offset to accounts payable by reviewing post-period end settlement. We also performed a 'look-back' analysis of prior period balance sheet amounts to check that these amounts were appropriately recovered.
- We tested the settlement of a sample of supplier arrangements recognised in the income statement, which included settlement in cash or by offset to accounts payable.
- Using data extracted from the accounting system, we analysed the correlation between the Income Statement and Balance Sheet accounts related to Supplier Arrangements. We also tested the appropriateness of journal entries and manual adjustments, meeting a pre-defined criteria, to corroborating evidence such as third party invoices.
- We tested cut-off for deals recorded pre and post period end by obtaining the supplier agreement to validate that the deal was recorded in the correct period.
- We assessed the adequacy of the financial statements disclosures in respect of supplier arrangements and their compliance with accounting standards including the completeness and accuracy of amounts disclosed.

Key observations communicated to the Audit Committee

Supplier arrangement amounts are appropriately recognised in the income statement and balance sheet and the disclosures in the financial statements are appropriate.

Risk

Aspects of revenue recognition

Refer to the accounting policy in Note 3.1 (page 139), disclosure within Note 4.2 (page 148) and Note 6 (page 151) of the Consolidated Financial Statements

Revenue recognised, including the effects of manual adjustments, for the period ended 2 March 2024 totalled £32,700 million (2022/2023: £31,491 million).

There are a number of areas within revenue which require management to exercise accounting judgement in recording manual adjustments where the recognition of revenue does not directly correspond to cash receipts. Such adjustments primarily include commission-based arrangements, deferral of revenue relating to Nectar points and accounting for coupons and vouchers.

There is a risk that these adjustments are not complete and accurate for the period ended 2 March 2024 and that accounting judgements taken are inappropriate, particularly in respect of deferral of revenue. The opportunity exists through management override of controls, such as the posting of manual journals, to misstate revenue in the period.

The risk has remained the same in the current year as there continues to be a focus on business performance.

Our response to the risk

We performed procedures over adjustments to revenue at the Sainsbury's Supermarkets Ltd, Nectar 360 Ltd and Argos Ltd components.

- We gained an understanding of and documented the key processes used to record revenue transactions by performing walkthroughs and assessing the design effectiveness of key controls.
- We tested the appropriateness of the Group's revenue recognition policy by comparing to the criteria set out in IFRS 15 *Revenue from contracts with customers*.
- We performed journal analysis to identify manual sales journals that did not result in cash receipts (including coupons and vouchers), obtaining supporting evidence of collection and settlement to verify revenue was recognised correctly.

Independent Auditor's Report to the Members of J Sainsbury plc continued

Our response to the risk continued

- In relation to the calculation of deferred revenue for Nectar points, we examined and critically assessed input data which included:
 - Obtaining details of points balances earned and redeemed for the period ended 2 March 2024 and agreeing a sample of points in issue to Nectar partner confirmations;
 - Challenging and analysing management's accounting judgements in respect of breakage (the proportion of points which are unlikely to ever be redeemed); and
 - Recalculating the fair value per point, applied to the number of points in circulation to determine the amount of deferred revenue at 2 March 2024.
- Using data extracted from the accounting system, we tested the appropriateness of manual journal entries, meeting pre-defined criteria and impacting revenue, as well as other adjustments (consolidation journals) made in the preparation of the financial statements.
- We completed detailed analytical review procedures to understand if there had been significant or unusual activity in the period, including assessing changes in the number of and nature of manual adjustments to verify completeness.

Key observations communicated to the Audit Committee

Revenue has been correctly recognised in accordance with IFRS 15. We did not identify any exceptions in our testing of the manual entries.

Risk

Measurement of provision for impairment of loans and advances to financial services customers

Refer to the Audit Committee Report (page 92); Accounting policy in Note 3.8 (page 143); and Notes 4 (page 147), 21 (page 163) and 28 (page 167) of the Consolidated Financial Statements

Non-current loans and advances to customers (2023/2024: £1,525 million; 2022/2023: £1,959 million)

Impairment of non-current loans and advances (2023/2024: £58 million; 2022/2023: £51 million)

Current loans and advances to customers (2023/2024: £3,227 million; 2022/2023: £3,573 million)

Impairment of current loans and advances (2023/2024: £177 million; 2022/2023: £189 million)

Customer receivables comprise unsecured personal loans, credit cards, mortgages (Sainsbury's Bank) and store cards (Argos Financial Services).

Credit provisions represent management's best estimate of impairment and significant judgements and estimates are made in determining the timing and measurement of expected credit loss ("ECL"). The key judgements and estimates in respect of the timing and measurement of ECL include:

- The accounting interpretations and modelling assumptions used to build the models that calculate ECL;
- Input and assumptions used to estimate the impact of the multiple economic scenarios ("MES");
- Allocation of assets to stage 1, 2 or 3 using criteria in accordance with IFRS 9 Financial Instruments;
- Completeness and valuation of post model adjustments ("PMAs"); and
- Accuracy and adequacy of the financial statement disclosures.

We consider the risk related to the ECL provisions continues to be heightened as a result of ongoing economic uncertainty. The accuracy of underlying data upon which the ECL is calculated is also a key factor in the overall estimate.

Our response to the risk

We performed procedures over ECL for Sainsbury's Bank plc and Argos Financial Services entities.

- We assessed the design effectiveness of key controls across the processes relevant to the impairment provision calculation, involving EY specialists to assist us in performing our procedures where appropriate. This included consideration of model governance, data accuracy and completeness, multiple economic scenarios, and the allocation of assets into stage 1, 2 and 3.
- We reviewed the minutes of the Model and Risk Committees where inputs, assumptions and adjustments to the ECL were discussed and approved.
- We tested the data used in the ECL calculation by independently reconciling a sample of data feeding the models to source systems and underlying documentation where applicable.
- We considered the assumptions, inputs and formulas used across the entire population of ECL models. This included assessing the appropriateness of model design and the formulae used, considering alternative modelling techniques and recalculating the Probability of Default, Loss Given Default and Exposure at Default for a sample of the models.
- With the support of our internal modelling specialists, we performed testing over models implemented during the year to validate that they were functioning as intended.
- We tested the assumptions and inputs used in the ECL models with the support of our internal modelling and economic specialists. In particular, we challenged the correlation and impact of the macroeconomic factors to the ECL and independently recalculated critical components of the ECL. In addition, we assessed the base and alternative economic scenarios, including challenging probability weights and comparing to other scenarios from a variety of external sources, as well as EY internally developed forecasts.
- We challenged the criteria used to allocate an asset to stage 1, 2 and 3 in accordance with IFRS 9 and substantively reperformed in full the staging calculation to ensure that assets in stages 1, 2, and 3 were allocated to the appropriate stage.
- We challenged PMAs for appropriateness and completeness using our knowledge and experience across the industry. We performed testing over material PMAs together with our internal modelling specialists. We undertook analysis and benchmarking to assess whether sufficient consideration was given to the uncertainty arising as a result of inflationary and interest rate pressures on borrowers, which may not be captured in modelled outputs given limitations over historic data.
- We performed stand-back analysis through industry benchmarking to peers and other available sources of information to help assess the appropriateness of the ECL provision overall.
- We assessed the adequacy and appropriateness of disclosures for compliance with the accounting standards.

Key observations communicated to the Audit Committee

We are satisfied that provisions for the impairment of loans and advances to customers were reasonable and recognised in accordance with the applicable reporting framework based on our procedures performed.

Risk

Valuation of the defined benefit pension scheme assets

Refer to the Audit Committee Report (page 92); Accounting policy in Note 3.19 (page 146); and Notes 4 (page 147) and 34 (page 183) of the Consolidated Financial Statements.

Retirement benefit surplus (2023/2024: £690 million; 2022/2023: £989 million)

Fair value of plan assets (2023/2024: £6,702 million; 2022/2023: £6,934 million)

Present value of funded and unfunded obligations (2023/2024: £6,012 million; 2022/2023: £5,945 million)

The valuation of the liabilities of the pension scheme is subject to the following significant assumptions which are determined by an external firm of pension actuaries:

- Discount rate;
- Inflation;
- Future pension increases; and
- Mortality.

Given the quantum of the defined benefit pension obligation, a movement in the actuarial assumptions could result in a material difference in its value.

In addition, unquoted asset pools (2023/2024: £2,876 million; 2022/2023: £3,488 million) of the defined benefit pension scheme contain certain assets which are harder to value, increasing the risk of incorrect valuation.

The risks associated with the pension scheme remain elevated as a result of the economic environment, which has led to greater volatility in the liability assumptions and additional uncertainty over the valuation of pension assets, which drives the surplus calculation. This risk remains unchanged from the prior year.

Our response to the risk

Our audit procedures covered the Sainsbury's Pension Scheme which has two sections: the Sainsbury's Section and the Argos Section.

- We gained an understanding of and documented the process used to record pension balances by performing a walkthrough and assessing the design effectiveness of key controls.
- With the support of EY pension actuaries we considered the appropriateness of the key assumptions supporting the valuation of the scheme liabilities, being the discount rate, inflation, future pension increases and mortality. We developed an independent range of reasonable assumptions upon which to assess those used by the Group and its external actuarial experts.
- We assessed the impact on pension liabilities of changes in financial, demographic and mortality assumptions and whether these were in line with our expectations. We also tested the completeness and accuracy of member data on which these assumptions are based.
- With respect to certain unquoted pension assets we obtained independent confirmations from the respective fund managers for the assets held. In conjunction with EY valuation specialists we independently valued a sample of assets and compared these to management's valuations, critically assessing management's valuation methodology.
- Where valuation adjustments had been made by management for changes in relevant market indices and to reflect cash received or paid between the dates of the fund managers' net asset value statements and the end of the Group's accounting period, we, in conjunction with EY valuation specialists, tested that the relevant assumptions used were appropriate.
- We evaluated the competence, capabilities and objectivity of management's external actuaries involved in the determination of the actuarial assumptions.
- We assessed the adequacy of the financial statements disclosures in respect of the defined benefit pension schemes and their compliance with accounting standards including the appropriateness of the key assumptions and sensitivities disclosed.

Key observations communicated to the Audit Committee

The assumptions used to value the defined benefit obligation are within an acceptable range. Our testing of the valuation of the pension assets, including certain harder to value assets, has not identified any misstatements.

Risk

IT environment

The IT systems across the Group are complex and there are varying levels of integration between them. The systems are vital to the ongoing operations of the business and to the integrity of the financial reporting process.

During the current year we continued to report deficiencies in certain IT controls. These deficiencies related to IT systems that are part of the Group's control framework over financial reporting and required us to perform incremental procedures.

This risk remains unchanged from the prior year.

Our response to the risk

- Together with our IT specialists, we held discussions with management to understand the IT environment and walked through the key financial processes to understand where IT systems were integral to the Group's controls over financial reporting. From this we identified which IT systems to include in scope for our detailed IT testing.
- We assessed the IT general controls environment for the key systems impacting the accurate recording of transactions and the presentation of the financial statements.
- We designed our IT audit procedures to assess the IT environment, including an assessment of controls over changes made to the systems and controls over appropriate access to the systems.
- Where we found that adequate IT general controls were not in place, we performed incremental substantive audit procedures in response to the deficiencies identified for the systems within the scope of our audit.

Key observations communicated to the Audit Committee

We completed additional substantive testing in order to mitigate the risk of material misstatement due to limitations in the IT general control environment and did not identify issues from this testing.

In the prior year, our auditor's report included a key audit matter in relation to the Carrying value of non-current assets – store impairment. In the current year, this was not a key audit matter given the improvement in macroeconomic conditions impacting the performance of the retail store portfolio including the impact of interest rate and inflation rate forecasts on the Group's discount rate.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £35 million (2022/2023: £34 million), which is 5.0% (2022/2023: 4.8%) of Profit before tax, adjusted for non-recurring items. We believe that Profit before tax, adjusted for non-recurring items provides us with the most relevant performance measure as it adjusts for the effects of items which do not relate to the ongoing trading of the Group.

We determined materiality for the Parent Company to be £136 million (2022/2023: £126 million), which is 2% (2022/2023: 2%) of net assets. For our testing of Parent Company balances that are consolidated into the Group financial statements, an allocation of Group performance materiality was used.

Starting basis	<ul style="list-style-type: none"> Profit before tax: £277 million
Adjustments	<ul style="list-style-type: none"> Adjust for non-recurring items: £419 million These items are one-off in nature
Materiality	<ul style="list-style-type: none"> Total £696 million materiality basis Materiality of £35m (5.0% of materiality basis)

Independent Auditor's Report to the Members of J Sainsbury plc continued

During the course of our audit, we reassessed initial materiality and no change to the planned materiality was needed from our original assessment at planning.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2022/2023: 50%) of our planning materiality, rounded to £17 million (2022/2023: £17 million). We have set performance materiality at this percentage to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £3.4 million to £15.3 million (2022/2023: £3.4 million to £15.0 million).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £1.7 million (2022/2023: £1.7 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 121 and 199 to 205, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 63;
- Directors' explanation as to their assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 62;
- Directors' statement on whether they have a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on page 63;
- Directors' statement on fair, balanced and understandable set out on page 123;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 53;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 94; and;
- The section describing the work of the audit committee set out on page 93

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 123, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are:
 - Those that relate to the form and content of the financial statements, such as UK adopted international accounting standards, the UK Companies Act 2006, the UK Corporate Governance Code;
 - Those that relate to the Bank, such as the regulations, license conditions and supervisory requirements of the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"); and
 - Industry-related such as compliance with the requirements of the Groceries Supply Code of Practice.
- We understood how J Sainsbury plc is complying with those frameworks by making enquiries of management, Internal audit and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes and papers provided to the Audit Committee and attendance at all meetings of the Audit Committee, as well as consideration of the results of our audit procedures across the Group. We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by making an assessment of the key fraud risks to the Group and the manner in which such risks may manifest themselves in practice, based on our previous knowledge of the Group as well as an assessment of the current business environment.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Where the risk was considered to be higher, we performed audit procedures to address each identified risk of material misstatement. These procedures included those referred to in the "Accounting and reporting for the Group's phased withdrawal from the core banking business", "Supplier arrangements" and "Aspects of revenue recognition" key audit matters section above. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free of material fraud or error. We evaluated the design and operational effectiveness of controls put in place to address the risks identified, or that otherwise prevent, deter and detect fraud. We also considered performance targets and their influence on efforts made by management to manage earnings.
- The Group has disclosed in Note 37 that employment tribunal claims have been received in respect of current and former Sainsbury's store colleagues alleging their work is of equal value to that of colleagues working in Sainsbury's distribution centre and differences in pay and other terms are not objectively justifiable. We inspected documentation

prepared by management, the in-house legal counsel and management's external legal advisors. We also discussed the nature of the claim and the basis for the disclosure presented in Note 37 with management, the external legal advisors and members of the Audit Committee.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the audit committee we were appointed by the Company on 8 July 2015 to audit the financial statements for the 52 weeks ended 12 March 2016 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 9 years, covering the years ending 12 March 2016 to 2 March 2024.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Colin Brown

(Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

24 April 2024

Consolidated income statement

	Note	52 weeks to 2 March 2024			52 weeks to 4 March 2023		
		Underlying £m	Non- underlying items (Note 5) £m	Total £m	Underlying £m	Non- underlying items (Note 5) £m	Total £m
Revenue	6	32,721	(21)	32,700	31,491	—	31,491
Cost of sales		(30,127)	(139)	(30,266)	(28,996)	(413)	(29,409)
Impairment loss on financial assets		(98)	—	(98)	(78)	—	(78)
Gross profit/(loss)		2,496	(160)	2,336	2,417	(413)	2,004
Administrative expenses		(1,553)	(309)	(1,862)	(1,480)	(35)	(1,515)
Other income		52	6	58	35	38	73
Operating profit/(loss)		995	(463)	532	972	(410)	562
Finance income	10	30	51	81	18	56	74
Finance costs	10	(324)	(12)	(336)	(300)	(9)	(309)
Profit/(loss) before tax		701	(424)	277	690	(363)	327
Income tax (expense)/credit	11	(185)	45	(140)	(157)	37	(120)
Profit/(loss) for the financial year		516	(379)	137	533	(326)	207
		pence		pence	pence		pence
Earnings per share	12						
Basic earnings		22.1		5.9	23.0		9.0
Diluted earnings		21.6		5.7	22.7		8.8

The notes on pages 137 to 193 form an integral part of these financial statements.

Consolidated statement of comprehensive income/(loss)

	Note	52 weeks to 2 March 2024 £m	52 weeks to 4 March 2023 £m
Profit for the financial year		137	207
Items that will not be subsequently reclassified to the income statement			
Remeasurement on defined benefit pension schemes	34	(389)	(1,398)
Movements on financial assets at fair value through other comprehensive income		1	1
Cash flow hedges fair value movements – inventory hedges	30	(67)	123
Current tax relating to items not reclassified		10	25
Deferred tax relating to items not reclassified	11	177	322
		(268)	(927)
Items that may be subsequently reclassified to the income statement			
Currency translation differences		(3)	4
Movements on financial assets at fair value through other comprehensive income		—	1
Items reclassified from financial assets at fair value through other comprehensive income reserve		—	(1)
Cash flow hedges fair value movements – non-inventory hedges	30	(82)	(30)
Items reclassified from cash flow hedge reserve	30	4	(18)
Deferred tax on items that may be reclassified	11	17	14
		(64)	(30)
Total other comprehensive loss for the year (net of tax)		(332)	(957)
Total comprehensive loss for the year		(195)	(750)

The notes on pages 137 to 193 form an integral part of these financial statements.

Consolidated balance sheet

	Note	2 March 2024 £m	4 March 2023 £m
Non-current assets			
Property, plant and equipment	14	9,282	8,201
Right-of-use assets	15	4,296	5,345
Intangible assets	16	806	1,024
Investments in joint ventures and associates		2	2
Financial assets at fair value through other comprehensive income	18	761	515
Trade and other receivables	20	108	56
Amounts due from Financial Services customers and other banks	21	1,467	1,908
Derivative financial assets	30	68	217
Net retirement benefit surplus	34	690	989
		17,480	18,257
Current assets			
Inventories	19	1,927	1,899
Trade and other receivables	20	582	627
Amounts due from Financial Services customers and other banks	21	3,050	3,484
Financial assets at fair value through other comprehensive income	18	17	494
Derivative financial assets	30	8	70
Cash and cash equivalents	31	1,987	1,319
		7,571	7,893
Assets held for sale	22	10	8
		7,581	7,901
		25,061	26,158
Total assets			
Current liabilities			
Trade and other payables	23	(5,091)	(4,837)
Amounts due to Financial Services customers and other deposits	24	(5,515)	(4,880)
Borrowings	33	(65)	(53)
Lease liabilities	15	(515)	(1,533)
Derivative financial liabilities	30	(28)	(16)
Taxes payable		(125)	(155)
Provisions	25	(113)	(140)
		(11,452)	(11,614)
		(3,871)	(3,713)
Net current liabilities			
Non-current liabilities			
Trade and other payables	23	(11)	—
Amounts due to Financial Services customers and other deposits	24	(206)	(1,066)
Borrowings	33	(1,130)	(603)
Lease liabilities	15	(4,839)	(4,956)
Derivative financial liabilities	30	(59)	(58)
Deferred income tax liability	11	(329)	(476)
Provisions	25	(167)	(132)
		(6,741)	(7,291)
		(18,193)	(18,905)
Total liabilities			
		6,868	7,253
Net assets			
Equity			
Called up share capital	26	678	672
Share premium		1,430	1,418
Merger reserve		568	568
Capital redemption and other reserves	27	955	954
Retained earnings		3,237	3,641
		6,868	7,253
Total equity shareholders' funds			

The notes on pages 137 to 193 form an integral part of these financial statements.

Approved by the Board of Directors on 24 April 2024, and are signed on its behalf by:



Simon Roberts
Chief Executive



Bláthnaid Bergin
Chief Financial Officer

Consolidated statement of changes in equity

	Note	Called up share capital £m	Share premium account £m	Merger reserve £m	Capital redemption and other reserves £m	Retained earnings £m	Total equity £m
At 5 March 2023		672	1,418	568	954	3,641	7,253
Profit for the financial year		—	—	—	—	137	137
Other comprehensive loss	27	—	—	—	(147)	(389)	(536)
Tax relating to other comprehensive loss		—	—	—	99	105	204
Total comprehensive loss		—	—	—	(48)	(147)	(195)
Cash flow hedges losses transferred to inventory	27, 30	—	—	—	32	—	32
Transactions with owners:							
Dividends	13	—	—	—	—	(306)	(306)
Share-based payment	35	—	—	—	—	87	87
Purchase of own shares	27	—	—	—	(18)	—	(18)
Allotted in respect of share option schemes	26, 27	6	12	—	35	(38)	15
At 2 March 2024		678	1,430	568	955	3,237	6,868
	Note	Called up share capital £m	Share premium account £m	Merger reserve £m	Capital redemption and other reserves £m	Retained earnings £m	Total equity £m
At 6 March 2022		668	1,406	568	1,021	4,760	8,423
Profit for the financial year		—	—	—	—	207	207
Other comprehensive income/(loss)	27	—	—	—	80	(1,398)	(1,318)
Tax relating to other comprehensive income/(loss)		—	—	—	14	347	361
Total comprehensive income/(loss)		—	—	—	94	(844)	(750)
Cash flow hedges losses transferred to inventory	27, 30	—	—	—	(139)	—	(139)
Transactions with owners:							
Dividends	13	—	—	—	—	(319)	(319)
Share-based payment	35	—	—	—	—	58	58
Purchase of own shares	27	—	—	—	(45)	—	(45)
Allotted in respect of share option schemes	26, 27	4	12	—	23	(26)	13
Other adjustments		—	—	—	—	5	5
Tax on items charged to equity		—	—	—	—	7	7
At 4 March 2023		672	1,418	568	954	3,641	7,253

The notes on pages 137 to 193 form an integral part of these financial statements.

Consolidated cash flow statement

	Note	52 weeks to 2 March 2024 £m	52 weeks to 4 March 2023 £m
Cash flows from operating activities			
Profit before tax		277	327
Net finance costs	10	255	235
Operating profit		532	562
Depreciation	14,15	989	1,036
Amortisation	16	189	172
Net impairment loss on non-financial assets	14,15,16	235	315
Profit on sale of non-current assets and early termination of leases		(2)	(15)
Non-underlying fair value movements	5	46	29
Share-based payments expense	35	89	59
Defined benefit scheme expense/(income)	34	7	(2)
Cash contributions to defined benefit scheme	34	(44)	(44)
Operating cash flows before changes in working capital		2,041	2,112
Decrease/(increase) in inventories		5	(105)
Decrease in financial assets at fair value through other comprehensive income		(135)	(207)
(Increase)/decrease in trade and other receivables		(5)	53
Decrease/(increase) in amounts due from Financial Services customers and other deposits		459	(231)
Increase in trade and other payables		214	280
(Decrease)/increase in amounts due to Financial Services customers and other deposits		(225)	687
Increase in provisions		8	—
Cash generated from operations		2,362	2,589
Interest paid		(336)	(316)
Corporation tax paid		(61)	(103)
Net cash generated from operating activities		1,965	2,170
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,381)	(525)
Initial direct costs on new leases		(6)	(16)
Purchase of intangible assets		(178)	(213)
Proceeds from disposal of property, plant and equipment		77	29
Proceeds from disposal of amounts due from Financial Services customers		446	—
Interest received		27	15
Dividends and distributions received		—	1
Net cash used in investing activities		(1,015)	(709)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		15	13
Proceeds from borrowings	33	575	—
Repayment of borrowings		(41)	(95)
Purchase of own shares		(18)	(45)
Capital repayment of lease obligations		(507)	(514)
Dividends paid on ordinary shares	13	(306)	(319)
Net cash used in financing activities		(282)	(960)
Net increase in cash and cash equivalents		668	501
Opening cash and cash equivalents		1,319	818
Closing cash and cash equivalents	31	1,987	1,319

The notes on pages 137 to 193 form an integral part of these financial statements.

The Group now classifies interest received within cash flows from investing activities to provide greater clarity over the Group's cash flows whereby such cash flows had previously been included within cash generated from operations. The 2023 amounts have therefore been re-presented whereby cash generated from operations and cash flows from investing activities were previously £2,604 million and £(724) million respectively.

Notes to the consolidated financial statements

1 General information

J Sainsbury plc is a public limited company (the Company) incorporated in the United Kingdom, whose shares are publicly traded on the London Stock Exchange. The Company is domiciled in the United Kingdom and its registered address is 33 Holborn, London EC1N 2HT, United Kingdom.

The consolidated financial statements for the 52 weeks to 2 March 2024 comprise the financial statements of the Company and its subsidiaries (the Group) and the Group's share of the post-tax results of its joint ventures and associates.

Within these consolidated financial statements, '2024' refers to the 52 weeks to 2 March 2024, or as at 2 March 2024; and '2023' refers to the 52 weeks to 4 March 2023, or as at 4 March 2023.

The Group's principal activities are Food, General Merchandise and Clothing retailing and Financial Services.

2 Basis of preparation and consolidation

2.1 Basis of preparation

The Group's financial statements have been prepared in accordance with UK-adopted international accounting standards.

They have been prepared under the historical cost convention, except for derivative financial instruments, defined benefit pension scheme assets and financial assets at fair value through other comprehensive income (FVOCI).

Sainsbury's Bank plc and its subsidiaries have been consolidated for the 12 months to 29 February 2024 being the Bank's year-end date (2023: 28 February 2023). Adjustments have been made for the effects of significant transactions or events that occurred between this date and the Group's balance sheet date.

Unless otherwise stated, material accounting policies have been applied consistently to all periods presented in the financial statements although certain presentational changes have been made with the objective of simplification and to assist in and aid the users' understanding.

Climate change considerations

In preparing the Group's financial statements, consideration has been given to the impact of both physical and transition climate change risks, as described within the Task Force on Climate-related Financial Disclosures section on page 30, and how these impact the financial statements. The Group has implemented processes to identify, assess and manage these risks, including scenario analysis and stress testing to understand the potential financial impact on the Group's operations and assets. Consideration has also been given to the potential impact of policy, technology and market changes that are being developed in response to climate change, and their interdependence on each other. While it is not believed that these climate change risks have a material impact on the Group's financial statements, it is recognised that the uncertainty and complexity of these issues may make it challenging to fully capture their potential impact. The ongoing assessment of these risks will be included in future financial statements as they become clearer, taking into account the requirements of UK-adopted international accounting standards. Monitoring and assessment of the regulatory environment and any new standards that may be developed in the future will continue. Further narrative disclosure has been provided in the following notes:

	Note
– Going concern	2.2
– Property, plant and equipment	3.5
– Significant judgements and estimates	4
– Impairment of non-financial assets	17.1
– Provisions	25.1
– Retirement benefit obligations	34.5

The policy, technology and market changes in response to climate change are still developing, and these are interdependent upon each other, and consequently the financial statements cannot capture all possible future outcomes as these are not yet known. The degree of certainty of these changes may also mean that they cannot be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements of UK adopted international accounting standards.

2.2 Going concern

The Directors are satisfied that the Group has sufficient resources to continue in operation for a period of at least 12 months from the date of approval. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. The assessment period for the purposes of considering going concern is the 12 months to 24 April 2025.

In assessing the Group's ability to continue as a going concern, the Directors have considered the Group's most recent corporate planning and budgeting processes. This includes an annual review which considers profitability, the Group's cash flows, committed funding and liquidity positions and forecasted future funding requirements over three years, with a further year of indicative movements.

The Group manages its financing by diversifying funding sources, structuring core borrowings with phased maturities to manage refinancing risk and maintaining sufficient levels of standby liquidity via the Revolving Credit Facility. This seeks to minimise liquidity risk by maintaining a suitable level of undrawn additional funding capacity.

The Revolving Credit Facility of £1,000 million comprises two £500 million facilities which were both extended by a further 12 months during the year. Facility A has a final maturity of December 2028 and Facility B has a final maturity of December 2027. As at 2 March 2024, the Revolving Credit Facility was undrawn.

In assessing going concern, scenarios in relation to the Group's principal risks have been considered in line with those disclosed in the viability statement on page 63 by overlaying them into the corporate plan and assessing the impact on cash flows, net debt and funding headroom. These severe but plausible scenarios included modelling inflationary pressures on both food margins and general recession-related risks, the impact of any regulatory fines, and the failure to deliver planned cost savings.

In performing the above analysis, the Directors have made certain assumptions around the availability and effectiveness of the mitigating actions available to the Group. These include reducing any non-essential capital expenditure and operating expenditure on projects, bonus and pay awards, and dividend payments.

Notes to the consolidated financial statements continued

2 Basis of preparation and consolidation continued

2.2 Going concern continued

The Group's most recent corporate planning and budgeting processes includes assumed cashflows to address climate change risks, including costs associated with initiatives in place as part of the Plan for Better commitment which include reducing environmental impacts and meeting customer expectations in this area, notably through reducing packaging and reducing energy usage across the estate. Climate-related risks do not result in any material uncertainties affecting the Group's ability to continue as a going concern.

Specific additional consideration has been given to the impacts of the strategic review of the Financial Services division as described in the Strategic Report on page 63. The strategy change introduces new or amended risks in respect of liquidity and capital adequacy which arise from the move to offer financial services products by dedicated financial services providers and the phased withdrawal from the core banking business. Taking into account the current and forecast levels of liquidity and capital together with the related headroom, the Directors have considered and assessed the potential impact of the strategic change and the risks arising thereon. The evaluation has included the quantification of any potentially adverse impacts of customer behaviour as well as the timing of repayment of external funding. Having undertaken this assessment, the Directors are satisfied that the Bank has sufficient liquidity and capital resources to withstand severe but plausible adverse scenarios stemming from the risks of the strategic change, prior to any additional mitigating actions being taken. In the event of any mitigations being required, the Directors are confident that additional liquidity could be raised through future asset securitisations or other sources of funding. Accordingly, it has been concluded that this does not result in any material uncertainties affecting the Group's ability to continue as a going concern.

As a consequence of the work performed, the Directors considered it appropriate to adopt the going concern basis in preparing the Financial Statements with no material uncertainties to disclose.

2.3 Basis of consolidation

a) Subsidiaries

Subsidiaries are all entities, including structured entities (see below) over which the Group has control. This is when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The results of subsidiaries are included in the income statement from the date of acquisition or, in the case of disposals, up to the effective date of disposal. Intercompany transactions and balances between Group companies are eliminated upon consolidation.

Sainsbury's Thistle Scottish Limited Partnership and Nectar 360 Services LLP are partnerships which are fully consolidated into these Group financial statements. The Group has taken advantage of the exemption conferred by Regulation 7 of the Partnerships (Accounts) Regulations 2008 and has therefore not appended the accounts of these qualifying partnerships to these financial statements.

b) Joint ventures and associates

Investments in joint arrangements are classified as joint ventures whereby the joint controlling parties have rights to the net assets of the arrangement. Associates are entities over which the Group has significant influence but not control.

Investments in joint ventures and associates are carried in the Group balance sheet at historical cost plus post-acquisition changes in the Group's share of net assets of the entity, less any provision for impairment. Where the Group transacts with a joint venture or associate, profits and losses are eliminated to the extent of the Group's interest in the joint venture or associate.

Joint ventures with a different year-end date to the Group are reported to include the results up to 29 February, the nearest month-end to the Group's year-end. Adjustments are made for the effects of significant transactions or events that occurred between 29 February and the Group's balance sheet date.

c) Business combinations

Business combinations are accounted for using the acquisition method where any excess of the purchase consideration over the fair value of the assets, liabilities and contingent liabilities acquired and the resulting deferred tax thereon is recognised as goodwill which is then reviewed annually for impairment. Acquisition related costs are expensed.

Where relevant and in particular in property related acquisitions, the optional 'concentration test' and 'substantive process test' set out within IFRS 3 Business Combinations are considered to assess whether assets and liabilities acquired in a transaction constitute a business as opposed to an asset acquisition.

d) Asset acquisitions

Where the value of assets in a target, such as investment property, represents substantially all of the fair value of the gross assets acquired, the transaction is accounted for as an asset acquisition.

e) Foreign currencies

Foreign operations

The Group has operations in Asia that source and purchase certain general merchandise and clothing inventory. In addition, the Group had a trading entity in Ireland during the financial year. On consolidation, assets and liabilities of foreign operations are translated into pound sterling at year-end exchange rates. The results of foreign operations are translated into pound sterling at average rates of exchange for the year. Exchange differences arising are recognised in the Group statement of comprehensive income/(loss) and are included in the Group's translation reserve.

Foreign currency transactions

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

2 Basis of preparation and consolidation continued

2.4 New accounting pronouncements

New accounting standards, amendments to standards and IFRIC interpretations which became applicable during the year or have been published but are not yet effective, were either not relevant or had no impact, or no material impact, on the Group's results or net assets.

In respect of IFRS 17 Insurance Contracts, which became effective for the current financial year, an assessment was made as to whether any of the Group's arrangements met the definition of an insurance contract. While some contracts may transfer an element of insurance risk, they relate to warranty agreements and therefore will continue to be accounted for under the existing revenue and provisions standards. The Group has identified that IFRS 17 will impact the results of its captive insurance company as it issues insurance contracts, however the impact on the income statement and balance sheet is immaterial. The Group has also assessed its parent company guarantee arrangements but concluded that the adoption of IFRS 17 has no impact on these.

The accounting policies have remained unchanged from those disclosed in the Annual Report for the financial year ended 4 March 2023.

2.5 Alternative Performance Measures (APMs)

In the reporting of financial information, the Directors use various APMs. These APMs should be considered in addition to, and are not intended to be a substitute for, IFRS measurements. As they are not defined by International Financial Reporting Standards, they may not be directly comparable with other companies' APMs.

The Directors believe that these APMs provide additional useful information for understanding the financial performance and health of the Group. They are also used to enhance the comparability of information between reporting periods (such as like-for-like sales and underlying performance measures) by adjusting for non-recurring factors which affect IFRS measures, and to aid users in understanding the Group's performance. Consequently, APMs are used by the Directors and management for performance analysis, planning, reporting and incentive setting purposes.

The income statement shows the non-underlying items excluded from reported results to determine underlying results with a more detailed analysis of the non-underlying items set out in note 5. Other APMs are detailed in notes A1, A2, A3 and A4 of this report, which include further information on the definition, purpose and reconciliation to the closest IFRS measure. APMs used by the Group are consistent with those used in the prior financial year.

2.6 Asset acquisition

During the financial year the Group purchased Supermarket Income REIT's beneficial interest in a commercial property investment pool, in which the Group already held a beneficial interest, through the acquisition of Hobart Property plc, Avenell Property plc, Horndrift Limited and Cornerford Limited. The Group signed a Master Framework Agreement on 13 March 2023 subject to certain conditions being met including providing sufficient up-front funding to the Security Trustee for them to redeem each of the bond liabilities attached to the property pools. These investment pools consisted of 26 supermarket stores, all of which were formerly leased to Sainsbury's. Of the 26 stores acquired, 21 stores have been retained and one store has been vacated and recognised within assets held for sale. The remaining four stores have been sold and leased back to the Group.

The Group considered both the optional 'concentration test' and the 'substantive process test' set out within IFRS 3 Business Combinations to assess whether the assets and liabilities acquired in the transaction constituted a business. The value of investment properties represented substantially all of the fair value of the gross assets acquired and as such the transaction has been accounted for as an asset acquisition, with a corresponding derecognition of lease liabilities and right of use assets whereby the Group already had a beneficial interest in these assets.

The impact of this transaction on the Group's accounts is set out in notes to the financial statements and is summarised as follows.

The Group recognised £1,021 million of property, plant and equipment for the stores acquired and derecognised £1,042 million in lease liabilities and £1,031 million in right-of-use assets respectively as a result of the transaction. The net difference in the lease liabilities and right-of-use assets derecognised is included within the recognition of the property, plant and equipment. The lease balances had included the payment of purchase options at the end of the lease terms, which were rescinded as part of the transaction.

The total consideration paid for the asset acquisition was £731 million. As part of the purchase agreement, the Group pre-funded £170 million of consideration in escrow for the benefit of the Security Trustee on 14 March 2023, to enable them to redeem the Avenell Bond on 20 March 2023. Similarly, the Group pre-funded £130 million of consideration in escrow for the benefit of the Security Trustee on 5 July 2023, to enable them to redeem the Hobart Bond on 13 July 2023.

The total consideration paid of £731 million, including the pre-funded £300 million noted above, is all presented within the Group cashflow statement as investing activities within purchases of property, plant and equipment.

Proceeds of £61 million were received for the four stores sold and leased back. As the proceeds in the sale and leaseback were equal to the fair value of the assets sold, these cashflows have been presented within investing cashflows.

Previously the Group had held a portion of the beneficial interest in this commercial property investment pool, recognised within financial assets at FVOCI. This balance of £366 million was fully derecognised as part of the acquisition.

The asset acquisition is referred to as the Highbury & Dragon property transaction within the Annual Report.

3 Material accounting policies

3.1 Revenue

Revenue arises from the sale of goods and services in the course of the Group's ordinary activities, net of returns, related discounts and excluding Value Added Tax (VAT) and, in the case of Financial Services, interest receivable, fees and commissions. Revenue is recognised when the Group has a contract with a customer and a performance obligation has been satisfied, at the transaction price allocated to that performance obligation.

a) Retail sales

Sale of goods

Revenue from the sale of goods is recognised at point of sale or, where later, upon collection by, or delivery to, the customer as this is the point in which control has passed. Where consideration has been received in advance of the performance obligation being satisfied, a contract liability is recognised.

Other revenue items

Other revenue items comprise income from commissions and wholesale revenue made directly to third-party customers.

Commission revenue relates to the sale of third-party products where it has been determined that the Group is acting as an agent. Sales commission from third parties is recognised when the related goods or services are sold.

Notes to the consolidated financial statements continued

3 Material accounting policies continued

3 Revenue continued

b) Nectar points

The issuance of Nectar points creates a separate performance obligation and therefore a portion of the transaction price is allocated to the loyalty programme using the relative standalone selling price of points issued, and the corresponding revenue deferred. The fair value of the points awarded is determined with reference to the value per point to a customer and considers expected redemption rates (breakage) and the money off that each point entitles a customer to. The deferral is treated as a deduction from revenue and recognised as a contract liability within deferred income. The revenue deferred is subsequently recognised when the Nectar points are redeemed by the customer.

c) Financial Services

Financial Services revenue consists of interest, fees and commission income from the provision of retail banking and insurance-related activities.

Interest income

Interest income is recognised in the income statement for all instruments measured at amortised cost using the effective interest method.

The effective interest rate of a financial asset is calculated on initial recognition and is applied to the gross carrying amount of the asset. For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset net of impairment. If the asset is no longer credit impaired, then the calculation of interest income reverts to the gross basis. In calculating the effective interest rate of a financial instrument the Group takes into account all amounts that are integral to the yield of a financial instrument as well as incremental transaction costs.

Fees and commission income

Fees and commissions that are not integral to the effective interest rate calculation relate primarily to certain credit card and storecard fees, ATM interchange fees, insurance introduction commission and warranty commission receivable. These are recognised in the income statement on an accruals basis as performance obligations are satisfied. Where in the case of insurance commissions the income comprises an initial commission and profit share, both are recognised on completion of the service to the extent reliably measurable. Where there is a risk of potential claw back, an appropriate element of the commission receivable is deferred and amortised over the clawback period.

Income from the sale of travel money, representing the difference between the cost price and the selling price, is recognised when the sale to the customer takes place.

3.2 Cost of sales

Cost of sales consists of all costs that are directly attributable to the point of sale including warehouse, transportation costs and all the costs of operating retail outlets. In the case of Financial Services, cost of sales includes interest expense on operating activities, calculated using the effective interest method.

Supplier incentives, rebates and discounts, collectively known as 'supplier arrangements', represent a material deduction to cost of sales and directly affect the Group's reported margin.

Income from supplier arrangements is recognised when earned by the Group when all obligations per the terms of the contract have been satisfied. Any supplier arrangements which are linked to inventory purchases are included within the cost of the related inventory, and therefore recognised within cost of sales once the inventory is sold. Unpaid amounts relating to supplier arrangements are recognised within trade and other receivables, unless there is a legal right of offset, in which case it is recognised within trade and other payables. Amounts which have been invoiced at the balance sheet date are categorised as supplier arrangements due and those not yet invoiced are categorised as accrued supplier arrangements.

3.3 Finance income and costs

Finance income and costs, excluding those arising from Financial Services, are recognised in the income statement for financial assets and liabilities measured at amortised cost using the effective interest method.

For Financial Services, finance income and finance costs are recognised in revenue and cost of sales.

Fair value remeasurements relate to net fair value movements on derivative financial instruments not designated in a hedging relationship.

3.4 Taxation

a) Current tax

Current tax is accounted for on the basis of tax laws enacted or substantively enacted at the balance sheet date. Current tax is charged or credited to the income statement, except when it relates to items charged to equity or other comprehensive income.

b) Deferred tax

Deferred tax is accounted for on the basis of temporary differences arising from differences between the tax base and accounting base of assets and liabilities.

Deferred tax is recognised for all temporary differences, except to the extent where it arises from the initial recognition of an asset or a liability in a transaction that is not a business combination and, at the time of transaction, affects neither accounting profit nor taxable profit. It is determined using tax rates (and laws) that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity or other comprehensive income.

Deferred tax is provided on temporary differences associated with investments in subsidiaries, branches, and joint ventures except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

3 Material accounting policies continued

3.5 Property, plant and equipment

a) Land and buildings

Land and buildings are held at historical cost less accumulated depreciation and, where appropriate, any provision for impairment as determined in accordance with note 3.8. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use, including any directly attributable internal payroll-related costs for employees who are associated with projects in order to bring the assets into use.

b) Fixtures and equipment

Fixtures, equipment and vehicles are held at cost less accumulated depreciation and, where appropriate, any provision for impairment as determined in accordance with note 3.8. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition and its intended use, including any directly attributable internal payroll-related costs for employees who are associated with projects in order to bring the assets into use.

c) Work in progress

Capital work in progress is held at cost less any provision for impairment.

d) Depreciation

Depreciation is calculated to write down the cost of the assets to their residual values, on a straight-line basis over their useful economic life, using the following rates:

- Freehold buildings and leasehold improvements 50 years, or the lease term if shorter
- Fixtures, equipment and vehicles three to 15 years
- Freehold land not depreciated

Capital work in progress (which excludes land) is not depreciated prior to being available for its intended commercial use.

e) Disposals and retirement

The gain or loss on disposal or retirement of an asset is determined by comparing proceeds less any associated costs of disposal with the asset's carrying amount and is recognised within operating profit.

f) Climate change impacts

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period. This includes consideration over climate change-related risks which may impact the useful lives or residual values of the Group's assets, such as the impact of flood risks on store and non-store assets, changes in regulations related to carbon emissions and any anticipated replacement of existing assets with new technologies.

g) Capitalisation of interest

Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised to the cost of the asset, gross of tax relief.

3.6 Leases

a) Group as lessee

The Group's lease portfolio is principally comprised of property leases of land and buildings in relation to stores, distribution centres and support offices, but also includes other assets such as motor vehicles. The leases have varying terms and often include break clauses or options to renew beyond the non-cancellable periods.

The Group presents additions to lease liabilities and right-of-use assets in line with the disclosure requirements of IFRS 16 Leases. In doing so, additions to right-of-use assets and lease liabilities in note 15 include the net impact of new leases, terminations, modifications, and reassessments.

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease, when the underlying asset is available for use. The cost of right-of-use assets comprises the amount of lease liabilities recognised, any initial direct costs incurred, lease payments made at or before the commencement date and less any lease incentives received. Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any subsequent modifications which include terminations and reassessments which all represent a remeasurement of lease liabilities.

The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease and are measured at the present value of lease payments to be made over the lease term, discounted using the incremental borrowing rate (IBR) at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments and variable lease payments that depend on an index or a rate (using the relevant rate at the commencement date of the lease), less any lease incentives receivable. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs. For agreements which contain both lease and non-lease components, such as cleaning and maintenance services, the non-lease component is excluded from the lease payments used to measure the lease liabilities.

The IBRs depend on the start date and term of the lease, and are determined based on a reference (risk free) rate and adjustments to reflect the Group's credit risk.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease (a break clause), if it is reasonably certain not to be exercised.

After the commencement date of the lease, the lease liability is subsequently measured at amortised cost using the effective interest rate method. The carrying amount of lease liabilities is remeasured when there is a change in the future lease payments due to a change in the lease term such as a recognition of an extension or break option, a change in the fixed lease payments or a change in the assessment to purchase the underlying asset.

Notes to the consolidated financial statements continued

3 Material accounting policies continued

3.6 Leases continued

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the low-value asset recognition exemption to groups of underlying leases where the underlying assets leased are considered uniformly low value. Lease payments on short-term leases and leases of low-value assets are expensed to the income statement.

b) Group as a lessor

The Group leases out owned properties and sublets leased properties under operating and finance leases. Such properties include mall units, stores and units within stores.

Subleases

Classification is assessed with reference to the head lease right-of-use asset. This assessment considers, among other factors, whether the sublease represents the majority of the remaining life of the head lease. The ratio of rental income to head lease rental payments is used to determine how much of the right-of-use asset should be derecognised, or analysis of square foot leased in the headlease and sublease where appropriate. This assessment takes into consideration whether the sublease/headlease are above or below market rate.

Finance leases

Amounts due under finance leases are recorded as a receivable at an amount equal to the net investment in the lease. This is initially calculated and recognised using the IBR prevalent in the underlying headlease at the recognition date. Any difference between the derecognised right-of-use asset and the newly recognised amounts due for leases under finance leases is immediately recognised in the income statement. The Group recognises finance income over the lease term, reflecting a constant periodic rate of return on the Group's net investment in the lease.

Operating leases

Operating lease income is recognised as earned on a straight-line basis over the lease term.

3.7 Intangible assets

a) Goodwill

Goodwill represents the excess of the fair value of the consideration of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. At the acquisition date goodwill is allocated to the cash-generating unit (CGU) or group of CGUs within the Retail or Financial Services segments that are expected to benefit from the combination. Goodwill is not amortised, but is tested at least annually for impairment as set out in note 3.8.

b) Computer software

Software and licences which are capitalised include costs incurred to acquire the assets as well as any external and internal costs incurred in the development of software. External and internal costs are external direct costs, as well as directly attributable internal payroll-related costs for employees who are associated with projects in order to bring the assets into use. Costs associated with internally generated software are recognised as an intangible asset only if they can be separately identified, it is probable that the asset will generate future economic benefits which exceed one year, and the cost can be measured reliably. Software under development is not amortised, but held at cost less any impairment loss.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. Costs associated with maintaining computer software are recognised as an expense as incurred.

c) Cloud computing arrangements

Software as a Service (SaaS) arrangements are service contracts providing the Group with the right to access a cloud provider's application software over the contract period. Typically, such arrangements involve ongoing licence fees to obtain access to the cloud provider's application software, as well as upfront costs incurred to configure or customise the SaaS solution.

Configuration and customisation costs are capitalised in the following instances as intangible assets:

- The Group has both a contractual right to take possession of the software at any time without significant penalty, and the ability to run the software independently of the host vendor
- The costs incurred meet the definition of and recognition criteria for an intangible asset. This includes for example the development of software code that enhances or modifies, or creates additional capability to, existing systems controlled by Sainsbury's

Where these conditions are not met, costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

Where the configuration or customisation of a SaaS solution is performed by the SaaS vendor, consideration is given to whether this activity is distinct from the provision of the solution itself. This assessment considers the nature of the activities, and whether benefit can be obtained from any of the services in isolation. Where the activity is not considered distinct, the costs are capitalised as a prepayment and amortised over the expected useful life of the solution.

d) Acquired intangible assets

Intangible assets acquired in a business combination are recognised at fair value at the acquisition date. Intangible assets with finite useful economic lives are carried at cost less accumulated amortisation and any provision for impairment. Amortisation of acquired intangible assets is recorded within administrative expenses.

e) Amortisation

Amortisation is calculated to write down the cost of the assets to their residual values, on a straight-line basis over their useful economic life, using the following rates:

- | | |
|--|------------------------------|
| • Computer software | five to 15 years |
| • Configuration and customisation costs capitalised as part of SaaS arrangements | life of the SaaS arrangement |
| • Acquired intangible assets | five to ten years |
| • Goodwill | not amortised |

Capital work in progress is not amortised prior to being available for its intended commercial use.

3 Material accounting policies continued

3.8 Impairment

a) Non-financial assets

Property, plant and equipment (PPE), right-of-use assets, and intangible assets are assessed on an ongoing basis to determine whether there is an indication that the net book value is no longer supportable. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs to dispose and its value-in-use (VIU), is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is impaired to its recoverable amount.

Where there has been a change in the estimates used to determine the recoverable amount and an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, although not to exceed the carrying amount that would have been determined had no impairment loss been recognised. Any impairment loss or reversal of impairment is recognised in the income statement.

Goodwill is assessed annually by measuring the recoverable amount of the CGU, calculated as the higher of fair value less cost to dispose and VIU. Where the carrying value of the CGU exceeds the recoverable amount, an impairment loss is recognised in the income statement. The impairment charge is allocated first against goodwill and then pro rata against other assets within the CGU by reference to the carrying amount of each remaining asset in the CGU. Impairment losses recognised for goodwill are not subsequently reversed.

Identification of a cash-generating unit

CGUs are deemed the smallest group of assets that independently generate cash inflows and are independent of the cash flows generated by other assets and are identified within the respective reportable operating segments.

Retail

CGUs are deemed to be corporate level business units, trading stores, store pipeline development sites or in certain cases for Argos, a cluster of stores.

PPE, intangible assets and right-of-use assets are allocated to the store CGU they are associated with. For non-store assets, including depots and IT assets, these are allocated to store CGUs where it can be done on a reasonable and consistent basis, otherwise these are allocated to the CGU corporate level to which they relate.

Goodwill recognised on acquisition of retail chains of stores is allocated, where possible, to respective store CGUs, otherwise it is attributed to the acquired business as a whole.

Financial Services

Cash generating units are deemed to be each respective product or product group that is capable of generating cash flows independent of other products. Non-product assets are reviewed separately as collective CGUs with the products that they support.

b) Financial assets

Impairments on financial assets are accounted for using a three-stage forward-looking expected credit loss (ECL) approach. The Group is required to record an allowance for ECL for all loans and other debt financial assets not held at fair value through profit or loss (FVTPL), together with loan commitments and financial guarantee contracts.

ECLs are based on the difference between the cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For Financial Services portfolios of loans, such as credit card lending, storecard lending and personal loans, impairment provisions are calculated for groups of assets, otherwise impairment is identified at a counterparty-specific level. The allowance is calculated by reference to the estimated probability of default (PD), exposure at default (EAD) and loss given default (LGD).

- The probability of default represents the likelihood of a borrower defaulting within 12 months from the balance sheet date or within the expected lifetime of the borrower
- Exposure at default represents the expected amount due from the borrower at the point of default by reference to exposure at the balance sheet date adjusted for expected future changes including repayments and utilisation of undrawn facilities
- Loss given default represents the expected percentage loss at the point of default relative to the EAD. The estimate takes into account utilisation of any expected collections and recoveries strategies, debt sale arrangements and collateral

3.9 Inventories

Inventories comprise goods held for resale and are valued on a standard cost or weighted average cost basis which approximates to actual cost and is carried at the lower of cost or net realisable value.

Cost includes all direct expenditure and other appropriate attributable costs incurred in bringing inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow-moving or damaged items where appropriate.

3.10 Trade and other receivables

Trade and other receivables are non-interest bearing and are on commercial terms. They are initially recognised at fair value and subsequently measured at amortised cost less allowances for expected credit losses, using the simplified approach, with adjustments for factors specific to each receivable.

3.11 Loans and advances from financial services customers and other banks

Loans and advances are initially recognised at fair value and subsequently held at amortised cost, using the effective interest method, less provision for impairment and recognised on the balance sheet when cash is advanced.

Notes to the consolidated financial statements continued

3 Material accounting policies continued

3.12 Assets held for sale

Assets are classified as held for sale if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and also only when the sale is highly probable within one year from the date of classification and the assets are available for sale in their present condition. Assets held for sale are stated at the lower of the carrying amount and fair value less costs to dispose. Any amounts no longer classified as assets held for sale are measured at the lower of its carrying amount before the asset was classified as held for sale, adjusted for any depreciation that would have been recognised had the asset not been classified as held for sale, and its recoverable amount at the date of the subsequent decision not to sell.

3.13 Trade and other payables

Trade payables are initially recognised at fair value and subsequently measured at amortised cost. Amounts are presented net of supplier arrangements due where there is a contractual right of offset.

3.14 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and where the amount can be reliably estimated.

Provisions are measured at management's best estimate of the consideration required to settle the obligation at the reporting date and discounted using a pre-tax rate that reflects current market assessments where the time value of money is deemed material. An increase in the provision due to the passage of time is recognised as an interest expense.

Provisions for onerous contracts are recognised when the Group believes that the unavoidable costs of meeting or novating a contract exceed the economic benefits expected to be received under it. Where assets are dedicated to the fulfilment of a contract that cannot be redirected to other parts of the Group, an impairment charge is recognised to reduce the carrying value of the assets to £nil before recognising a separate onerous contract.

A restructuring provision is recognised when the Group has developed a detailed formal plan and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring.

a) Property provisions

Where the Group no longer operates from a leased property, onerous property contract provisions are recognised for the least net cost of exiting from the contract. The amounts provided are based on the Group's best estimates of the likely committed outflows and site closure dates. These provisions do not include rent in accordance with IFRS 16, however do include unavoidable costs related to the lease such as service charges and insurance.

Property provisions also include provisions for dilapidations which are recognised where the Group has the obligation to make good its leased properties, which is when a decision to exit a lease has been made. This is the point at which a reliable estimate of the expected cost for dilapidations can be made. These provisions are recognised based on historically settled dilapidations which form the basis of the estimated future cash outflows. Any difference between amounts expected to be settled and the actual cash outflow is accounted for in the period when such determination is made.

Where the Group is able to exit lease contracts before the expiry date or agree sublets, this results in the release of any associated property provisions. Such events are subject to the agreement of landlords, therefore the Group makes no assumptions on the ability to either exit or sublet a property until a position is agreed. Utilisation is expected to be in line with the profile of the leases to which the provisions relate.

b) Insurance provisions

Provisions are based on assumptions regarding past claims experience and assessments by an independent actuary to provide a best estimate of the most likely or expected outcome.

c) Financial Services-related provisions

Financial Services loan commitment provisions reflect expected credit losses modelled in relation to loan commitments not yet recognised on the balance sheet, including on credit cards and Argos store cards.

Other Financial Services-related provisions are primarily in relation to Argos Financial Services customers in respect of potential redress payable arising from the historic sales of Payment Protection Insurance (PPI).

The eventual cost is dependent on response rates, uphold rates, complaint rates, redress costs and claim handling costs. The provision represents management's best estimate of future costs. These assumptions are inherently uncertain and the ultimate financial impact may differ from the amount provided.

3.15 Financial instruments

a) Financial assets

The Group classifies all of its financial assets as either amortised cost, FVOCI or FVTPL.

The Group's non-derivative financial assets comprise:

- Cash and cash equivalents
- Trade and other receivables, excluding prepayments and accrued income
- Amounts due from Financial Services customers and other banks
- Financial assets at FVOCI

To determine their classification and measurement category, all financial assets, except equity instruments and derivatives, are required to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The business model assessment reflects how the Group manages the risks relating to the underlying financial assets, including whether the Group's principal objective is to collect the contractual cash flows arising from the instruments (amortised cost), to sell the financial instruments (FVTPL) or a combination thereof (FVOCI).

3 Material accounting policies continued

3.15 Financial instruments continued

a) Financial assets continued

Financial instruments at amortised cost

Financial assets that are principally held for the collection of contractual cash flows and which pass the SPPI test are classified as amortised cost. For the Group this includes cash, receivables and amounts due from Financial Services customers and other banks. The Group has no intention of trading these assets. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures these financial assets at fair value plus transaction costs. Subsequently these assets are carried at amortised cost less impairment using the effective interest rate method. Income from these financial assets is calculated on an effective interest rate basis and is recognised in the income statement.

Financial assets at fair value through other comprehensive income

Financial assets that are held for both the purpose of collecting contractual cash flows and to sell are classified as FVOCI. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Equity investments have been irrevocably designated as FVOCI. Subsequent to initial recognition at fair value plus transaction costs, these assets are recorded at fair value at each period end with the movements recognised in other comprehensive income until derecognition or impaired. On derecognition, the cumulative gain or loss previously recognised in other comprehensive income reserves is recognised in the income statement for debt instruments. Gains and losses on equity instruments are never recycled to the income statement. Dividends on financial assets at FVOCI are recognised in the income statement when the entity's right to receive payment is established.

Interest on financial assets at FVOCI debt instruments is recognised using the effective interest method.

Financial assets at fair value through profit and loss

The Group's derivatives are classified as FVTPL. They are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement.

Financial assets are derecognised when the contractual cash flows from the asset have expired or have been transferred, usually by sale, and with them either substantially all the risks and rewards of the asset or significant risks and rewards, along with the unconditional ability to sell or pledge the asset.

b) Financial liabilities

The Group recognises all of its financial liabilities at amortised cost and all derivative financial liabilities are classified as FVTPL. Financial liabilities costs, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

The Group's non-derivative financial liabilities comprise:

- Borrowings
- Trade and other payables, excluding deferred income, other taxes and social security costs payable, and other accruals
- Amounts due to Financial Services customers and other banks
- Lease liabilities

Interest-bearing bank loans, overdrafts, other deposits and amounts due to Sainsbury's Bank customers are recorded initially at fair value, which is generally the proceeds received, net of direct issue costs. Subsequently, these liabilities are held at amortised cost using the effective interest rate method. Transaction costs are amortised on a straight-line basis over the life of the facility they relate to.

Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled, or expires.

3.16 Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments to hedge its exposure to foreign exchange, interest rate and commodity risks. All derivative financial instruments are initially measured at fair value on the contract date and are also measured at fair value at subsequent reporting dates. Where derivatives do not qualify for hedge accounting, any changes in the fair value of the derivative financial instrument are recognised in the income statement as they arise.

To qualify for hedge accounting, the Group documents, at the inception of the hedge, the hedging risk management strategy, the relationship between the hedging instrument and the hedged item or transaction, the nature of the risks being hedged and an assessment of the effectiveness of the hedging relationship to ensure it is highly effective on an ongoing basis.

Where a derivative does qualify for hedge accounting, any changes in fair value are recognised depending on the nature of the hedge relationship and the item being hedged as follows:

a) Cash flow hedges

Hedge relationships are classified as cash flow hedges where the derivative financial instruments hedge the Group's exposure to variability in cash flows resulting from a highly probable forecasted transaction. These include the exchange rate risk of inventory purchases denominated in foreign currency, interest rate risk and commodity risk on purchases of power and fuel. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in other comprehensive income and the ineffective portion is recognised immediately in the income statement. The cash flow hedge reserve therefore only contains amounts where hedge accounting applies.

If a cash flow hedge is hedging a firm commitment or forecast transaction that results in the recognition of a non-financial asset or liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in other comprehensive income are included in the initial measurement of the asset or liability. This applies to the Group's foreign currency hedges in relation to inventory purchases.

Notes to the consolidated financial statements continued

3 Material accounting policies continued

3.16 Derivative financial instruments and hedge accounting continued

b) Fair value hedges

The Group designates certain derivatives as fair value hedges where the derivative financial instrument hedges the change in fair value of the particular risks inherent in recognised assets or liabilities (fair value hedges).

The Group has adopted IFRS 9 hedge accounting requirements for its fair value hedges of investment securities and its one-for-one hedge on Tier 2 Debt issuance within Sainsbury's Bank. The Group continues to adopt IAS 39 for its macro portfolio fair value hedges of fixed rate personal loans and up to the point of disposal in August 2023, also residential mortgages, as it is permitted to do so under IFRS 9 and until the point that the new macro hedge accounting standard is finalised and adopted.

Fair value hedging matches the change in fair value of designated hedged items against the corresponding change in value of the hedging derivative. The designated hedged item can be a recognised asset or liability, a firm commitment, or an identified portion of an asset.

The effective part of any gain or loss on the hedged item adjusts the balance of the hedged item and is recognised in the income statement, offsetting the gain or loss on the hedging derivative. Should circumstances arise where the hedge relationship subsequently proves ineffective, is early settled, or is terminated, the adjustment to the balance of the hedged item is amortised over the remaining life of the hedged item and to the income statement.

Micro fair value hedging – IFRS 9

The Group has purchased a number of fixed rate debt investment securities and has issued fixed rate subordinated debt within Sainsbury's Bank. These instruments are hedged via plain vanilla interest rate swaps, with the critical economic terms of both the hedging instrument and hedged item matching. The notional amount, fixed interest legs and maturity dates are economically matched.

Portfolio fair value hedging – IAS 39

The Group uses portfolio fair value hedging as a risk management tool for hedging interest rate risk on the personal loans and up to the point of disposal in August 2023, also the mortgage portfolio. Portfolio fair value hedging allows the designation of the whole or part of a portfolio of assets or liabilities with similar risk exposures. The hedged item can be designated based on expected maturities to match the hedging derivative maturity. Hedge effectiveness is considered to have been met where the change in fair value of the hedged item offsets the change in fair value of hedging instruments, within the 80 to 125 per cent ratio corridor.

3.17 Cash and cash equivalents

Cash and bank balances comprise cash in hand and at bank, deposits at central banks, investments in money market funds and deposits, and other short-term highly liquid investments.

To be classified as cash and cash equivalents, an asset must:

- Be readily convertible into cash
- Have an insignificant risk of changes in value
- Have a maturity period of typically three months or less at acquisition

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purposes of the cash flow statement.

3.18 Cash flow statement classifications

The following cash receipts and payments are presented within the following sections of the cash flow statement:

a) Interest, dividends and taxes

Included in operating cash flows

- Interest paid on borrowings as they are held for cash management purposes.

Included in cash flows from investing activities

- Interest received on bank deposits and other financial assets as well as dividends received as they represent returns on the Group's investments.

b) Lease payments and receipts

Included in operating cash flows

- Cash payments for the interest element of lease liabilities consistent with presentation of interest payments.
- Short-term lease payments, payments for leases of low-value assets and variable lease payments that are not included in the measurement of the lease liabilities.
- Cash receipts in relation to sub-leases (both operating and finance leases).

Included in cash flows from financing activities

- Cash payments for the principal element of the lease liabilities are presented within financing activities.

3.19 Retirement benefit obligations

a) Defined contribution pension schemes

The Group contributions to defined contribution pension schemes are charged to the income statement as incurred. Any contributions unpaid at the balance sheet date are included as an accrual as at that date. The Group has no further payment obligations once the contributions have been paid.

3 Material accounting policies continued

3.19 Retirement benefit obligations continued

b) Defined benefit pension scheme (Sainsbury's Pension Scheme)

The surplus or deficit recognised in the balance sheet for defined benefit schemes represents the difference between the fair value of the plan assets and the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is actuarially calculated on an annual basis using the projected unit credit method.

Actuarial gains and losses are reported in the statement of other comprehensive income as incurred, and comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred.

The income statement charge consists of a financing charge, which is the net of interest cost on pension scheme liabilities and interest income on plan assets and defined benefit pension scheme expenses.

The financing charge is determined by applying the discount rate used to measure the defined benefit obligation to the pension scheme liabilities and plan assets at the beginning of the financial year.

IFRIC 14

Under IFRIC 14, a company is required to measure any economic benefits available to it in the form of refunds or reductions to future contributions at the maximum amount that is consistent with the terms and conditions of the pension scheme. These are regarded as available to a company if it has an unconditional right to realise them at some point during the life of the pension scheme or when all benefits are finally settled. Such an unconditional right would not exist when the availability of the refund or the reduction in future contributions would be contingent upon factors beyond the company's control.

Management is of the view that it has an unconditional right to a refund of surplus under IFRIC 14. As such no adjustment has been made for potential additional liabilities.

In forming this conclusion management has considered whether the Group can control the run-off of the Scheme until there are no liabilities left, consistent with IFRIC 14. For example, if the Trustee has a unilateral power to wind up the Scheme while there are liabilities remaining, then it is viewed that the Group cannot access surplus through this route. For both sections, management have assessed that the Group can control run-off until no liabilities remain by complying with its obligations under the Scheme rules and pensions legislation, and there will therefore be a gradual settlement of the planned liabilities over the life of each section.

The Scheme rules list certain situations under which the Trustee can wind up the Scheme; however, whilst there is gradual settlement of the Scheme's liabilities, these are concluded to be within the control of the Group. As a result, it is concluded that the Trustee does not have a unilateral power to wind up the Scheme nor augment benefits while the Scheme is ongoing.

3.20 Share-based payments

The Group provides benefits to employees (including Directors) of the Group in the form of equity-settled and cash-settled share-based payment transactions, whereby employees render services in exchange for shares, rights over shares or the value of those shares in cash terms.

For equity-settled share-based payments, the fair value of the employee services rendered is determined by reference to the fair value of the shares awarded or options granted, excluding the impact of any non-market vesting conditions. All share options are valued using an option pricing model (Black-Scholes). This fair value is charged to the income statement over the vesting period of the share-based payment scheme with a corresponding increase in equity.

For cash-settled share-based payments, the fair value of the employee services rendered is determined at each balance sheet date and the charge recognised through the income statement over the vesting period of the share-based payment scheme, with a corresponding increase in accruals.

The value of the charge is adjusted in the income statement over the remainder of the vesting period to reflect expected and actual levels of options vesting, with the corresponding adjustments made in equity and accruals.

4 Significant judgements and estimates

The preparation of financial statements requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Judgements and estimates are evaluated regularly and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Any revisions to accounting estimates are recognised in the period in which the estimate is revised.

In assessing the Group's judgements and sources of estimation uncertainty, consideration has been given to the impact of climate change risk on these. Aside from impairment of non-financial assets (refer to note 17) and post-employment benefits (refer to note 34), climate change risks do not have any impacts on the Group's judgements or sources of estimation uncertainty.

Consideration has also been given to the judgements and estimates arising from the announcement that financial services products to be offered in the future will be provided by dedicated financial services providers through a distributed model and over time this will result in a phased withdrawal from the core Banking business. Key judgements have included the classification of costs as non-underlying items (note 4.1 a)), the timing of recognition of provisions, and the probability weighting on related cash flow projections to support such charges which assume two scenarios comprising a sale of certain financial services products as opposed to a run down. Key estimates have included management forecasts of future performance used to determine impairments (note 4.2 c)), and the amounts of provisions recognised (note 4.2 d)).

Notes to the consolidated financial statements continued

4 Significant judgements and estimates continued

4.1 Significant judgements

a) Non-underlying items

In order to provide shareholders with additional insight into the year-on-year performance of the business, underlying profit measures are provided to supplement the reported IFRS numbers and reflect how the business measures performance internally. These adjusted measures exclude items recognised in reported profit, which, if included, could distort comparability between periods.

Determining which items are to be adjusted requires judgement, in which the Group considers items which are significant either by virtue of their size and/or nature, or that are non-recurring in that they do not relate to the ongoing business. The same assessment is applied consistently to any reversals of prior non-underlying items.

An analysis of non-underlying items is set out in note 5.

b) Consolidation of structured entities

A structured entity is one in which the Group does not hold the majority interest but where voting rights are not the dominant factor in determining control.

Sainsbury's Thistle Scottish Limited Partnership ('the Partnership') is a structured entity in which both the Group and Pension Scheme Trustee hold an interest where the relevant activities are the funding of the pension scheme (the Scheme).

Furthermore, a general partner wholly owned by the Group has exclusive responsibility for the management and control of the Partnership and sole authority to exercise the Partnership's rights including the ability to make additional contributions. As the Group can direct the Partnership's relevant activities and affect its returns, it has been concluded that the Group controls the Partnership, despite not having a majority interest and has therefore been consolidated. Further information is included in note 34.1.

c) Aggregation of operating segments

The Group's operating segments have been determined based on the information regularly provided to the Chief Operating Decision Maker (CODM), which has been determined to be the Group Operating Board. This information is used to make optimal decisions on the allocation of resources and assess performance.

The CODM is presented information for the following operating segments:

- Retail – Food
- Retail – General Merchandise and Clothing
- Financial Services

Management have considered the economic characteristics, in particular average gross margin, similarity of products, production processes, customers, sales methods and regulatory environment of its two Retail segments. In doing so it has been concluded that they should be aggregated into one 'Retail' segment within the financial statements given the similar economic characteristics between the two. This aggregated information provides users the financial information needed to evaluate the business and the environment in which it operates.

d) Lease terms

The inclusion of a lease extension period or lease break period in the lease term requires consideration of all relevant factors that create an economic incentive for the Group to exercise them. For leased properties, this includes the current and expected profitability of the respective site, as well as the length of time until the option can be exercised. Any changes to the Group's judgement over lease terms will impact both the right-of-use asset and lease liability.

e) Classification of cash flows as part of asset acquisition

As part of the asset acquisition, as described in note 2.6, significant judgement was applied when considering the classification of the pre-funded cash flows which formed part of the total consideration within the Group's cash flow statement as cash flows from investing activities.

4.2 Significant estimates

a) Revenue recognition: Fair value of Nectar points

The Group estimates the fair value of points awarded under the Nectar programme by reference to the value per point to a customer, multiplied by expected breakage assumptions. Breakage represents management's estimate of points issued that will never be redeemed and is therefore subject to uncertainty. Breakage is estimated by management based on the terms and conditions of membership and historical accumulation and redemption patterns. A sensitivity analysis, showing the impact of a change in breakage estimate on the deferred points liability, is set out in note 23.3.

b) Lease liabilities: Derivation of discount rates

Lease liabilities are measured at the present value of lease payments to be made over the lease term, discounted using the incremental borrowing rate (IBR) at the lease commencement date (for additions) or at the lease modification date (for modifications).

The IBRs depend on the start date and term of the lease, and are determined based on a number of inputs including a reference (risk free) rate and adjustments to reflect the Group's credit risk. The reference rates are based on UK overnight swap rates and the credit risk adjustments are based on the prices of instruments issued by the Group and quoted credit default swaps (CDS). Note 15.1 e) includes the impact that a reasonable possible change in the IBR would have had on the lease liability additions and modifications recognised during the year.

c) Impairments

Non-financial assets

Goodwill is required to be valued annually to assess the requirement for potential impairment. Other assets are assessed on an ongoing basis to determine whether circumstances exist that could lead to the conclusion that the net book value of such assets is not supportable. Impairment testing is carried out in accordance with the methodology described in note 17. Such calculations require estimation regarding the appropriate discount factors and in the case of goodwill in particular, long-term growth prevalent in a particular market as well as short and medium-term business plans. Management draws upon experience as well as external resources in determining these estimates.

In assessing impairment of property, plant & equipment and intangible assets, discounted cash flow methods are used as described in note 17.1. Judgement is required in determining the appropriate discount factors as well as the short and medium-term business plans. Consistent with goodwill, the Directors draw upon experience and external resources in determining these estimates.

4 Significant judgements and estimates continued

4.2 Significant estimates continued

c) Impairments continued

Financial assets

Impairments on financial assets are accounted for using a three-stage forward-looking ECL approach as set out in note 28.2 e).

Measurement of ECL reflects an unbiased and probability weighted amount that is determined by evaluating a range of forward-looking macro-economic assumptions. An external supplier provides economic forecasts which are subject to review, challenge and approval through the Bank's governance processes.

The ECL models utilise four scenarios including a 'base case' scenario considered to be the most likely outcome together with an upside, downside scenario and severe downside. The outcomes of the scenarios are set out in note 28.2 f).

d) Provisions

The Group's provisions are based on estimates of the actual costs and timing of future cash flows, which are dependent on future events and market conditions. Thus, there is inherently an element of estimation uncertainty within the provisions recognised. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made.

The provisions are most sensitive to estimates of the future cash outflows. A sensitivity showing the impact that a reasonable possible change in expenditure required to settle the present obligation is set out in note 25.2.

e) Post-employment benefits

Assets

The Sainsbury's Pension Scheme (the Scheme) holds some private market assets as they are expected to deliver a more favourable risk/return profile than public market equivalents. These assets are relatively illiquid (likely to be realised over approximately five years) but the Scheme holds sufficient liquid assets (cash, gilts and other liquid securities) to be confident that it can meet its pension and collateral obligations over time.

The valuation of these assets is based on the audited accounts of the funds, where available, and net asset value statements from the investment managers where recent accounts are not available. For many of these investments, the valuations provided are at 30 September. A roll-forward is therefore required to be performed for these valuations, adjusting for cash received or paid and applying the changes seen in relevant liquid indices. The valuation of these assets is sensitive to the indices used and a sensitivity to changes in these indices is set out in note 34.6.

Liabilities

The present value of post-employment benefit obligations is determined on an actuarial basis using various assumptions, including the discount rate, inflation rate, future pension increases and mortality assumptions. Any changes in these assumptions will impact the carrying amount as well as the net pension finance income/(cost). Key assumptions and sensitivities for post-employment benefit obligations are disclosed in note 34.7.

5 Non-underlying items

	2024				2023				
	Restructuring and impairment	Pensions	Other	Total	Restructuring and impairment	Pensions	Other	Total	
									Note
Revenue		(21)	—	—	(21)	—	—	—	—
Cost of sales		(73)	—	(66)	(139)	(384)	—	(29)	(413)
Administrative (expense)/income		(273)	(7)	(29)	(309)	(14)	2	(23)	(35)
Other income		—	—	6	6	11	—	27	38
Affecting operating profit		(367)	(7)	(89)	(463)	(387)	2	(25)	(410)
Net finance (costs)/income		(1)	51	(11)	39	—	56	(9)	47
Affecting profit before tax		(368)	44	(100)	(424)	(387)	58	(34)	(363)
Income tax credit	11				45				37
Affecting profit after tax					(379)				(326)

The impact of non-underlying items on Retail cash generated from operations is presented in note A2.2.

5.1 Restructuring and impairment

Comprises restructuring charges of £368 million (2023: £106 million) and non-restructuring related impairment charges of £nil million (2023: £281 million), all of which was recognised within cost of sales.

a) Restructuring

Financial Services model

In January 2024, the Group announced that financial services products to be offered in the future will be provided by dedicated financial services providers through a distributed model and over time this would result in a phased withdrawal from the core Banking business. Costs associated with this restructuring are set out in the table below with key components comprising full impairment of non-financial assets (comprising mainly computer software for which the level of activities which it was designed to fulfil is now significantly curtailed in terms of both volume and period use), additional allowances arising from a reassessment of the effective interest rate applied to the amortised cost of financial assets, onerous contracts and goodwill. Further costs associated with this restructuring will be incurred in future years once more detailed plans to execute these changes are formulated and communicated.

Sainsbury's structural integration

In the year ended 6 March 2021, the Group announced a restructuring programme to accelerate the structural integration of Sainsbury's and Argos and further simplify the Argos business; create a new supply chain and logistics operating model, moving to a single integrated supply chain and logistics network across Sainsbury's and Argos; and further rationalise/repurpose the Group's supermarkets and convenience estate. The programme also considered the Group's Store Support Centre ways of working.

Notes to the consolidated financial statements continued

5 Non-underlying items continued

5.1 Restructuring and impairment continued

b) Non-Restructuring items

Impairments of non-financial assets

Separate from restructuring initiatives and property-related transactions, the Group has assessed whether there were any indicators of impairment or reversals of impairment. No indicators were present in the current financial year which therefore resulted in no non-restructuring related impairments or reversals of impairment. In the prior financial year, the level of uncertainty within the wider macroeconomic environment, including sustained increases in the Bank of England gilt rates, represented an indicator of impairment. It was determined that the increase in discount rates was a significant impairment indicator and therefore a full impairment review was undertaken.

Analysis of restructuring and impairment items

	Note	2024			2023		
		Financial Services model £m	Sainsbury's structural integration £m	Total £m	Sainsbury's structural integration £m	Impairment of non-financial assets £m	Total £m
Non-financial asset – Property, plant and equipment impairments	17	(9)	(1)	(10)	(8)	(141)	(149)
– Right-of-use assets	17	(3)	(3)	(6)	(21)	(122)	(143)
– Intangible assets	17	(200)	—	(200)	(5)	(18)	(23)
		(212)	(4)	(216)	(34)	(281)	(315)
Accelerated depreciation of assets	a)	—	(19)	(19)	(20)	—	(20)
Employee costs	b)	(8)	(33)	(41)	(54)	—	(54)
Onerous contracts	c)	(17)	—	(17)	—	—	—
Property closure provisions	d)	—	(33)	(33)	1	—	1
Effective interest rate adjustment to financial assets	e)	(21)	—	(21)	—	—	—
Other (costs)/gains	f)	(15)	(6)	(21)	1	—	1
		(273)	(95)	(368)	(106)	(281)	(387)

- a) The remaining useful economic lives of corresponding sites have been reassessed to align with closure dates, resulting in an acceleration in depreciation of these assets. The existing depreciation of these assets (depreciation that would have been recognised absent of a closure decision) is recognised within underlying expenses, whereas accelerated depreciation above this is recognised within non-underlying expenses.
- b) Comprises severance costs and for the Financial services model also includes retention bonuses relating to performance in 2024.
- c) Comprises long-dated IT contracts where anticipated early termination will result in unavoidable costs of meeting obligations under the contracts which exceed the economic benefits expected to be received under them. Costs represent the lower of the costs of fulfilling contracts and the costs of terminating. Such amounts are reflected in provisions as set out in note 25.
- d) Relates to onerous lease costs, dilapidations and strip-out costs on sites that have been identified for closure, as well as business rates for sites the Group no longer operates from which are recognised as incurred. The prior year includes amounts reversed in relation to sites no longer being exited as part of the programme. Upon initial recognition of such provisions, management uses its best estimates of the relevant costs to be incurred as well as expected closure dates. Such amounts are reflected in provisions as set out in note 25.
- e) The withdrawal from core banking operations has a commercial impact upon future management initiatives and actions which could lead to different customer behaviours than previously forecasted. This resulted in revised assumptions about customer behaviours which led to a reduction in the amortised cost of financial assets (credit cards) shown in loans and advances to customers in note 21 with the impacts being recognised in revenue.
- f) Other costs comprise predominantly consultancy costs offset by profits recognised on properties sold during the financial year which had previously been impaired as part of the restructuring programme.

5.2 Pensions

Such amounts relate to the defined benefit pension scheme (the Scheme) and are treated as non-underlying owing to the Scheme being closed to future accrual and accordingly not forming part of ongoing operating activities. More detailed analysis in note 34.2.

5.3 Other

	Note	2024 £m	2023 £m
Disposal of mortgage book	a)	(14)	—
Legal disputes	b)	—	30
Property-related transactions	c)	(15)	(9)
Non-underlying finance and fair value movements	d)	(56)	(38)
Acquisition adjustments	e)	(15)	(20)
ATM business rates reimbursement		—	3
		(100)	(34)

- a) During the financial year, the Group disposed of its mortgage portfolio for proceeds of £446 million which resulted in a non-underlying charge of £(14) million, included within administrative expenses, which includes a loss on disposal including goodwill, transaction costs and the recognition of onerous contract provisions.
- b) Consists of other income representing receipt from credit card companies in respect of overcharges for credit card processing (interchange) fees.
- c) Comprises an impairment charge of £19 million of property, plant and equipment recognised in cost of sales as part of the asset acquisition of 21 stores described in note 2.6, whereby the asset base of these stores' CGUs had significantly changed as a result of the transaction and therefore were reviewed for impairment. Offset by a gain on disposal of non-trading properties of £4 million recognised in other income. (2023: loss on disposal of non-trading properties of £3 million recognised in other income, and £6 million of costs relating to a property transaction recognised in cost of sales and administrative expenses).
- d) Comprises £46 million (2023: £29 million) within cost of sales relating to unfavourable movements on long-term, fixed price power purchase arrangements (PPAs) with independent producers. These are classified as derivatives which are not in a hedge relationship and owing to potentially significant fluctuations in value from external market factors are treated as non-underlying to enable consistency between periods. Remaining movements of £10 million (2023: £9 million) are within net finance costs and relate to lease interest paid on impaired non-trading sites.
- e) Comprises the unwind of non-cash fair value adjustments arising from the Home Retail Group and Nectar UK acquisitions. Classification as non-underlying is because these assets would not normally be recognised outside of a business combination.

6 Revenue

Disaggregated revenue

	2024 £m	2023 £m
Retail		
Grocery and General Merchandise & Clothing (GM&C)	27,830	25,993
Fuel	4,254	4,967
	32,084	30,960
Financial Services		
Interest receivable	472	394
Fees and commissions	144	137
	616	531
Total	32,700	31,491

7 Segment reporting

The Group's operating segments have been determined based on the information regularly provided to the Chief Operating Decision Maker (CODM), which has been determined to be the Group Operating Board, which is used to make optimal decisions on the allocation of resources and assess performance.

The Group's reportable operating segments have been identified as:

- Retail: comprising the sale of food, household, general merchandise, clothing and fuel primarily through store and online channels
- Financial Services: comprising banking and insurance services through Sainsbury's Bank and Argos Financial Services

The CODM uses underlying profit before tax as the key measure of segmental performance as it represents the ongoing trading performance with additional insight into year-on-year performance that is more comparable over time. As described in note 2.5 and 4.1 a), the use of underlying profit before tax aims to provide parity and transparency between users of the financial statements and the CODM in assessing the core performance of the business and performance of management.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

7.1 Income statement

	Note	2024			2023		
		Retail £m	Financial Services £m	Group £m	Retail £m	Financial Services £m	Group £m
Underlying revenue							
Retail sales to customers		32,084	—	32,084	30,960	—	30,960
Financial Services to customers		—	637	637	—	531	531
		32,084	637	32,721	30,960	531	31,491
Underlying operating profit		966	29	995	926	46	972
Underlying finance income		30	—	30	18	—	18
Underlying finance costs		(324)	—	(324)	(300)	—	(300)
Underlying profit before tax		672	29	701	644	46	690
Non-underlying items	5			(424)			(363)
Profit before tax				277			327
Income tax expense	11			(140)			(120)
Profit for the financial year				137			207

7.2 Balance sheet

	2024			2023		
	Retail £m	Financial Services £m	Group £m	Retail £m	Financial Services £m	Group £m
Assets	18,288	6,771	25,059	18,925	7,231	26,156
Investments in joint ventures and associates	2	—	2	2	—	2
Segment assets	18,290	6,771	25,061	18,927	7,231	26,158
Segment liabilities	(12,171)	(6,022)	(18,193)	(12,584)	(6,321)	(18,905)

Notes to the consolidated financial statements continued

7 Segment reporting continued

7.3 Other segment items

	Note	2024			2023		
		Retail £m	Financial Services £m	Group £m	Retail £m	Financial Services £m	Group £m
Additions to non-current assets							
Property, plant and equipment	14	1,654	1	1,655	532	2	534
Intangible assets	16	165	13	178	194	19	213
Right-of-use assets	15	435	3	438	398	—	398
Depreciation expense							
Property, plant and equipment	14	538	1	539	565	1	566
Right-of-use assets	15	449	1	450	469	1	470
Amortisation expense							
Intangible assets	16	159	30	189	141	31	172
Impairment of non-financial assets	17	23	174	197	301	—	301
Impairment of goodwill	17	—	38	38	14	—	14
Impairment (reversal)/loss on financial assets		(4)	102	98	2	76	78
Share-based payments	35	83	6	89	54	5	59

7.4 Geographical segments

In the current year and the prior year, the Group predominantly traded in the UK and the Republic of Ireland and consequently the majority of revenues, capital expenditure and segment net assets arise there. The profits, revenues and assets of the businesses in the Republic of Ireland are not material.

8 Supplier arrangements

The types of supplier arrangements applicable to the Group are as follows:

- Discounts and supplier incentives: Represent the majority of all supplier arrangements and are linked to individual unit sales. The incentive is typically based on an agreed sum per item sold on promotion for a period and therefore is considered part of the purchase price of that product
- Fixed amounts: Agreed with suppliers primarily to support in-store activity including promotions, such as utilising specific space
- Supplier rebates: Typically agreed on an annual basis, aligned with the Group's financial year. The rebate amount is linked to pre-agreed targets such as sales volumes
- Marketing and advertising income: Advertising income from suppliers and online marketing and advertising campaigns within Argos

Recognised in income statement

	2024 £m	2023 £m
Fixed amounts	271	192
Supplier rebates	76	94
Marketing and advertising income	134	97
	481	383

Discounts and supplier incentives are not shown as they are deemed to be part of the cost price of inventory.

Held on the balance sheet

	2024 £m	2023 £m
Within inventory	(3)	(4)
Within current trade receivables		
Supplier arrangements due	47	45
Accrued supplier arrangements	48	43
Within current trade payables		
Supplier arrangements due	39	49
Accrued supplier arrangements	1	2
Total supplier arrangements	132	135

9 Operating profit

9.1 Operating profit is stated after charging/(crediting):

	Footnote	Note	2024 £m	2023 £m
Employee costs		9.2	3,879	3,578
Inventories recognised as an expense within cost of sales			26,087	25,198
Write-down of inventories			672	613
Depreciation				
– Property, plant and equipment	a)	14	539	566
– Right-of-use assets		15	450	470
Amortisation				
– Intangible assets	a)	16	189	172
Impairment of non-financial assets		17	197	301
Impairment of goodwill		17	38	14
Short-term lease expense			30	26
Sublet income			(46)	(48)
(Profit)/Loss on disposal			(5)	(8)
– Property, plant and equipment			—	(1)
– Intangible assets			—	(1)
– Lease terminations			(11)	(6)
– Amounts due from Financial Services customers			14	—
Foreign exchange loss/(gain)			12	(18)

a) Includes the unwind of acquisition adjustments as set out in note 5.3.

9.2 Employee costs

	2024 £m	2023 £m
Wages and salaries, including bonus and termination benefits	3,348	3,088
Social security costs	254	240
Pension costs – defined contribution schemes	188	191
Share-based payments expense	89	59
	3,879	3,578

9.3 Employee numbers

Average number of employees, including Directors:	2024 '000	2023 '000
Full-time	57	63
Part-time	95	99
	152	162
Full-time equivalent	100	107

Details of key management compensation can be found in note 38.1 and within the Directors' Remuneration Report on pages 99 to 117.

9.4 Auditor's remuneration

	Note	2024 £m	2023 £m
Audit of the parent company and consolidated financial statements		1.2	1.2
Audit of the Company's subsidiaries		2.4	2.6
Audit-related assurance services, including half-year review		0.1	0.2
		3.7	4.0
Non-audit services	33	—	0.1
Total fees		3.7	4.1

2023: Non-audit services relate to services provided by the Group's auditor in relation to issuance of Sainsbury's Bank Tier 2 Capital in September 2022.

10 Finance income and finance costs

	2024			2023		
	Underlying £m	Non- underlying £m	Total £m	Underlying £m	Non- underlying £m	Total £m
Interest on bank deposits and other financial assets	28	—	28	16	—	16
IAS 19 pension financing income	—	51	51	—	56	56
Finance income on net investment in leases	2	—	2	2	—	2
Finance income	30	51	81	18	56	74
Secured borrowings	(38)	—	(38)	(41)	—	(41)
Unsecured borrowings	(33)	—	(33)	(1)	—	(1)
Lease liabilities	(253)	(11)	(264)	(258)	(9)	(267)
Provisions – amortisation of discount	—	(1)	(1)	—	—	—
Finance costs	(324)	(12)	(336)	(300)	(9)	(309)

Notes to the consolidated financial statements continued

11 Taxation

11.1 Income statement

	2024 £m	2023 £m
Current tax		
UK Corporation tax	100	105
Overseas tax	—	3
(Over)/under provision in prior years	(4)	2
	96	110
Deferred tax		
Origination and reversal of temporary differences	24	9
(Over)/under provision in prior years	(19)	3
Adjustment from change in applicable rate of deferred tax	(1)	(2)
Derecognition of capital losses	40	—
	44	10
	140	120
Total income tax expense		
	140	120
Analysed as:		
Underlying tax	185	157
Non-underlying tax	(45)	(37)
	140	120
Total income tax expense		
	140	120
Underlying tax rate	26.4%	22.8%
Effective tax rate	50.5%	36.7%

The effective tax rate of 50.5 per cent (2023: 36.7 per cent) is higher than the standard rate of corporation tax in the UK of 25 per cent as a result of the differences set out below:

	Footnote	Underlying £m	Non- underlying £m	2024 Total £m	Underlying £m	Non- underlying £m	2023 Total £m
Profit before tax		701	(424)	277	690	(363)	327
Income tax at UK corporation tax rate of 24.6% (2023: 19.0%):	a)	172	(104)	68	131	(69)	62
Disallowed depreciation on UK properties		36	—	36	27	—	27
Disallowed depreciation on right-of-use assets		3	—	3	3	—	3
Loss on disposal of properties		—	3	3	—	—	—
Impairment of non-financial assets		—	11	11	—	15	15
Restructuring programmes		—	3	3	—	13	13
Other		(3)	3	—	(4)	1	(3)
(Over)/under provision in prior years		(23)	—	(23)	7	(2)	5
Revaluation of deferred tax balances		—	(1)	(1)	(7)	5	(2)
Derecognition of capital losses	b)	—	40	40	—	—	—
		185	(45)	140	157	(37)	120

a) The UK corporation tax rate increased from 19% to 25% with effect from 1 April 2023. A blended rate of 24.6% is used in the reconciliation above to reflect this change.

b) Following the asset acquisition detailed in note 2.6, capital gains were no longer anticipated to crystallise, giving rise to a tax charge of £40 million. The deferred tax liability held against the property pool was also derecognised and released, resulting in an £80 million credit recognised within other comprehensive income.

The Spring Budget on 21 March 2023 confirmed the introduction of Pillar Two reporting requirements for the UK, and were enacted on 18 July 2023, confirming that the rules will apply to the Group for the period ending 1 March 2025. Pillar Two reporting introduced a global minimum 15 per cent tax rate by the end of 2023 and the Group will be required to file certain returns evidencing the payment of tax at this rate. The potential impact of this has been assessed based on the most recent tax filings, country by country reporting and financial statements for the constituent entities in the Group, and it is not considered that there is a material top-up tax liability at this stage under the transitional safe harbour rules.

It is unclear if the Pillar Two model rules create additional temporary differences, whether to remeasure deferred taxes and which tax rate to use to measure deferred taxes. The Group has therefore applied the mandatory temporary exception in the amended IAS 12 'Income taxes' from the requirement to recognise or disclose information about deferred tax assets and liabilities related to the proposed Pillar Two model rules.

11 Taxation continued**11.2 Income tax charged or (credited) to equity and/or other comprehensive income**

	2024			2023		
	Current tax £m	Deferred tax £m	Total £m	Current tax £m	Deferred tax £m	Total £m
Share based payment reserve	(3)	3	—	(3)	(4)	(7)
Actuarial reserve	(8)	(97)	(105)	(25)	(322)	(347)
Financial asset reserve	(2)	(80)	(82)	—	(14)	(14)
Cash flow hedge	—	(17)	(17)	—	—	—
	(13)	(191)	(204)	(28)	(340)	(368)

The current and deferred tax in relation to the Group's defined benefit pension scheme's remeasurements and available-for-sale fair value movements have been charged or credited through other comprehensive income where appropriate.

11.3 Movements in deferred tax (prior to offsetting balances in same tax jurisdiction)

	Accelerated capital allowances £m	Capital losses £m	Fair value movements £m	Rolled over capital gains £m	Retirement benefit obligations £m	Share-based payments £m	Leases £m	Other £m	Total £m
5 March 2023	(166)	87	(102)	(93)	(330)	32	109	(13)	(476)
Credit/(charge) to income statement	32	(3)	4	1	(11)	6	(29)	(5)	(5)
Credit/(charge) to equity or other comprehensive income	—	—	97	—	97	(3)	—	—	191
Revaluation adjustment to income statement	—	—	—	—	—	—	1	—	1
Derecognition of deferred tax asset	—	(40)	—	—	—	—	—	—	(40)
2 March 2024	(134)	44	(1)	(92)	(244)	35	81	(18)	(329)
6 March 2022	(173)	87	(133)	(93)	(640)	18	132	(4)	(806)
Credit/(charge) to income statement	3	—	13	—	(11)	8	(20)	(5)	(12)
Credit to equity or other comprehensive income	—	—	14	—	328	3	—	—	345
Revaluation adjustment to income statement	4	—	4	—	(1)	2	(3)	(4)	2
Revaluation adjustment to equity or other comprehensive income	—	—	—	—	(6)	1	—	—	(5)
4 March 2023	(166)	87	(102)	(93)	(330)	32	109	(13)	(476)
								2024 £m	2023 £m
Total deferred tax liabilities								(489)	(704)
Total deferred tax assets								160	228
Net deferred income tax liability recognised in non-current liabilities								(329)	(476)

Deferred tax assets have not been recognised in respect of capital losses of £355 million (2023: £194 million) for which their use against chargeable capital gains is restricted. These capital losses have no date of expiry. Deferred income tax assets and liabilities are only offset where there is a legally enforceable right of offset and relate to taxes levied by the same tax authority.

12 Earnings per share

The calculations of basic and underlying basic earnings per share are based on profit after tax and underlying profit after tax for the financial year, respectively, divided by the weighted average number of Ordinary shares in issue during the year, excluding own shares held by the Employee Share Ownership Trust (ESOT).

Underlying earnings per share figures, which represent alternative performance measures as defined in note 2.5, have been calculated based on earnings before non-underlying items which are set out in note 5.

Notes to the consolidated financial statements continued

12 Earnings per share continued

Diluted and underlying diluted earnings per share are calculated on the same basis as basic and underlying basic earnings per share, but where the weighted average share numbers have also been adjusted for the weighted average effects of potentially dilutive shares. Such potentially dilutive shares comprise share options and awards granted to employees, where the scheme to date performance is deemed to have been earned.

	Note	2024 million	2023 million
Weighted average number of shares in issue for calculating basic earnings per share		2,334.8	2,312.6
Weighted average number of dilutive share options		59.2	39.6
Weighted average number of shares in issue for calculating diluted earnings per share		2,394.0	2,352.2
	Note	£m	£m
Profit attributable to ordinary shareholders of the parent		137	207
Adjustment for non-underlying items net of tax	5	379	326
Profit attributable to ordinary shareholders of the parent – underlying		516	533
		Pence per share	Pence per share
Earnings per share			
Basic		5.9	9.0
Diluted		5.7	8.8
Underlying basic		22.1	23.0
Underlying diluted		21.6	22.7

13 Dividends

	2024 pence per share	2023 pence per share	2024 £m	2023 £m
Amounts recognised as distributions to ordinary shareholders				
Final dividend for financial year ended 5 March 2022	—	9.9	—	229
Interim dividend for financial year ended 4 March 2023	—	3.9	—	90
Final dividend for financial year ended 4 March 2023	9.2	—	215	—
Interim dividend for financial year ended 2 March 2024	3.9	—	91	—
	13.1	13.8	306	319
Proposed final dividend at financial year-end	9.2		217	

The proposed final dividend was approved by the Board on 24 April 2024 and is subject to shareholders' approval at the Annual General Meeting. If approved, it will be paid on 12 July 2024 to shareholders on the register as at 7 June 2024. No amount for the proposed final dividend has been recognised at the balance sheet date.

14 Property, plant and equipment

	Note	2024			2023		
		Land and buildings £m	Fixtures and equipment £m	Total £m	Land and buildings £m	Fixtures and equipment £m	Total £m
Cost							
At beginning of financial year		9,865	5,029	14,894	9,693	5,288	14,981
Acquisition	2.6	1,021	—	1,021	—	—	—
Additions		273	360	633	249	284	533
		1	—	1	1	—	1
Disposals		(1)	(470)	(471)	(71)	(540)	(611)
Transfer to assets held for sale		(5)	—	(5)	(7)	(3)	(10)
At end of financial year		11,154	4,919	16,073	9,865	5,029	14,894
Accumulated depreciation and impairment							
At beginning of financial year		3,153	3,540	6,693	2,917	3,662	6,579
Depreciation expense		186	353	539	184	382	566
Impairment loss	17	8	21	29	110	39	149
Disposals		—	(470)	(470)	(56)	(540)	(596)
Transfer to assets held for sale		—	—	—	(2)	(3)	(5)
At end of financial year		3,347	3,444	6,791	3,153	3,540	6,693
Net book value		7,807	1,475	9,282	6,712	1,489	8,201
Capital work-in-progress included above		115	56	171	206	314	520

14 Property, plant and equipment continued**14.1 Interest capitalised**

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 6.8 per cent (2023: 6.1 per cent).

14.2 Security

	2024		2023	
	Number of properties	Net book value £bn	Number of properties	Net book value £bn
Property, plant and equipment pledged as security for				
Loan due 2031	48	0.9	48	0.9
Asset-backed pension contribution scheme	51	1.2	48	1.1
Other	6	0.1	6	0.1
	105	2.2	102	2.1

15 Leases**15.1 Group as a lessee**

a) Right-of-use assets

	Note	2024			2023		
		Land and buildings £m	Equipment £m	Total £m	Land and buildings £m	Equipment £m	Total £m
Net book value							
At beginning of financial year		5,032	313	5,345	5,266	294	5,560
New leases and modifications		334	104	438	283	115	398
Impairment loss	17	(6)	—	(6)	(142)	(1)	(143)
Depreciation expense		(353)	(97)	(450)	(375)	(95)	(470)
Derecognised as part of asset acquisition	2.6	(1,031)	—	(1,031)	—	—	—
At end of financial year		3,976	320	4,296	5,032	313	5,345

b) Lease liabilities

	Note	2024 £m	2023 £m
At beginning of financial year		6,489	6,621
New leases and modifications		414	382
Derecognised as part of asset acquisition	2.6	(1,042)	—
Interest expense		264	267
Payments		(771)	(781)
At end of financial year		5,354	6,489

c) Maturity analysis

	2024 £m	2023 £m
Contractual undiscounted cash flows		
Less than 1 year	703	1,798
1 to 2 years	660	680
2 to 3 years	619	632
3 to 4 years	562	591
4 to 5 years	534	541
Total less than 5 years	3,078	4,242
5 to 10 years	2,467	2,473
10 to 15 years	1,779	1,981
More than 15 years	2,770	3,505
Total undiscounted lease liability	10,094	12,201
Lease liability in the balance sheet	5,354	6,489
Analysed as:		
Current	515	1,533
Non-current	4,839	4,956

d) Undiscounted future rental payments not currently included within the reported lease liability

	2024 £m	2023 £m
Extension options expected to not be exercised	4,498	4,781
Lease breaks expected to be exercised	400	425

Notes to the consolidated financial statements continued

15 Leases continued

15.1 Group as a lessee continued

e) Sensitivity to changes in discount rate

	2024 Increase/(decrease) in lease liability £m
Increase in IBR of 3%	(160)
Decrease in IBR of 3%	170

The reference rates for IBRs, which are determined quarterly, are based on UK overnight swap rates and the credit risk adjustments are based on the prices of instruments issued by the Group and quoted credit default swaps (CDS).

f) Lease liabilities subject to specific terms (typically occurring on an annual or five-yearly basis)

	2024 £m	2023 £m
Inflation-linked rentals	2,862	2,795
Subject to rent reviews	225	241

g) Lease cash flows

	2024 £m	2023 £m
Total cash outflow for leases (excludes sublet income)	(803)	(810)

15.2 Group as lessor

a) Maturity analysis of lease receivables classified as finance leases

	2024 £m	2023 £m
Contractual undiscounted cash flows		
Less than 1 year	10	10
1 to 5 years	21	27
More than 5 years	10	9
	41	46
Lease receivable included in the balance sheet		
Current	9	8
Non-current	24	27
	33	35

b) Maturity analysis of lease receivables classified as operating leases

	2024 £m	2023 £m
Less than 1 year	20	19
1 to 2 years	17	16
2 to 3 years	15	13
3 to 4 years	12	11
4 to 5 years	11	9
5 to 10 years	37	31
10 to 15 years	7	9
More than 15 years	11	12
Total undiscounted lease payments receivable	130	120

16 Intangible assets

	Note	Goodwill £m	Computer software £m	Acquired brands £m	Customer relationships £m	Total £m
Cost						
At 5 March 2023		391	1,105	229	32	1,757
Additions		—	178	—	—	178
Disposals		(7)	(48)	—	—	(55)
At 2 March 2024		384	1,235	229	32	1,880
Accumulated amortisation and impairment						
At 5 March 2023		39	495	167	32	733
Amortisation expense		—	171	18	—	189
Impairment loss	17	38	162	—	—	200
Disposals		—	(48)	—	—	(48)
At 2 March 2024		77	780	185	32	1,074
Net book value at 2 March 2024		307	455	44	—	806
Capital work-in-progress included above						
		—	44	—	—	44
Cost						
At 6 March 2022		392	1,077	229	32	1,730
Additions		—	213	—	—	213
Disposals		(1)	(185)	—	—	(186)
At 4 March 2023		391	1,105	229	32	1,757
Accumulated amortisation and impairment						
At 6 March 2022		26	521	147	30	724
Amortisation expense		—	150	20	2	172
Impairment loss	17	14	9	—	—	23
Disposals		(1)	(185)	—	—	(186)
At 4 March 2023		39	495	167	32	733
Net book value at 4 March 2023		352	610	62	—	1,024
Capital work-in-progress included above		—	48	—	—	48

Disposal of goodwill relates to the disposal of the mortgage book as described in note 5.3.

16.1 Analysis of goodwill balances by CGU

	2024 £m	2023 £m
Jacksons Stores Limited	18	18
Home Retail Group	119	119
Sainsbury's Bank plc	—	45
Nectar	147	147
Bells Stores Limited	5	5
Other	18	18
	307	352

Notes to the consolidated financial statements continued

17 Impairment of non-financial assets

17.1 Key assumptions in measuring VIU

The recoverable amount of Retail CGUs is measured at the higher of fair value less cost to dispose and the value-in-use of cash flows expected to be independently generated. For owned store-related assets, a vacant possession valuation is used as an approximation of fair value less cost to dispose.

The announcement of the restructuring of the Financial Services business as described further in note 5.1, which will result in a phased withdrawal from the core Banking business such that in future such services will be offered by dedicated financial services providers, represented an indicator of impairment, and as such full impairment review was undertaken, with a value-in-use calculation adopted as the measure of recoverability.

Cash flows and discount rate

Assumption	Retail Segment	Financial Services Segment
Cash flows	<ul style="list-style-type: none"> Derived from the Board-approved cash flow projections for four years with an assumed growth rate of 2% beyond the four-year forecast period: <ul style="list-style-type: none"> Owned stores: extrapolated into perpetuity Leased stores: taken to lease end Properties identified for closure: remaining period of trading Online grocery are allocated to the individual store CGUs which fulfil the online sales 	<ul style="list-style-type: none"> Two scenarios of cash flow projection which assume a sale of financial services products or a run down were prepared which represent either end of a reasonably possible range of outcomes that could occur and have been probability weighted in determining value in use Value in use has been derived from the Board-approved cash flow projections for four years, measured with reference to the assets' remaining useful economic life that is being tested, adjusted for any estimated reduction in life arising from the phased withdrawal of the core banking business. For products not directly impacted by the phased withdrawal, the assumed growth rate of up to 2%, depending on product line, has been extrapolated beyond management's four year forecast over the remaining useful life of the assets
Discount rate	<ul style="list-style-type: none"> Post-tax rate representing the weighted average cost of capital (WACC), subsequently grossed up to a pre-tax rate of 8.9%. Post-tax WACC calculated using the capital asset pricing model, the inputs of which include a 20-year average risk-free rate for the UK, a UK equity risk premium, levered debt premium and risk adjustment and an average beta for the Group Discount rate is applied consistently to all individual store CGUs and the Group of CGUs supported by Sainsbury's or Argos stores 	<ul style="list-style-type: none"> Post-tax rate representing weighted average cost of capital (WACC), subsequently grossed up to a pre-tax rate of 14.7% Post-tax WACC calculated using a combination of adjusted market analysis and the actual cost of debt on Tier 2 capital instruments Discount rate is applied consistently to all individual product CGUs and the collective CGUs which support the products

For store pipeline development sites, where there are plans to develop the store, the carrying value of the asset is compared with its VIU using a methodology consistent with the store CGU approach described above. Future cash flows include the estimated costs to completion. For sites where there is no plan to develop a store, the recoverable amount is based on its fair value less costs to dispose.

Climate change considerations

The Group's scenario analysis performed as part of the Task Force on Climate-related Financial Disclosures (TCFD) report (page 30) identified that the most material climate-related risks were heat events, labour capacity, drought, flooding, regulation and changes in consumer preferences. Produce, Cotton, Coffee, Tea, Clothing, Meat, Fish and Poultry (MFP), and Fuel were the product categories most exposed to the climate-related risks.

The most material transitional climate risk was in Fuel. As such, the Group's review of indicators of impairment in the current year incorporated the expected climate-related risks associated with fuel sales. The effect of reduced fuel sales on the Retail segment's store CGUs did not represent an indicator of impairment and therefore the Group have concluded that the expected climate-related risks associated with fuel sales do not have a material impact on the Group's impairment considerations at the reporting date.

Other than fuel, changes in consumer preferences in MFP was identified as the risk most vulnerable to transitional risks and modelling this risk in isolation to 2030 in a 1.5°C scenario calculated a £350 million to £400 million loss in revenue. The Group has considered what the impact that this revenue loss (if unmitigated) could have on the carrying value of the Group's store assets. In doing so, a corresponding reduction in margin and therefore cash flows have been modelled. Immaterial impairment risks were identified. As such, all other climate change-related risks do not have a material impact on the Group's impairment considerations.

17 Impairment of non-financial assets continued

17.2 Non-financial assets

a) Impairment charges

	Note	2024			2023		
		Retail £m	Financial Services £m	Total £m	Retail £m	Financial Services £m	Total £m
Balance sheet							
Property, plant and equipment		20	9	29	149	—	149
Right-of-use assets		3	3	6	143	—	143
Intangible assets		—	200	200	23	—	23
Total impairment loss		23	212	235	315	—	315
Income statement							
Comprising							
Restructuring programmes	5.1	4	212	216	34	—	34
Non-restructuring programmes	5.3	19	—	19	281	—	281
Total impairment loss		23	212	235	315	—	315

b) Sensitivity

For all impairments recognised, management is satisfied that there are no reasonably possible changes in assumptions that would lead to the recognition of a materially different impairment charge.

17.3 Goodwill

a) Impairment charges

The following impairment charges are included within the intangible assets impairment presented in note 17.2.

	Footnote	2024 £m	2023 £m
Sainsbury's Bank plc	a)	38	—
Jacksons Stores Limited	b)	—	10
Bells Stores Limited	b)	—	4
		38	14

a) As described in note 5.3, following the sale of the Group's mortgage portfolio, goodwill of £7 million in respect of Sainsbury's Bank plc was derecognised on disposal. Following the restructuring of the financial services business announced on 18 January 2024 and described in further detail in note 5.1, the remaining balance of goodwill of Sainsbury's Bank plc has been fully impaired.

b) Related to the store CGUs to which Jacksons Stores Limited and Bells Stores Limited goodwill amounts are allocated to.

The recoverable amount of CGUs to which the respective goodwill has been allocated are based on the same key assumptions as noted in 17.1.

b) Sensitivities

Sensitivity analysis on the impairment tests for each group of CGUs to which goodwill has been allocated has been performed. The valuations indicate sufficient headroom such that a reasonably possible change to key assumptions would not result in any impairment of goodwill that differs to that recognised. Management is satisfied that there are no reasonable possible changes to assumptions that would lead to further impairments.

	Footnote	Headroom £m	Headroom			
			Discount rate		Cash flows	
			-2% £m	+2% £m	-10% £m	+10% £m
Home Retail Group	a), b)	1,920	3,066	1,291	1,653	2,188
Sainsbury's Bank plc	a), c)	—	n/a	n/a	n/a	n/a
Nectar UK	a)	1,656	2,412	1,241	1,473	1,838
Jacksons Stores Limited	d)	92	116	77	80	104
Bells Stores Limited	d)	38	44	34	33	43
Other		45	74	29	36	54

a) Cash flows derived from Board-approved projections for four years and then extrapolated into perpetuity with an assumed growth rate of up to 2.0%.

b) Allocated to the collective Argos store and non-store CGU.

c) Sainsbury's Bank plc goodwill is allocated to the Financial Services collective CGUs and has been fully impaired as described in note 5.1. There are no reasonably possible changes in key assumptions that would cause the goodwill to not be impaired.

d) Goodwill balances are allocated to individual store CGUs to which they relate.

Notes to the consolidated financial statements continued

18 Financial assets at fair value through other comprehensive income

	2024			2023		
	Non-current £m	Current £m	Total £m	Non-current £m	Current £m	Total £m
Equity: Other Financial Assets	17	—	17	17	366	383
Debt: Financial Services-related investment securities	744	17	761	498	128	626
	761	17	778	515	494	1,009

2023: Other financial assets predominantly comprised the Group's beneficial interest in a commercial property investment pool which was derecognised during 2024 as described in note 2.6.

19 Inventories

	2024 £m	2023 £m
Gross finished goods	2,039	2,026
Inventory provision	(112)	(127)
	1,927	1,899

20 Trade and other receivables

20.1 Trade and other receivables

	2024			2023		
	Non-current £m	Current £m	Total £m	Non-current £m	Current £m	Total £m
Trade receivables	—	126	126	—	141	141
Other receivables	65	253	318	28	308	336
Accrued income	—	13	13	—	4	4
Prepayments	43	190	233	28	174	202
	108	582	690	56	627	683

Trade and other receivables include £95 million (2023: £88 million) relating to supplier arrangements where there is no right of offset. In addition, current other receivables include £160 million (2023: £142 million) of bank funds in the course of settlement.

20.2 Allowance for expected credit losses

The Group's exposure to credit risk arising from its retail operations is minimal owing to the customer base being large and unrelated with the overwhelming majority of transactions settled through cash or secure electronic means. New parties wishing to obtain credit terms with the Group are credit checked prior to invoices being raised and credit limits are determined on an individual basis.

	2024					Total £m
	Not past due £m	0 to 6 months past due £m	6 to 12 months past due £m	Over 1 year past due £m		
Gross amounts						
Trade receivables	114	13	1	4		132
Other receivables	319	4	1	11		335
Gross Carrying Amount – Trade and other receivables	433	17	2	15		467
Allowance for expected credit losses	(4)	(4)	(1)	(14)		(23)
Net carrying amount	429	13	1	1		444
	2023					Total £m
	Not past due £m	0 to 6 months past due £m	6 to 12 months past due £m	Over 1 year past due £m		
Gross amounts						
Trade receivables	112	25	7	12		156
Other receivables	336	6	1	8		351
Gross Carrying Amount – Trade and other receivables	448	31	8	20		507
Allowance for expected credit losses	(7)	(2)	(5)	(16)		(30)
Net carrying amount	441	29	3	4		477

21 Amounts due from Financial Services customers and other banks

	Note	2024			2023		
		Non-current £m	Current £m	Total £m	Non-current £m	Current £m	Total £m
Loans and advances to customers	a)	1,525	3,227	4,752	1,959	3,573	5,532
Loans and advances to banks		—	—	—	—	100	100
Allowance for expected credit losses	28.2	(58)	(177)	(235)	(51)	(189)	(240)
		1,467	3,050	4,517	1,908	3,484	5,392

a) Includes impact of non-underlying effective interest rate adjustment of £21 million as set out in note 5.1 (2023: £nil). In addition, as described in note 5.3, during the year, the Group disposed of its mortgage portfolio.

Eligible personal loans with applicable haircuts are used as collateral for the bilateral personal loans securitisation facility and the Bank of England's Term Funding Scheme with additional incentives for Small and Medium-sized enterprises (TFSME) and Indexed Long-term Repo (ILTR) facilities.

As at 2 March 2024, £1,436 million (2023: £494 million) of personal loans assets, including £547 million (2023: £80 million) of loans indirectly encumbered via the Bank's securitisation facilities, and £nil (2023: £459 million) of mortgage assets were pledged to the Bank of England facilitating funding of £600 million (2023: £660 million) from TFSME and £5 million (2023: £nil) from the ILTR.

A further £nil (2023: £137 million) of Personal Loans assets were pledged indirectly via the Bank's securitisation facilities generating £nil (2023: £100 million) of funding via sale and repurchase agreements and collateral swaps.

The Bank has also pledged a covered bond of £25 million (2023: £nil) to the Bank of England facilitating £5 million of ILTR funding.

22 Assets held for sale

	2024 £m	2023 £m
Opening balance	8	8
Acquisitions	63	—
Classified as held for sale in the year	15	5
No longer classified as held for sale	(10)	—
Sold in the year	(66)	(5)
Closing balance	10	8

The fair value of assets held for sale is based on independent market valuations of the assets.

Acquisitions relate to the asset acquisition described in note 2.6, of which four properties were sold to a third party during the financial year for £61 million. The fifth and final property acquired as part of the asset acquisition was sold to a third party subsequent to the balance sheet date.

Amounts no longer classified as held for sale relate to circumstances where it is no longer considered highly probable that a sale will occur within the next 12 months. Amounts reclassified are adjusted for any depreciation or amortisation that would have been recognised had the asset not been classified as held for sale.

23 Trade and other payables

	2024			2023		
	Non-current £m	Current £m	Total £m	Non-current £m	Current £m	Total £m
Trade payables	2	3,764	3,766	—	3,361	3,361
Other payables	2	538	540	—	596	596
Accruals	6	456	462	—	538	538
Deferred income	1	333	334	—	342	342
	11	5,091	5,102	—	4,837	4,837

	2024 £m	2023 £m
Analysis of deferred income		
Opening balance	342	352
Revenue deferred	289	340
Revenue recognised which has previously been deferred	(297)	(350)
Closing balance	334	342

£303 million (2023: £315 million) of deferred income relates to deferred Nectar points.

Notes to the consolidated financial statements continued

23 Trade and other payables continued

23.1 Foreign currency risk

The Group has net euro-denominated trade payables of £30 million (2023: £35 million) and US dollar-denominated trade payables of £109 million (2023: £86 million).

23.2 Supplier financing arrangements

The Group has supply chain finance programmes in place. The programmes act as an alternative source of financing for the suppliers who have the option to trade their invoices with funding providers in order to receive cash earlier than the invoice due dates. The payment terms offered to suppliers who are party to the supply chain finance programmes are within standard supplier payment terms and agreed directly with the supplier.

Balances outstanding under the supplier financing arrangements are classified as trade payables, and cash flows are included in operating cash flows, since the financing arrangements are agreed between the supplier, the funding providers and the third-party platform providers. The Group does not provide additional credit enhancement nor obtain any working capital benefit from the arrangements.

Included in trade payables are amounts of £547 million (2023: £607 million) drawn by suppliers who are party to the supply chain finance programmes.

23.3 Sensitivity of deferred income in respect of Nectar points to breakage estimates

Key assumption	Sensitivity	(Increase)/decrease in deferred points liability £m
Breakage estimate	1%	53
	-1%	(52)

24 Amounts due to Financial Services customers and banks

	2024			2023		
	Non-current £m	Current £m	Total £m	Non-current £m	Current £m	Total £m
Customer accounts	183	3,981	4,164	374	4,360	4,734
Other deposits	23	1,534	1,557	692	520	1,212
	206	5,515	5,721	1,066	4,880	5,946

With the exception of fixed rate bonds, amounts due to Financial Services customers are generally repayable on demand and accrue interest at retail deposit rates.

Other deposits of £1,557 million (2023: £1,212 million) relate to deposits from wholesale counterparties, including the Bank of England's TFSME and ILTR schemes, and £518 million (2023: £191 million) of deposits obtained via deposit aggregators where the ultimate depositors are retail customers.

Following the strategic decision to move to offer Financial Services products through dedicated Financial Services providers and the phased withdrawal from the core banking business, amounts due in respect of the Bank of England's Term Funding Scheme Small and Medium-sized enterprises (TFSME) have been classified as current liabilities. This is in line with the terms and conditions of the Term Funding Scheme with additional incentives for SMEs, although the latest repayment dates remain as July 2025 of £40 million, August 2025 of £385 million, and September 2025 of £175 million. It should also be noted that subsequent to the balance sheet date, prior to the date of approval of the financial statements, the Group has repaid £100 million of the outstanding TFSME liability as part of its normal liquidity management activity.

25 Provisions

	Property provisions a) £m	Insurance provisions b) £m	Sainsbury's structural integration provisions c) £m	Financial Services-related provisions d) £m	Other provisions £m	Total £m
At 5 March 2023	114	59	58	28	13	272
Additional provisions	77	22	42	18	—	159
Unused amounts released	(19)	—	(8)	(6)	(2)	(35)
Utilisation of provision	(52)	(22)	(42)	(1)	—	(117)
Amortisation of discount	—	—	1	—	—	1
At 2 March 2024	120	59	51	39	11	280
Current	45	13	28	22	5	113
Non-current	75	46	23	17	6	167
At 6 March 2022	140	62	29	26	14	271
Additional provisions	26	30	64	5	—	125
Unused amounts released	(33)	(4)	(3)	(1)	(1)	(42)
Utilisation of provision	(19)	(29)	(32)	(2)	—	(82)
At 4 March 2023	114	59	58	28	13	272
Current	55	19	30	28	8	140
Non-current	59	40	28	—	5	132

a) Property provisions comprise onerous property contract provisions for the least net cost of exiting from the contract and provisions for dilapidations.

b) Insurance provisions comprise liabilities in respect of outstanding insurance claims in relation to public liability, employer's liability and third party motor.

c) Sainsbury's structural integration restructuring provisions comprise mainly redundancies as described in note 5.1.

d) Financial Services-related provisions comprise mainly Financial Services loan commitment provisions reflecting expected credit losses modelled in relation to loan commitments not yet recognised on the balance sheet, including on credit cards and Argos store cards. Additional provisions in the current year relate to onerous contracts arising from the changes to the Financial Services model restructuring programme as described in note 5.1.

25.1 Climate change considerations

The Group takes into account the potential impact of climate change on its legal and constructive obligations, such as regulations related to carbon emissions, environmental liabilities and natural disasters. The Group has reviewed its provisions and concluded that no adjustments need to be made for climate change risks, nor that any new provisions need to be recognised for climate-related matters.

25.2 Sensitivity of provisions to changes in expected cash outflows

	Increase/(decrease) in provisions recognised					Total £m
	Property provisions £m	Insurance provisions £m	Sainsbury's structural integration provisions £m	Other provisions £m		
Cash outflow	10%	12	6	5	1	24
Cash outflow	(10)%	(12)	(6)	(5)	(1)	(24)

26 Called up share capital

	2024 million	2023 million	2024 £m	2023 £m
Called up share capital				
Allotted and fully paid ordinary shares 28 4/7p	2,371	2,352	678	672

Movements relate to allotments of 18,274,875 shares (2023: 15,987,425 shares) in respect of share option schemes.

Notes to the consolidated financial statements continued

27 Capital redemption and other reserves

	Currency translation reserve £m	Investment in own shares £m	Financial asset reserve £m	Cash flow hedge £m	Total other reserves £m	Capital redemption reserve £m
At 5 March 2023	3	(90)	293	68	274	680
Currency translation differences	(3)	—	—	—	(3)	—
Financial assets at fair value through other comprehensive income	—	—	1	—	1	—
Transferred to carrying value of inventory	—	—	—	32	32	—
Cash flow hedges effective portion of fair value movements	—	—	—	(149)	(149)	—
Items reclassified from cash flow hedge reserve	—	—	—	4	4	—
Purchase of own shares	—	(18)	—	—	(18)	—
Allotted in respect of share schemes	—	35	—	—	35	—
Deferred tax	—	—	80	17	97	—
Current tax	—	—	2	—	2	—
At 2 March 2024	—	(73)	376	(28)	275	680
	Currency translation reserve £m	Investment in own shares £m	Financial asset reserve £m	Cash flow hedge £m	Total other reserves £m	Capital redemption reserve £m
At 6 March 2022	(1)	(68)	293	117	341	680
Currency translation differences	4	—	—	—	4	—
Financial assets at fair value through other comprehensive income	—	—	2	—	2	—
Transferred to carrying value of inventory	—	—	—	(139)	(139)	—
Items reclassified from financial assets at fair value through other comprehensive income reserve	—	—	(1)	—	(1)	—
Cash flow hedges effective portion of fair value movements	—	—	—	93	93	—
Items reclassified from cash flow hedge reserve	—	—	(1)	(17)	(18)	—
Purchase of own shares	—	(45)	—	—	(45)	—
Allotted in respect of share schemes	—	23	—	—	23	—
Deferred tax	—	—	—	14	14	—
At 4 March 2023	3	(90)	293	68	274	680

27.1 Currency translation reserve

The currency translation reserve accumulates foreign exchange differences arising on the translation of net assets in foreign operations which are recognised in Other Comprehensive Income. The cumulative amount is reclassified to retained earnings when the related investment is disposed.

27.2 Investment in own shares

Represents the cost of shares in the Company held by the Employee Share Ownership Trust (ESOT) net of directly attributable costs for the purchase of issued, or issuance of new shares. This cost is transferred to retained earnings when shares are issued by the ESOT to employees to satisfy employee share awards.

Shares held by the ESOT

	2024			2023		
	Market Value £m	Nominal Value £m	Number m	Market Value £m	Nominal Value £m	Number m
Investment in own shares	75	8.6	30.1	99	10.7	37.3
Maximum number of shares held during the period	105	11.8	41.3	83	10.9	38.0

During the period, the ESOT acquired 6.8 million of the Company's ordinary shares via market purchase for cash consideration of £18 million (2023: 20.0 million shares via market purchase for cash of £45 million). The disposal of 14.0 million (2023: 9.3 million) ordinary shares was by way of distribution to settle outstanding employee share awards. The ESOT has waived its right to receive dividends and has agreed to abstain from exercising its right to vote.

27.3 Financial asset reserve

Represents the fair value gains and losses on financial assets at fair value through other comprehensive income.

As described in note 18, the Group derecognised its financial asset relating to its beneficial interest in a commercial property investment pool during the financial year. On derecognition, the cumulative gain or loss previously recognised in the financial asset reserve did not result in a profit or loss in the income statement, as gains or losses on equity instruments are never recycled to the income statement.

27.4 Cash flow hedge reserve

Represents the effective portion of gains or losses on derivatives designated and that qualify as cash flow hedges. Amounts are transferred to the balance sheet and included within the initial cost of the asset which is being hedged, or to the income statement, as appropriate.

27.5 Capital redemption reserve

The balance arose through a return of share capital resulting in the return and cancellation of shares, by way of a B share scheme, approved at an Extraordinary General Meeting on 12 July 2004. The final redemption date for B shares was 18 July 2007 with all transactions completed in 2007.

28 Financial risk management

The principal financial risks faced by the Group relate to liquidity risk, credit risk, market risk (foreign currency risk, interest rate risk and commodity risk) and capital risk.

Financial risk management is managed by a central treasury department in accordance with policies and guidelines which are reviewed and approved by the Board of Directors. The risk management policies are designed to minimise potential adverse effects on the Group's financial performance by identifying financial exposures and setting appropriate risk limits and controls. The risk management policies also ensure sufficient liquidity is available to the Group to meet foreseeable financial obligations and that cash assets are invested safely.

Financial risk management with respect to Financial Services is separately managed within the Financial Services' own governance structure whereby a holistic, end-to-end view of risk is adopted which ensures that the key risks arising from Financial Services activities are effectively identified, assessed and controlled. The objective is to support the strategy of Financial Services by assessing and managing risks in an appropriate manner relative to the size and complexity of the business. In respect of the decision for financial services products to be offered in the future by dedicated financial services providers through a distributed model with a phased withdrawal from the core Banking business over time, financial risks were considered and assessed and this will continue to be monitored and assessed as this restructuring progresses.

28.1 Liquidity risk

Liquidity risk is the risk that the Group may be unable to meet its financial obligations as they fall due.

The principal operational cash flow of the Group is largely stable and predictable reflecting the low business risk profile of the food retail sector and the cyclical profile of the non-food retail sector. Cash flow forecasts are produced to assist management in identifying future liquidity requirements. The Group's liquidity policy sets a minimum funding headroom of £500 million in excess of forecast funding requirements over a rolling 12-month time horizon. The Group manages its liquidity risk by maintaining a core of long-dated borrowings, pre-funding future cash flow commitments and holding contingent committed credit facilities.

Within Financial Services, Sainsbury's Bank undertakes an annual Internal Liquidity Adequacy Assessment Process (ILAAP) which enables it to:

- Identify and assess its most relevant liquidity risk drivers which include its Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) as well as cash flow and funding ratios
- Quantify its liquidity needs under various stress scenarios
- Put in place appropriate limits and controls to mitigate liquidity risks

Through its Asset-Liability Committee (ALCO), the Bank's asset encumbrance ratios and risk indicators for wholesale funding are also regularly monitored. The main sources of encumbrance in the Group relate to margin requirements for derivative transactions and collateral relating to secured funding transactions. Cash collateral is advanced and received as variation margin on derivatives transactions, whilst eligible treasury assets are pledged as collateral for initial margin requirements on derivatives which are centrally cleared. Information regarding loans used as collateral is set out in note 21 with encumbered assets set out below.

Encumbered assets

	2024 £m	2023 £m
Loans and advances to customers	1,444	1,116
Debt securities	25	—
Cash and balances with central banks	14	15
Other assets	76	64

The Group has a £1,575 million unsecured committed facility which consists of a £1,000 million Revolving Credit Facility as set out in note 33.4 and a £575 million Term Loan maturing in March 2026 which is fully drawn.

As detailed in note 23.2, some suppliers have access to supply chain finance facilities, which allows these suppliers to benefit from the Group's credit profile. The total size of the facility is £1,053 million (2023: £1,054 million) across a number of banks and platforms with an amount utilised of £547 million (2023: £607 million). The level of utilisation is dependent on the individual supplier requirements and varies significantly over time.

Maturities below are based on the contractual undiscounted cash flows or an estimate of cash flows in respect of floating interest rate liabilities.

Maturity of financial liabilities – undiscounted

	Footnote	2024				Total £m
		Less than one year £m	One to two years £m	Two to five years £m	More than five years £m	
Non-derivative financial liabilities						
Secured loan: Loan due 2031	a)					
Trade and other payables	b)	(84)	(88)	(293)	(178)	(643)
Amounts due to Financial Services customers and banks		(4,758)	(5)	(5)	—	(4,768)
Tier 2 subordinated debt	c)	(5,798)	(138)	(100)	—	(6,036)
Term loan		(12)	(12)	(152)	—	(176)
		(37)	(35)	(581)	—	(653)
Derivative contracts – net settled						
Commodity contracts		1	—	—	—	1
Interest rate swaps in hedging relationships	b), d)	—	—	(7)	(49)	(56)
Derivative contracts – gross settled						
Foreign exchange forwards – outflow	e)	(1,194)	(190)	—	—	(1,384)
Foreign exchange forwards – inflow	e)	1,168	188	—	—	1,356
Commodity contracts – outflow		(26)	(22)	(53)	(138)	(239)
Commodity contracts – inflow		27	26	64	129	246

Notes to the consolidated financial statements continued

28 Financial risk management continued

28.1 Liquidity risk continued

Maturity of financial liabilities – undiscounted continued

	Footnote	2023				Total £m
		Less than one year £m	One to two years £m	Two to five years £m	More than five years £m	
Non-derivative financial liabilities						
Secured loan: Loan due 2031	a)					
Trade and other payables	b)	(79)	(82)	(272)	(289)	(722)
Amounts due to Financial Services customers and banks		(4,495)	—	—	—	(4,495)
Tier 2 subordinated debt	c)	(5,101)	(359)	(766)	—	(6,226)
	f)	(12)	(12)	(38)	(126)	(188)
Derivative contracts – net settled						
Commodity contracts		(1)	1	—	—	—
Interest rate swaps in hedging relationships	b), d)	28	13	4	4	49
Other interest rate swaps – Sainsbury's Bank		4	—	—	—	4
Derivative contracts – gross settled						
Foreign exchange forwards – outflow	e)	(1,560)	(222)	—	—	(1,782)
Foreign exchange forwards – inflow	e)	1,602	220	—	—	1,822
Commodity contracts – outflow		(16)	(28)	(59)	(164)	(267)
Commodity contracts – inflow		44	58	116	200	418

- a) Maturity of non-derivative financial liabilities in respect of lease liabilities is set out in note 15.1 c).
- b) Cash flows relating to debt and swaps linked to inflation rates have been calculated using an RPI of 5.0 per cent for the year ended 2 March 2024, 4.9 per cent for the year ending 1 March 2025 and 3.9 per cent for future years (2023: RPI of 5.0 per cent for the year ending 4 March 2023 and 5.0 per cent for year 2024 and beyond).
- c) Cash flows relating to amounts due to Sainsbury's Bank customers and banks are calculated using contractual terms and interest rates for fixed rate instruments. Where balances are contractually repayable on demand, behavioural assumptions are applied to estimate the interest payable on those balances. These are shown as due within one year.
- d) The swap rate that matches the remaining term of the interest rate swap as at the period end date has been used to calculate the floating rate cash flows over the life of the interest rate swaps shown above.
- e) Cash flows in foreign currencies have been translated using year-end spot rates.
- f) The 2023 table has been restated to include Tier 2 subordinated debt, which was incorrectly excluded from this disclosure table in the prior year.

28.2 Credit risk

a) Retail credit risk management

Counterparty credit risk is the risk of a financial loss arising from counterparty default or non-performance in respect of the Group's holdings of cash and cash equivalents, derivative financial assets, deposits with banks, investments in marketable securities, trade and other receivables and loans and advances to customers.

b) Financial Services retail credit risk management

Within Financial Services, retail credit risk is the possibility of losses arising from a retail customer failing to meet their agreed repayment terms as they fall due. The Financial Services division utilises automated scorecards to assess the creditworthiness and affordability criteria of new applicants and ongoing behavioural characteristics of existing customers. The outcome from all scorecard models is monitored utilising a set of credit quality metrics to ensure actual performance is in line with agreed expectations. Additional expert underwriting of credit applications is undertaken by a specialist operational team where further consideration is appropriate.

The Retail Credit Risk Committee of Sainsbury's Bank provides portfolio oversight control over credit strategy to maintain lending in line with the Bank Board's approved risk appetite, with additional oversight and control provided by the Bank's Executive and Board Risk Committees. Internal Audit provide additional assurance by undertaking regular reviews on the adequacy of credit risk policies and procedures.

c) Wholesale and derivative credit risk management

The Group (excluding Financial Services) sets counterparty limits for each of its banking and investment counterparties based on their credit ratings and credit default swap pricing. The minimum long-term credit rating accepted by the Group is BBB – (Standard & Poor's and Fitch) or Baa3 (Moody's) or, in the case of pound sterling liquidity funds, AAA or Aaa/MR1+ from Moody's. In the event of a split credit rating, the lower rating applies.

Analysis of Group (including Financial Services) credit exposure

Counterparty	Footnote	Long-term rating	2024 £m	2023 £m
Cash and cash equivalents				
Financial institutions – Money market funds	a)	AAA/Aaa	263	140
Financial institutions – Money market deposits		AAA/Aaa	—	50
Financial institutions – Money market deposits		AA+/Aa1 to A/A2	232	215
Deposits at central banks		AA+/Aa1	886	345
Derivative financial assets				
Interest rate swaps		AA+/Aa1 to A/A2	62	99
Inflation rate swaps		AA+/Aa1 to A/A2	—	2
Foreign exchange forward contracts		AA+/Aa1 to A/A2	4	49
Commodity forward contracts		AA+/Aa1 to A/A2	1	7

- a) Excludes bank balances, store cash, cash in transit and cash at ATMs.

28 Financial risk management continued

28.2 Credit risk continued

Analysis of Group (including Financial Services) credit exposure continued

The Bank's treasury portfolio is held primarily for liquidity management purposes and in the case of derivatives, for the purpose of managing market risk.

Limits are established for all counterparty and asset class exposures based on their respective credit quality and market liquidity. Consideration is also given to geographical region and the strength of relevant sovereign credit ratings. Derivatives are subject to the same credit risk control procedures as are applied to other wholesale market instruments and the credit risk arising from mark to market derivative valuations is mitigated by daily margin calls, posting cash collateral to cover exposures.

d) Maximum exposure to credit risk

Credit exposure	2024 £m	2023 £m
On balance sheet items		
Loans and advances to customers and other banks	4,517	5,392
Cash and balances with central banks	1,987	1,319
Derivative financial instruments (excludes level 3 instruments)	67	156
Investment securities	761	626
Other assets	444	477
Off balance sheet items		
Loan commitments	6	11
	7,782	7,981

The exposures are shown gross, before the effect of mitigation through the use of collateral agreements.

The commitments to lend do not include undrawn limits on credit cards and store cards of £7,691 million (2023: £8,674 million). These are not considered contractual commitments but, because in practice Financial Services does not expect to withdraw these credit limits from customers, they are within the scope of impairment provisioning.

e) Impairment of financial assets

The ECL 3 stage model is applied as follows:

- Stage 1 – Impairment allowance is calculated on financial assets that have not significantly increased in credit risk since origination, nor are credit impaired, using the probability that a borrower will default within 12 months from the balance sheet date. Interest income is recognised on the gross carrying value of the financial asset
- Stage 2 – Where a financial asset exhibits a significant increase in credit risk (SICR) but is not yet considered to be credit impaired, the probability of default considered in the impairment allowance is based upon the lifetime probability of the borrower defaulting. Interest income continues to be recognised on the gross carrying value of the financial asset
- Stage 3 – Assets considered to be credit impaired resulting from one or more events that have occurred that has resulted in a detrimental impact on the estimated future cash flows of the asset. Stage 3 assets will continue to recognise lifetime expected impairment losses (with a 100% probability of default) and interest income will be recognised on the net carrying amount (i.e. gross amount less impairment)

Significant increases in credit risk

The Group determines whether there has been a significant increase in credit risk by reference to quantitative thresholds, qualitative indicators and the backstop presumption that credit risk has significantly increased if contractual payments are more than 30 days past due.

Quantitative thresholds have been determined that when the lifetime PD of an instrument as at the reporting date has increased to greater than a specified multiple of the origination lifetime PD, a significant increase in credit risk is deemed to have occurred.

Qualitative tests are based around the Group's credit origination policy rules for Financial Services customers. These rules are in place at account origination in order to decline accounts that may demonstrate risk factors outside of risk appetite that are not yet reflected in PD measures. At the reporting date, if an account satisfies any policy decline rules that it had not at the point of origination, it will be considered to have significantly increased in credit risk.

There is no probationary period applied in respect of accounts that cure from stage 2 to stage 1. Transfer criteria have been subject to extensive analysis to ensure that they appropriately reflect the flow of accounts from origination to default so as to maximise the number of accounts that flow through the stages and minimise accounts that jump from stage 1 to stage 3, or that fail to enter stage 3 from stage 2.

The Group has applied the low credit risk exemption in respect of its high quality treasury portfolio held for liquidity purposes. This exemption permits low credit risk debt securities (i.e. those considered investment grade) to remain in Stage 1 without an assessment of significant increase in credit risk.

Definition of default

The Group's definition of default is used in determining those accounts classified as stage 3 (i.e. credit impaired). The Group has chosen not to rebut the backstop presumption prescribed by IFRS 9 that where an account is 90 days or more past its due date then default has occurred.

The Group has also defined a number of unlikely-to-pay criteria that result in an account being deemed to have defaulted. These include:

- Where operational collections activities have been exhausted on accounts that are less than 90 days past due and the account is subject to recoveries processes
- If any forbearance has been granted on the account (see forbearance definition below)
- Where the customer is subject to insolvency proceedings
- Where the customer is deceased

Where an account no longer meets any of the default criteria, such as by bringing payments back up to date, the Group will continue to consider the account as being in default for the probation period (24 months for Loans and Cards, and 12 months for Storecards) from the date when it last met the definition of default.

Notes to the consolidated financial statements continued

28 Financial risk management continued

28.2 Credit risk continued

e) Impairment of financial assets continued

Write-off

Loans and advances to customers are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to write-off.

Subsequent recoveries of amounts previously written off result in impairment gains recorded in the income statement.

Modified financial assets

When the contractual cash flows of a financial asset have been renegotiated or modified and the financial asset was not derecognised, its gross carrying amount is recalculated as the present value of the modified contractual cash flows, discounted at the original effective interest rate with a gain or loss recognised in the income statement.

Loans and advances to customers per ECL stage

	2024				2023			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Unsecured lending	4,154	398	207	4,759	4,312	479	203	4,994
Allowance for expected credit losses								
Expected credit loss on gross balance	(46)	(50)	(139)	(235)	(45)	(51)	(144)	(240)
Undrawn commitments impairment	(10)	(4)	(1)	(15)	(12)	(7)	—	(19)
	(56)	(54)	(140)	(250)	(57)	(58)	(144)	(259)
Coverage	1.3%	13.6%	67.6%	5.3%	1.3%	12.1%	70.9%	5.2%

Unsecured lending represents Sainsbury's Bank credit cards and personal loan lending in addition to Argos storecards and monthly payment plan. The Group has no secured lending (2023: secured lending comprised the Group's mortgage portfolio which was sold during the year as described in note 28.2 h).

Loans and advances to customers per ECL stage – split by exposure and ECL movement

	2024				2023			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Gross exposure								
Provided	—	—	207	207	—	—	209	209
Past due but not impaired	8	47	—	55	10	50	—	60
Neither past due nor impaired	4,146	351	—	4,497	4,835	471	—	5,306
	4,154	398	207	4,759	4,845	521	209	5,575
Allowance for expected credit loss								
Opening loss allowance	(57)	(58)	(144)	(259)	(46)	(54)	(122)	(222)
Transfers between stages	(12)	24	(12)	—	(11)	22	(11)	—
Additional allowance less amounts recovered	(4)	1	(2)	(5)	(8)	(2)	8	(2)
Write-offs	1	6	69	76	—	4	35	39
Changes in credit risk during the year	16	(27)	(51)	(62)	8	(28)	(54)	(74)
Closing allowance before undrawn commitments impairment	(56)	(54)	(140)	(250)	(57)	(58)	(144)	(259)
Undrawn commitments impairment	10	4	1	15	12	7	—	19
Closing loss allowance	(46)	(50)	(139)	(235)	(45)	(51)	(144)	(240)
Net exposure	4,108	348	68	4,524	4,800	470	65	5,355
Hedging fair value adjustment				(7)				(43)
Loans and advances to other banks				—				100
				4,517				5,392

Credit quality per class of loans and advances

12 month probability of default

	Probability %
High quality	<=3.02%
Satisfactory quality	>=3.03%–11.10%
Low quality	>=11.11%
Credit impaired	100%

28 Financial risk management continued**28.2 Credit risk** continued

e) Impairment of financial assets continued

Credit quality – unsecured lending

	2024				2023			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
High quality	3,387	81	—	3,468	3,593	125	—	3,718
Satisfactory quality	704	186	—	890	641	215	—	856
Low quality	63	131	—	194	78	139	—	217
Credit impaired	—	—	207	207	—	—	203	203
Total	4,154	398	207	4,759	4,312	479	203	4,994

2024: The Group has no secured lending (2023: secured lending comprised the Group's mortgage portfolio which was sold during the year as described in note 28.2 h).

f) Sensitivity of ECL to changes in macro-economic scenarios

The ECL models utilise four scenarios including a 'base case' scenario considered to be the most likely outcome together with an upside, downside scenario and severe downside. The base case has been assigned a probability weighting of 40% with the upside, downside and severe downside scenarios weighted 30%, 25% and, 5% respectively (2023: base scenario 40%; upside, downside and severe downside scenarios weighted 30%, 25%, and 5% respectively).

Key macro-economic assumptions (five-year forecast averages)

	2024			
	Base %	Upside %	Downside %	Severe downside %
Unemployment rate	4.4	4.0	5.5	7.2
Consumer price growth	2.0	1.1	3.1	4.3
GDP	1.2	1.8	0.3	(0.6)
Mortgage debt as a percentage of household income	91.4	88.4	95.5	100.1
Real household disposable income	1.6	2.3	0.7	(0.2)
Probability weighting (%)	40	30	25	5
Sensitivity analysis impact on impairment of 100 per cent weighting	£(5.3) m	£(15.0) m	£17.9m	£61.8m

g) Management overlays and post-model adjustments (PMAs)

Overlays and PMAs are adjustments to ECL at either a customer or portfolio level to account for known data or model limitations and are defined consistently with the most recent recommendations of the Taskforce on Disclosures about Expected Credit Losses (DECL). Internal governance is in place to regularly monitor and reduce reliance such overlays through model recalibration or redevelopment.

Management overlays and PMAs include those arising from modelling specific economic uncertainties or operational adjustments due to model or data limitations which require a permanent remodelling solution. The effects of overlays and PMAs is not significant.

h) Collateral relating to loans and advances to customers

As described in note 5.3, on 15 August 2023, Sainsbury's Bank completed the sale and transfer of beneficial ownership of its mortgage portfolio. Mortgages held over residential properties represented the only collateral held by the Group for retail exposures.

The market value of collateral held for impaired loans and loans past due but not impaired was £nil (2023: £17 million).

The value of collateral used in determining the LTV ratios is estimated based upon the last actual valuation, adjusted to take into account subsequent movements in house prices.

Notes to the consolidated financial statements continued

28 Financial risk management continued

28.2 Credit risk continued

i) Forbearance

The Group provides support to customers who are experiencing financial difficulties. Forbearance is defined as relief granted by a lender to assist customers in financial difficulty, through arrangements which temporarily allow the customer to pay an amount other than the contractual amounts due. These temporary arrangements may be initiated by the customer or the Group where financial difficulty would prevent repayment within the original terms and conditions of the contract.

The main aim of forbearance is to support customers in returning to a position where they are able to meet their contractual obligations.

The Group has well defined forbearance policies and processes. A number of forbearance options are made available to customers. These include arrangements to repay arrears over a period of time by making payments above the contractual amount, that ensure the loan is repaid within the original repayment term and short-term concessions, where the borrower is allowed to make reduced repayments (or in exceptional circumstances, no repayments) on a temporary basis to assist with short-term financial hardship.

Loans and advances subject to forbearance programmes

	2024			2023		
	Forbearance			Forbearance		
	Gross amounts £m	As proportion of total %	Proportion covered by provision %	Gross amounts £m	As proportion of total %	Proportion covered by provision %
Unsecured	53	1.1	67.2	61	1.2	69.1
Secured	—	—	—	1	0.2	4.5
	53	1.1	67.2	62	1.1	68.1

28.3 Market risk

The Group uses forward contracts to hedge foreign exchange and commodity exposures, and interest rate swap contracts to hedge interest rate exposures. The use of financial derivatives is governed by Board-approved policies which prohibit the use of derivative financial instruments for speculative purposes.

a) Foreign currency risk

Currency risk is the risk of increased costs arising from unexpected movements in exchange rates impacting the Group's foreign currency-denominated supply contracts.

The Group's currency risk policy seeks to limit the impact of fluctuating exchange rates on the Group's income statement by requiring highly probable foreign currency cash flows to be hedged. Highly probable foreign currency cash flows, which may be either contracted or un-contracted, are hedged on a layered basis largely using foreign currency forward contracts.

The Group has exposure to currency risk on balances held in foreign currency-denominated bank accounts, which may arise due to short-term timing differences on maturing hedges and underlying supplier payments.

A 10 per cent movement in exchange rates against pound sterling is considered a reasonable measure of volatility.

Impact of change in exchange rate (all other variables held constant)

	2024		2023	
	Impact on post tax profits +/- 10%	Impact on cash flow hedge reserve +/- 10%	Impact on post tax profits +/- 10%	Impact on cash flow hedge reserve +/- 10%
Group	£m	£m	£m	£m
USD/GBP	7/(8)	(88)/108	5/(6)	(110)/135
EUR/GBP	2/(3)	(33)/40	2/(3)	(32)/40

Financial Services

The Bank is exposed to foreign exchange risk through its holding of cash denominated in foreign currencies, primarily Euro and US Dollar, within its travel money bureaux in Sainsbury's stores and its currency dispensing ATM machines. The foreign exchange positions are hedged on a regular basis.

b) Interest rate risk

Interest rate risk is the risk of increased costs or lower income arising from unexpected movements in interest rates and inflation rates impacting the Group's borrowing and investment portfolios. The Group's interest rate policy seeks to limit the impact of fluctuating interest and inflation rates by maintaining a diversified mix of fixed rate, floating rate and variable capped rate liabilities.

Interest on financial instruments is classified as fixed rate if interest re-sets on the borrowings are less frequent than once every 12 months. Interest on financial instruments is classified as floating rate if interest re-sets on the borrowings occur every 12 months or more frequently. Floating rate instruments are considered variable capped rate if the nominal interest rate is subject to a cap.

28 Financial risk management continued**28.3 Market risk** continued**b) Interest rate risk** continued**Mix of financial assets and liabilities**

	2024			
	Fixed £m	Floating £m	Variable capped £m	Total £m
Interest bearing financial assets at fair value through other comprehensive income	—	761	—	761
Amounts due from Financial Services customers and other banks	2,167	2,350	—	4,517
Cash and cash equivalents	620	1,367	—	1,987
Borrowings	(122)	(581)	(496)	(1,199)
Amounts due to Financial Services customers and banks	(1,959)	(3,762)	—	(5,721)
Derivative effect:				
Interest rate swaps	(1,120)	1,120	—	—
Inflation linked swaps	(155)	—	155	—
	(569)	1,255	(341)	345

	Footnote	2023			Total £m
		Fixed £m	Floating £m	Variable capped £m	
Interest-bearing financial assets at fair value through other comprehensive income	a)	—	626	—	626
Amounts due from Financial Services customers and other banks		2,690	2,702	—	5,392
Cash and cash equivalents		456	863	—	1,319
Borrowings		(122)	—	(539)	(661)
Amounts due to Financial Services customers and banks		(1,477)	(4,469)	—	(5,946)
Derivative effect:					
Interest rate swaps		(1,143)	1,143	—	—
Inflation-linked swaps		(490)	—	490	—
		(86)	865	(49)	730

a) 2023 disclosure has been re-presented to exclude £63 million of investment securities which are classified as Cash and cash equivalents.

Cash flow sensitivity for floating rate instruments

The Group considers that a 100 basis point movement in interest rates is a reasonable measure of volatility; however, the sensitivity to such a change is not significant.

Cash flow sensitivity for variable capped rate liabilities

The Group holds £496 million of capped inflation-linked borrowings (2023: £539 million) of which £155 million (2023: £490 million) have been swapped into fixed rate borrowings using inflation rate swaps maturing in April 2026.

The Group considers that a 100 basis point movement in the RPI rate is a reasonable measure of volatility, however, the sensitivity to such a change is not significant.

Financial Services

Interest Rate Risk in the Banking Book (IRRBB) arises from interest rate movements which impact the present value and timing of future cash flows resulting in changes in the underlying value of a bank's assets and liabilities and hence its economic value. Interest rates movements also affect a bank's earnings by altering interest-sensitive income and expenses, affecting its net interest income.

The main types of interest rate risk faced by the Bank are:

- Re-pricing gap risk: the risk arising from timing differences in the interest rate changes of bank assets and liabilities (e.g. fixed rate personal loans and instant access savings accounts)
- Yield curve risk: the risk arising from changes in the slope and shape of the yield curve
- Basis risk: risk arising from imperfect correlation between different interest rate indices (e.g. administered rate on savings products and treasury assets linked to SONIA)
- Prepayment risk: the risk arising from the timing of customer prepayments which differ from planning and hedging assumptions
- Pipeline risk: the risk of a customer drawing down, or not, a product at a rate which is unfavourable for the Bank
- Credit Spread Risk: the risk of adverse effects resulting from a change in credit spreads, arising via the Bank's Treasury portfolio

Interest risk exposure is actively managed within limits that are aligned with the Bank's risk appetite by using financial instruments such as interest rate swaps and by taking into account natural hedges between assets and liabilities with similar repricing characteristics. Hedging strategies are implemented and reviewed to ensure the Bank remains within its limits.

c) Commodity risk

Commodity risk is the risk of increased costs arising from unexpected movements in commodity prices impacting the Group's own use consumption of electricity, gas and diesel. The Group hedges own use consumption of electricity and gas with forward purchases under flexible purchasing arrangements with its suppliers as well as power purchase agreements for electricity. The Group uses a combination of purchasing agreements and financial derivatives to hedge fuel exposures on a layered basis using contracts for difference. See note 30 for derivative disclosures.

Notes to the consolidated financial statements continued

28 Financial risk management continued

28.4 Capital risk management

The Group defines capital as total equity plus net debt.

The Board's capital objective is to maintain a strong and efficient capital base to support the Group's strategic objectives, provide optimal returns for shareholders and safeguard the Group's status as a going concern. There has been no change to capital risk management policies during the year.

The Board monitors a broad range of financial metrics including return on capital employed, balance sheet gearing and fixed charge cover.

The Board can manage the Group's capital structure by diversifying the debt portfolio, adjusting the size and timing of dividends paid to shareholders, recycling capital through sale and leaseback transactions, issuing new shares or repurchasing shares in the open market and flexing capital expenditure.

From time to time, the ESOT may purchase shares in the Company from the open market for the purpose of satisfying awards under the Group's employee share plans; however, the Group does not currently operate a defined share buy-back plan.

The Revolving Credit Facility and Term Loan have a single repeating financial covenant. Part of the Group's capital risk management is to ensure compliance with both the financial and general covenants included within the Group's borrowing facilities. Examples of general covenants include restrictions on the permitted value of asset disposals and incremental indebtedness. In addition to there being no breaches in the year of financial and general covenants, there is healthy headroom within all covenants as at 2 March 2024.

a) Financial Services capital resources (unaudited)

Regulatory capital is calculated under the Capital Requirements Regulations and Capital Requirements Directive (collectively known as CRD IV). The Bank has obtained an individual consolidation waiver from the PRA, which allows the Bank to monitor its capital position on a consolidated basis only. As a result, the capital position set out below is on a regulatory consolidated basis.

Regulatory capital resources under CRD IV

	2024		2023	
	Transitional £m	Full impact £m	Transitional £m	Full impact £m
Common Equity Tier 1 (CET 1) capital:				
Ordinary share capital	701	701	701	701
Allowable reserves	48	48	165	165
Regulatory adjustments	—	(1)	(144)	(167)
Tier 1 capital	749	748	722	699
Tier 2 capital (loan notes – listed)	100	100	113	113
Total capital	849	848	835	812

b) Leverage ratio (unaudited)

The leverage ratio is defined as the ratio of Tier 1 capital to adjusted assets, which is measured below on a regulatory consolidated basis. The denominator represents the total non-risk weighted assets of the regulatory group (Bank and Home Retail Group Card Services Limited) adjusted for certain off balance sheet exposures assets and regulatory deductions and provides a non-risk-weighted 'backstop' capital measure. The leverage ratio is calculated below on the UK basis which allows central bank assets to be excluded from the leverage exposures. The Bank's leverage ratio of 11.3% exceeds the minimum Basel leverage ratio of 3%.

	2024		2023	
	Transitional £m	Full impact £m	Transitional £m	Full impact £m
Components of the leverage ratio				
Total assets as per published financial statements (Sainsbury's Bank plc consolidated group)	6,816	6,816	7,209	7,209
Movement on consolidation of subsidiary undertakings	(6)	(6)	(6)	(6)
Exposure value for derivatives and securities financing transactions	30	30	32	32
Off balance sheet exposures: unconditionally cancellable (10%)	769	769	867	867
Off balance sheet: other (100%)	1	1	2	2
Other adjustments	(77)	(78)	(242)	(265)
Central Bank claims	(886)	(886)	(331)	(331)
	6,647	6,646	7,531	7,508
Tier 1 capital	749	748	722	699
Leverage ratio	11.3%	11.3%	9.6%	9.3%

29 Financial instruments

	2024 £m	2023 £m
Held at amortised cost		
Financial assets		
Cash and cash equivalents	1,987	1,319
Trade and other receivables	444	477
Amounts due from Financial Services customers and other banks	4,517	5,392
Financial liabilities		
Trade and other payables	(4,768)	(4,495)
Borrowings	(1,195)	(656)
Amounts due to Financial Services customers and banks	(5,721)	(5,946)
Lease liabilities	(5,354)	(6,489)
Held at fair value through other comprehensive income (OCI)		
Financial assets	778	1,009
Held at fair value through profit or loss		
Derivative financial instruments	(11)	213
	(9,323)	(9,176)

29.1 Fair value estimation of amounts held at amortised cost

The fair values of financial assets and liabilities are based on prices available from the market on which the instruments are traded. Where market values are not available, the fair values of financial assets and liabilities have been calculated by discounting expected future cash flows at prevailing interest rates. The fair values of short-term deposits, trade receivables, other receivables, overdrafts and payables and lease liabilities are assumed to approximate to their book values.

	Footnote	2024		2023	
		Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Financial assets					
Amounts due from Financial Services customers	a)	4,517	4,381	5,392	5,340
Financial liabilities					
Loans due 2031		(496)	(494)	(539)	(639)
Term loan		(581)	(575)	—	—
Tier 2 Capital due 2028		(122)	(136)	(122)	(131)
Amounts due to Financial Services customers and other banks		(5,721)	(5,733)	(5,946)	(5,954)

a) Included within a portfolio fair value hedging relationship with £2,312 million (2023: £3,033 million) of interest rate swaps

The fair value of financial assets and liabilities are within Level 2 of the fair value hierarchy, with the exception of the Tier 2 Capital, where the fair value is calculated using prevailing market prices and is therefore Level 1.

29.2 Fair value measurements recognised in the balance sheet

The following table provides an analysis of financial instruments that are recognised at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are derived from quoted market prices (unadjusted) in active markets for identical assets or liabilities at the balance sheet date. This level includes listed equity securities and debt instrument on public exchanges
- Level 2 fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The fair value of financial instruments is determined by discounting expected cash flows at prevailing interest rates
- Level 3 fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	2024				2023			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial instruments at fair value through other comprehensive income								
Other financial assets	—	17	—	17	—	383	—	383
Investment securities	761	—	—	761	626	—	—	626
Derivative financial assets	—	67	9	76	—	156	131	287
Derivative financial liabilities	—	(87)	—	(87)	—	(74)	—	(74)

Notes to the consolidated financial statements continued

29 Financial instruments continued

29.3 Level 3 financial assets

a) Power Purchase agreements

The Group has entered into several long-term fixed and CPI-linked price Power Purchase agreements with independent producers, and values its Power Purchase agreements as the net present value of the estimated future usage at the contracted fixed price less the market implied forward energy price discounted at the prevailing swap rate.

All Power Purchase agreements are physical arrangements. Arrangements designated in hedging relationships are classified as hedging instruments, whereas those not designated in hedging relationships are not classified as hedging instruments. The credit risk exposure associated with the Power Purchase agreements is considered immaterial.

	Commodity derivative values	
	2024 £m	2023 £m
At beginning of financial year	131	180
Charged to income statement – cost of sales	(46)	(30)
Charged to other comprehensive income	(76)	(19)
At end of financial year	9	131

b) Sensitivity of Power Purchase agreement derivatives

The Group makes an assumption regarding expected energy output based on the historical performance and the producer's estimate of expected electricity output. The sensitivity of this is shown below:

Sensitivities	2024	
	Change in output volume +/-20.0% £m	Change in forward pricing +/-20.0% £m
Not in a hedge relationship	1/(1)	9/(9)
Designated in a cash flow hedge relationship	1/(1)	29/(29)

c) Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

The following table sets out the Group's financial assets and financial liabilities that are subject to counterparty offsetting or a master netting agreement. The master netting agreements regulate settlement amounts in the event a party defaults on their obligations.

Financial assets and financial liabilities subject to counterparty offsetting or a master netting agreement

	2024				
	Gross amounts recognised £m	Amounts offset £m	Net amounts recognised £m	Cash collateral pledged (not offset) £m	Net amounts £m
Assets					
Derivative financial assets	76	—	76	(10)	66
Trade and other receivables	470	(26)	444	—	444
Cash and cash equivalents	1,987	—	1,987	—	1,987
	2,533	(26)	2,507	(10)	2,497
Liabilities					
Derivative financial liabilities	(87)	—	(87)	56	(31)
Trade and other payables	(4,794)	26	(4,768)	—	(4,768)
	(4,881)	26	(4,855)	56	(4,799)

29 Financial instruments continued**29.3 Level 3 financial assets** continued

c) Offsetting financial instruments continued

Financial assets and financial liabilities subject to counterparty offsetting or a master netting agreement continued

	2023				
	Gross amounts recognised £m	Amounts offset £m	Net amounts recognised £m	Cash collateral pledged (not offset) £m	Net amounts £m
Assets					
Derivative financial assets	287	—	287	(49)	238
Trade and other receivables	624	(147)	477	—	477
Cash and cash equivalents	1,319	—	1,319	—	1,319
	2,230	(147)	2,083	(49)	2,034
Liabilities					
Derivative financial liabilities	(74)	—	(74)	52	(22)
Trade and other payables	(4,642)	147	(4,495)	—	(4,495)
	(4,716)	147	(4,569)	52	(4,517)

The Group holds certain financial derivatives which are subject to credit support agreements. Under these agreements cash collateral is posted by one party to the other party should the fair value of the financial derivative exceed a pre-agreed level. The Group held no collateral against these financial derivative assets (2023: £nil).

The Financial Services segment has derivatives that are governed by the International Swaps and Derivatives Association (ISDA) and their associated credit support annex bilateral agreements where if the fair value exceeds a pre-agreed level, cash collateral is posted. Collateral of £56 million has been pledged/ provided (2023: £49 million) against the derivatives and collateral has been received of £10 million (2023: £52 million).

The Group also operates a cash pooling arrangement and collective net overdraft facility with its main clearing bank. The Group had a net overdraft of £nil (2023: £nil) under this facility.

30 Derivative financial instruments and hedge accounting**30.1 Effects of hedge accounting on the Group's financial position and performance**

	2024				2023			
	Asset		Liability		Asset		Liability	
	Fair value £m	Notional £m	Fair value £m	Notional £m	Fair value £m	Notional £m	Fair value £m	Notional £m
Fair value hedges								
Interest rate swaps	62	1,249	(56)	1,063	99	2,149	(52)	675
Cash flow hedges								
Inflation rate swaps	—	—	—	155	—	490	—	—
Interest rate swaps	—	150	—	—	—	—	—	—
Foreign exchange forward contracts	4	296	(30)	1,062	49	1,049	(17)	482
Commodity contracts	1	22	(1)	24	7	21	(5)	45
Power Purchase contracts	3	14	—	—	79	15	—	—
Derivatives not in a formal hedging relationship								
Interest rate swaps	—	—	—	—	1	209	—	—
Cross-currency swaps	—	23	—	20	—	—	—	—
Foreign exchange forward contracts	—	—	—	2	—	14	—	—
Power Purchase contracts	6	11	—	—	52	11	—	—
Total	76	1,765	(87)	2,326	287	3,958	(74)	1,202

Notes to the consolidated financial statements continued

30 Derivative financial instruments and hedge accounting continued

30.1 Effects of hedge accounting on the Group's financial position and performance continued

a) Cash flow hedges

There is an economic relationship between the hedged items and the hedging instruments as the terms of the interest rate swaps, foreign exchange and commodity forward contracts match the terms of the expected highly probable forecast transactions (i.e., notional amount and expected payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange and commodity forward contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- Different indexes (and accordingly different curves) linked to the hedged risk of the hedged items and hedging instruments
- The counterparties' credit risk differently impacting the fair value movements of the hedging instrument compared to the hedged items
- Changes to the forecasted cash flows of hedged items

The maturity profile and average price/rate of the hedging instruments used in the Group's non-dynamic hedging strategies of interest rate risk were as follows:

Maturity profile of instruments used in non-dynamic hedging strategies of interest rate risk:

	2024		2023	
	Notional amount £m	Average interest received %	Notional amount £m	Average interest received %
Less than 1 month	—	—	—	—
1–3 months	—	—	490	5.00%
3 months–1 year	—	—	—	—
1–5 years	305	4.94%	—	—
More than 5 years	—	—	—	—

Impact of change in value of hedged items on cash flow hedge reserve

	2024			2023		
	Hedged item £m	Hedging instrument £m	Cumulative impact in reserve £m	Hedged item £m	Hedging instrument £m	Cumulative impact in reserve £m
Cash flow hedges						
Foreign exchange forward contracts	67	(67)	(19)	(123)	123	9
Commodity contracts	6	(6)	—	11	(11)	2
Power Purchase agreements	76	(76)	3	19	(19)	79

There are no amounts remaining in the hedging reserve for which hedge accounting is no longer applied.

Analysis of fair value movements in cash flow hedge reserve by risk category

	Reclassification recognised in	2024				
		Opening £m	Movements recognised in OCI £m	Amounts reclassified £m	Reallocation within reserves £m	Closing £m
Foreign exchange forward contracts	Inventory	9	(67)	32	7	(19)
Commodity contracts	Cost of sales	2	(6)	4	—	—
Power Purchase agreements	Cost of sales	79	(76)	—	—	3
Tax		(22)	17	—	(7)	(12)
		68	(132)	36	—	(28)

30 Derivative financial instruments and hedge accounting continued**30.1 Effects of hedge accounting on the Group's financial position and performance** continued

a) Cash flow hedges continued

Analysis of fair value movements in cash flow hedge reserve by risk category continued

		2023				
Reclassification recognised in		Opening	Movements recognised in OCI	Amounts reclassified	Reallocation within reserves	Closing
		£m	£m	£m	£m	£m
Inflation rate swap	Finance costs	5	—	(5)	—	—
Foreign exchange forward contracts	Inventory	25	123	(139)	—	9
Commodity contracts	Cost of sales	25	(11)	(12)	—	2
Power Purchase agreements	Cost of sales	98	(19)	—	—	79
Tax		(36)	14	—	—	(22)
		117	107	(156)	—	68

b) Fair value hedges

Within the Financial Services business, interest rate swaps are executed to hedge interest rate risk arising from fixed rate exposures in its retail personal loan and retail mortgage books, and certain fixed rate treasury investment securities, which are predominantly funded by variable rate linked liabilities.

The cash flows under the hedging instruments (interest rate swap derivatives) substantially match the cash flow profile of the hedged items (personal loans, mortgages, treasury investment securities and borrowings). The changes in fair value of the derivatives offset changes in the fair value of the hedged items through the income statement, with any ineffective portion also being recognised in the income statement.

The main source of ineffectiveness within the micro hedge relationships relates to the floating leg valuation changes inherent within the hedging instrument that do not exist within the hedged item. Ineffectiveness on portfolio hedges can also arise as a result of mismatch in cash flow maturities between the hedged item and hedging instrument and basis risk between cash flows discounted using different benchmark rates.

Maturity profile of instruments used in non-dynamic hedging strategies of interest rate risk

	2024		2023	
	Notional amount £m	Average fixed interest rate %	Notional amount £m	Average fixed interest rate %
Less than 1 month	—	—	—	—
1 – 3 months	17	0.60%	125	0.73%
3 months – 1 year	231	0.70%	589	0.71%
1 – 5 years	956	3.90%	748	1.17%
More than 5 years	1,109	2.19%	1,362	3.50%

Impact of hedged items (all via interest rate swaps) on financial statements

Line item in financial statements	2024				
	Carrying amount		Change in fair value for measuring ineffectiveness £m	Cumulative fair value hedge adjustments included in carrying amount	
	Assets £m	Liabilities £m		Assets £m	Liabilities £m
Amounts due from Financial Services customers	2,155	—	36	(7)	—
Borrowings	—	(122)	—	—	3
	2,155	(122)	36	(7)	3

Line item in financial statements	2023				
	Carrying amount		Change in fair value for measuring ineffectiveness £m	Cumulative fair value hedge adjustments included in carrying amount	
	Assets £m	Liabilities £m		Assets £m	Liabilities £m
Amounts due from Financial Services customers	2,615	—	(27)	(43)	—
Financial assets at FVOCI	—	—	3	—	—
Borrowings	—	(122)	5	—	3
	2,615	(122)	(19)	(43)	3

Notes to the consolidated financial statements continued

30 Derivative financial instruments and hedge accounting continued

30.1 Effects of hedge accounting on the Group's financial position and performance continued

b) Fair value hedges continued

Impact of the hedging instruments (all via interest rate swaps) on financial statements:

		2024			Change in fair value for measuring ineffectiveness £m
		Notional amount £m	Carrying amount		
Line item in financial statements	Hedged Item		Asset £m	Liability £m	
Derivative financial assets/liabilities	Loans	2,192	62	(56)	(41)
Derivative financial liabilities	Tier 2 capital	120	—	—	—
		2,312	62	(56)	(41)

		2023			Change in fair value for measuring ineffectiveness £m
		Notional amount £m	Carrying amount		
Line item in financial statements	Hedged item		Asset £m	Liability £m	
Derivative financial assets/liabilities	Loans and mortgages	2,704	99	(52)	35
Derivative financial liabilities	Tier 2 capital	120	—	—	1
Derivative financial assets	Investment securities	—	—	—	(5)
		2,824	99	(52)	31

Hedge ineffectiveness recognised in cost of sales

Change in value for calculating hedge ineffectiveness	2024 £m	2023 £m
Hedged items	36	(19)
Hedging instruments	(41)	31
	(5)	12

c) Derivatives not in a hedge relationship

Some of the Group's derivative contracts do not qualify for hedge accounting and are therefore not designated in a hedging relationship. In addition, where gains or losses on a derivative contract economically offset the gains or losses on an underlying transaction, the derivative is not designated as being in a hedging relationship.

The Group has entered into several long-term fixed price and CPI linked Power Purchase agreements with independent producers and certain contracts do apply a CPI uplift to the fixed price, as detailed in note 29, of which £6 million (2023: £53 million) is not within a hedging relationship with fair value losses of £46 million (2023: loss of £29 million) having been recognised in the income statement for these arrangements.

31 Cash and cash equivalents

31.1 Balance sheet

	2024 £m	2023 £m
Cash in hand and bank balances	606	569
Money market funds	263	255
Money market deposits	232	150
Deposits at central banks	886	345
	1,987	1,319
Restricted amounts included above		
Held as a reserve deposit with the Bank of England	14	15
For insurance purposes	7	3
Held within the Group's Employee Share Ownership Trust	—	10
	21	28

31.2 Cash flow statement

Amounts due from Financial Services customers

Cash flows differ from the movement in the balance sheet owing mainly to fair value movements of £39 million (2023: £27 million) and proceeds of amounts due from Financial Service customers of £446 million (2023: £nil) presented within cash flows from investing activities.

32 Analysis of net debt

The Group's definition of net debt includes the following:

- Cash
- Borrowings and overdrafts
- Lease liabilities
- Debt-related financial assets at fair value through other comprehensive income
- Derivatives used in hedging borrowings

Derivatives exclude those not used to hedge borrowings, and borrowings exclude bank overdrafts as they are disclosed separately.

32.1 Reconciliation of opening to closing net debt

	Cash Movements			Non-Cash Movements			2 March 2024 £m
	5 March 2023 £m	Cash flows excluding interest £m	Net interest (received)/ paid £m	Accrued interest £m	Other non-cash movements £m	Changes in fair value £m	
Retail							
Net derivative financial instruments	—	—	(1)	1	—	—	—
Borrowings (excluding overdrafts)	(539)	(534)	60	(64)	—	—	(1,077)
Lease liabilities	(6,488)	505	264	(264)	629	—	(5,354)
Arising from financing activities	(7,027)	(29)	323	(327)	629	—	(6,431)
Financial assets at fair value through other comprehensive income	—	—	—	—	—	—	—
Cash and cash equivalents	683	194	—	—	—	—	877
Retail net debt	(6,344)	165	323	(327)	629	—	(5,554)
Financial Services							
Net derivative financial instruments	—	—	—	—	—	—	—
Borrowings (excluding overdrafts)	(122)	—	13	(13)	—	—	(122)
Lease liabilities	(1)	2	—	—	(1)	—	—
Arising from financing activities	(123)	2	13	(13)	(1)	—	(122)
Financial assets at fair value through other comprehensive income	626	135	—	—	—	—	761
Cash and cash equivalents	636	474	—	—	—	—	1,110
Financial Services net debt	1,139	611	13	(13)	(1)	—	1,749
Group							
Net derivative financial instruments	—	—	(1)	1	—	—	—
Borrowings (excluding overdrafts)	(661)	(534)	73	(77)	—	—	(1,199)
Lease liabilities	(6,489)	507	264	(264)	628	—	(5,354)
Arising from financing activities	(7,150)	(27)	336	(340)	628	—	(6,553)
Financial assets at fair value through other comprehensive income	626	135	—	—	—	—	761
Cash and cash equivalents	1,319	668	—	—	—	—	1,987
Group net debt	(5,205)	776	336	(340)	628	—	(3,805)

Other non-cash movements relate to new leases and foreign exchange.

Notes to the consolidated financial statements continued

32 Analysis of net debt continued

32.1 Reconciliation of opening to closing net debt continued

	Cash Movements			Non-Cash Movements			4 March 2023 £m
	6 March 2022 £m	Cash flows excluding interest £m	Net interest (received)/ paid £m	Accrued interest £m	Other non-cash movements £m	Changes in fair value £m	
Retail							
Net derivative financial instruments	5	—	(5)	5	(5)	—	—
Borrowings (excluding overdrafts)	(575)	40	45	(40)	(9)	—	(539)
Lease liabilities	(6,618)	512	267	(267)	(382)	—	(6,488)
Arising from financing activities	(7,188)	552	307	(302)	(396)	—	(7,027)
Financial assets at fair value through other comprehensive income	—	—	—	—	—	—	—
Cash and cash equivalents	436	247	—	—	—	—	683
Bank overdrafts	(7)	7	—	—	—	—	—
Retail net debt	(6,759)	806	307	(302)	(396)	—	(6,344)
Financial Services							
Net derivative financial instruments	4	—	—	—	—	(4)	—
Borrowings (excluding overdrafts)	(179)	55	9	(12)	—	5	(122)
Lease liabilities	(3)	2	—	—	—	—	(1)
Arising from financing activities	(178)	57	9	(12)	—	1	(123)
Financial assets at fair value through other comprehensive income	418	207	—	—	—	1	626
Cash and cash equivalents	389	247	—	—	—	—	636
Financial Services net debt	629	511	9	(12)	—	2	1,139
Group							
Net derivative financial instruments	9	—	(5)	5	(5)	(4)	—
Borrowings (excluding overdrafts)	(754)	95	54	(52)	(9)	5	(661)
Lease liabilities	(6,621)	514	267	(267)	(382)	—	(6,489)
Arising from financing activities	(7,366)	609	316	(314)	(396)	1	(7,150)
Financial assets at fair value through other comprehensive income	418	207	—	—	—	1	626
Cash and cash equivalents	825	494	—	—	—	—	1,319
Bank overdrafts	(7)	7	—	—	—	—	—
Group net debt	(6,130)	1,317	316	(314)	(396)	2	(5,205)

33 Borrowings

	2024			2023		
	Current £m	Non-current £m	Total £m	Current £m	Non-current £m	Total £m
Loan due 2031	54	442	496	48	491	539
Term loan due 2026	6	575	581	—	—	—
Sainsbury's Bank Tier 2 Capital	6	116	122	6	116	122
	66	1,133	1,199	54	607	661
Transaction costs	(1)	(3)	(4)	(1)	(4)	(5)
	65	1,130	1,195	53	603	656

33 Borrowings continued

33.1 Loan due 2031

The loan is secured against 48 (2023: 48) supermarket properties (note 14.2). This is an inflation-linked amortising loan from the finance company Longstone Finance plc with an outstanding principal value of £486 million (2023: £527 million) fixed at a real rate of 2.36 per cent where principal and interest rate are uplifted annually by RPI subject to a cap at five per cent and a floor at nil per cent. The loan has a final repayment date of April 2031. The principal activity of Longstone Finance plc is the issuance of commercial mortgage-backed securities and applying the proceeds towards the secured loans due 2031.

The Group has entered into forward starting inflation swaps to convert £155 million (2023: £490 million) from RPI-linked interest to fixed rate interest from April 2025 until April 2026. These transactions have been designated as cash flow hedges.

Intertrust Corporate Services Limited holds all the issued share capital of Longstone Finance Holdings Limited on trust for charitable purposes. Longstone Finance Holdings Limited beneficially owns all the issued share capital of Longstone Finance plc. As the Group has no interest, power or bears any risk over these entities they are not included in the Group consolidation.

33.2 Sainsbury's Bank Tier 2 Capital

The Group has £120 million of fixed rate reset callable subordinated Tier 2 notes in issuance (2023: £120 million), which were issued in September 2022. These notes pay interest on the principal amount at a rate of 10.5 per cent per annum, payable in equal instalments semi-annually in arrears, until March 2028 at which time the interest rate will reset. The Bank has the option to redeem these notes in March 2028.

33.3 Term loan due 2026

The Group entered into a £575 million unsecured term loan in December 2022, with maturity of March 2026. As at 2 March 2024, the term loan was fully drawn (4 March 2023: £nil).

33.4 Undrawn facilities

The Group's Revolving Credit Facility (RCF) is unsecured and is split into two Facilities, a £500 million Facility (A) and a £500 million Facility (B). Facility A has a maturity of December 2028 and Facility B has a maturity of December 2027.

34 Retirement benefit obligations

34.1 Background

Retirement benefit obligations relate to the Sainsbury's Pension Scheme plus three unfunded pension liabilities for former senior employees of Sainsbury's and Home Retail Group.

The Sainsbury's Pension Scheme has two sections, the Sainsbury's Section, which holds the assets and liabilities of the original Sainsbury's Pension Scheme, and the Argos Section, which holds the assets and liabilities of the former Home Retail Group Pension Scheme. Each section's assets are segregated by deed and ring-fenced for the benefit of the members of that section. The Scheme is run by a corporate trustee with nine directors.

The Scheme is also used to pay life assurance benefits to current (including new) colleagues.

Sainsbury's section

The section was closed to new employees on 31 January 2002 and closed to future accrual on 28 September 2013. There are three benefit categories: final salary, career average and cash balance. Final salary and career average benefits are determined by service and salary. Cash balance benefits are determined by the accrued retirement account credits.

Argos section

The section was closed to new employees in 2009 and to future accrual in January 2013. Pension benefits are based on service and final salary when leaving the Scheme.

Triennial valuation

The Trustee's triennial valuation is used to determine the contributions required for the Scheme to pay all the benefits due, now and in the future. The Trustee must allow for a level of prudence resulting in these assumptions placing a relatively high value on the Scheme's liabilities. By contrast, IAS 19 'Employee Benefits' requires companies to value the liabilities on a 'best estimate' basis which places a lower value on the liabilities and therefore a more favourable financial position. As such, the accounting value is different to the result obtained using the Trustee's triennial valuation basis.

The most recent triennial valuation was as at 30 September 2021, resulting in an actuarial surplus of £130 million (comprising a surplus of £231 million in the Sainsbury's section and a £101 million deficit in the Argos section) on a technical provisions basis. The asset-backed contributions structure (ABC) established by Sainsbury's in July 2019 continues to deliver as planned.

Under the ABC structure, properties with a valuation of £1,350 million were transferred into a newly formed property holding company – Sainsbury's Property Holdings Limited (Propco) from the Sainsbury's Property Scottish Partnership and other Sainsbury's Group Companies. The Propco is a wholly owned subsidiary of the Group and leases the transferred properties to other Group companies. Rental receipts facilitate payments of interest and capital on loan notes issued to the Partnership, in which the Scheme holds an interest.

The Partnership is controlled by Sainsbury's and its results are consolidated by the Group. The Scheme's investment in the Partnership does not qualify as a plan asset for the purposes of the Group's consolidated financial statements and is therefore not included within the fair value of plan assets.

The value of the properties transferred to the Propco remains in the Group's property, plant and equipment on the balance sheet, and the Group retains full operational flexibility to extend, develop and substitute them.

The Scheme's interest in the Partnership entitled it to annual distributions over up to 20 years initially through three payment streams:

- 1) Payments to the Sainsbury's section (£15 million per year) which stopped from December 2021
- 2) Payments to the Argos section (£20 million per year)
- 3) Switching payment stream, paid to either the Sainsbury's section or Argos section (initially £23 million per year, increasing to £33 million by 2038)

The payments to the Sainsbury's and Argos sections (streams 1 and 2) would stop in 2030, or when the relevant section reached its funding target, if earlier. The Sainsbury's section reached its funding target on 31 December 2021 and so the first payment stream was permanently switched off, even though the subsequent updating of assumptions under the 2021 triennial valuation resulted in a small deficit on this funding basis.

Notes to the consolidated financial statements continued

34 Retirement benefit obligations continued

34.1 Background continued

Triennial valuation continued

The switching stream (stream 3) was initially paid to the Sainsbury's section until it reached the funding target, when it switched to the Argos section. Payments continue until 2038 or until both sections have reached their funding targets, if earlier.

The level of property in the Propco reduces as the Scheme reaches the funding targets. The level of security was designed to reduce as the Scheme's funding level improves, as the risk of a Group insolvency to the Scheme reduces. Once a section reaches a specific funding target for three consecutive quarters, the level of security that the Scheme can access reduces at the following 31 March in line with the Residual Security Amount (RSA) caps set out in the ABC framework. The security is currently provided by properties in the ABC which are valued annually. If the value of the security is outside a corridor either side of the RSA, the Company must top up if the value is less, or can choose to remove property from the Propco if the value is higher; however, if a default event were to occur, the Scheme would only have rights over the security to the value of the RSA – any excess value would remain in the Propco and revert to the Company.

Unfunded pension liabilities

The unfunded pension liabilities are unwound when each employee either retires and draws their pension or the pension is taken as a lump sum on retirement or upon leaving.

34.2 Income statement

	Footnote	2024 £m	2023 £m
Excluded from underlying profit before tax:			
Interest cost on pension liabilities	a)	(290)	(221)
Interest income on plan assets		341	277
Total included in finance income		51	56
Defined benefit pension scheme expenses		(7)	(6)
Settlement gains	b)	—	8
Total (excluded from underlying profit before tax)		44	58

a) Includes interest of £1 million for the unfunded pension scheme (2023: £1 million).

b) 2023: A settlement credit relating to a gain on payments made to members exiting the scheme relative to the liabilities.

34.3 Remeasurements included in other comprehensive income

	Footnote	2024 £m	2023 £m
Return on plan assets, excluding amounts included in interest		(335)	(4,739)
Actuarial (losses)/gains arising from changes in:			
Finance assumptions		(34)	3,518
Demographic assumptions		116	38
Experience		(136)	(215)
Total actuarial (losses)/gains	a)	(54)	3,341
Total remeasurements		(389)	(1,398)

a) Includes £nil for the unfunded pension scheme (2023: £13 million).

34.4 Balance sheet

	2024			2023		
	Sainsbury's £m	Argos £m	Group £m	Sainsbury's £m	Argos £m	Group £m
Present value of funded obligations	(5,172)	(816)	(5,988)	(5,128)	(793)	(5,921)
Fair value of plan assets	5,777	925	6,702	6,007	927	6,934
Retirement benefit surplus	605	109	714	879	134	1,013
Present value of unfunded obligations	(14)	(10)	(24)	(12)	(12)	(24)
Retirement benefit surplus	591	99	690	867	122	989

The retirement benefit surplus and the associated deferred income tax balance are shown within different line items on the face of the balance sheet.

Movements in net defined benefit surplus

	2024			2023		
	Assets £m	Obligations £m	Net £m	Assets £m	Obligations £m	Net £m
As at the beginning of the financial year	6,934	(5,945)	989	11,693	(9,410)	2,283
Interest income/(cost)	341	(290)	51	277	(221)	56
Remeasurement (losses)/gains	(335)	(54)	(389)	(4,739)	3,341	(1,398)
Pension scheme expenses	—	(7)	(7)	(6)	—	(6)
Employer contributions	44	—	44	44	—	44
Benefits (paid)/received	(282)	284	2	(306)	308	2
Settlement (losses)/gains	—	—	—	(29)	37	8
As at the end of the financial year	6,702	(6,012)	690	6,934	(5,945)	989

34 Retirement benefit obligations continued

34.5 Investment strategy and risks associated with defined benefit pension scheme

The investment strategy of the Scheme is determined by the Trustee. The Trustee considers that its primary responsibility in respect of investments is to ensure, for the duration of the Scheme, that funds will be available to meet the benefit payment obligations as they fall due. The Trustee continues to target being funded on a gilts +0.5% p.a. basis, while limiting the downside risk associated with investment policy wherever possible. The investment objectives target a 50% or better chance of being fully funded on this basis by the end of 2024 for the Argos section and the end of 2028 for the Sainsbury's section.

In June 2023, the UK High Court (*Virgin Media Limited v NTL Pension Trustees II Limited*) ruled that certain historical amendments for contracted out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment is subject to appeal. The Trustee and Group continue to monitor developments and will consider the implications if the ruling is upheld or the Government issues any new regulations in response to this issue.

Risks associated with achieving the strategy

Risk	Description	Mitigation
Investment Strategy and implementation	<p>Misalignment of the investment strategy relative to changes in liabilities reduces the future resources available to meet pension obligations.</p> <p>The strategy also includes addressing sustainability, ESG and climate risks which exist across the activities of the entities in which the Scheme ultimately invests. Investment managers may not have appropriate policies and procedures in place to address ESG risks.</p> <p>Poor execution, attention to regulation or underperformance in applying the strategy could lead to lower funding levels.</p>	<p>Using an FCA regulated investment advisor, a liability-driven investment (LDI) framework has been adopted to generate excess asset returns aligned to liabilities by largely removing interest and inflation uncertainties.</p> <p>ESG and related risks are incorporated into the Statement of Investment Principles (SIP), and an annual TCFD report and Implementation Statement are published covering risk management and goals.</p> <p>Investment managers have signed up to international ESG principles and are requested to confirm that they operate in line with the Trustee's policies on ESG.</p> <p>Investment mandates are monitored closely against portfolio benchmarks set out in investment guidelines. The Investment Committee will terminate consistently underperforming mandates and reallocate capital.</p>
Investment Liquidity	Insufficient liquidity to meet cashflow requirements to make collateral top up requests to manage the Scheme's derivative positions and member benefit payments.	The Scheme adopts a collateral sufficiency framework to ensure that sufficient liquid assets are maintained. The Investment Adviser liaises with the Scheme Actuary and Pensions Department to determine current and future cash flow requirements.
Investment Counterparty	Financial losses may be incurred due to failure of counterparties or inability to roll-over derivative positions.	Asset Managers manage credit limits for all their derivative counterparty exposures and monitor positions over derivative roll dates.
Inflation	Scheme obligations are linked to inflation whereby a higher long-term inflation rate leads to higher liabilities.	The Scheme's LDI portfolio and inflation-linked investments reduce inflation risk by aligning assets movements to changes in inflation expectations. Inflation increases are subject to maximum caps.
Interest rate	Scheme liabilities are determined using discount rates linked to corporate bond and gilt yields for accounting and funding purposes, respectively. A decrease in yields increases liabilities.	The Scheme's LDI portfolio reduces this risk on a funding basis. Whilst the accounting basis may differ because of divergence between corporate bond and gilt yields, other assets held in the portfolio help to provide an additional hedge.
Sustainability, including ESG and climate	<p>Investment managers do not have appropriate policies and procedures in place to identify such risks and opportunities.</p> <p>A broad range of these risks exists across the activities of the entities in which the Scheme ultimately invests which include exposure to climate transition, a lack of diversity, equity and inclusion, or poor corporate governance.</p>	<p>ESG, stewardship and other related risks are incorporated into the Statement of Investment Principles. The Trustee publishes an annual TCFD report and an Implementation Statement which details how climate risks are managed. Day to day management of ESG risks is delegated to investment managers who are requested to confirm that they operate in line with the Trustee's policies.</p> <p>A Net Zero carbon emission goal by 2050 has been adopted and follows new climate governance and reporting standards. The Scheme's investment managers have signed up to the UN Principles of Responsible Investment and have Net Zero targets.</p>
Longevity	The Scheme pays benefits longer than expected due to members living longer than assumed.	Longevity risk is monitored with the aim of achieving sufficient funding levels which take account of the potential for increased life expectancy.

Since 2023, no new risks have been identified; however, some have been either combined or set out differently for presentational purposes.

Notes to the consolidated financial statements continued

34 Retirement benefit obligations continued

34.6 Analysis of plan assets

	Footnote	2024		2023	
		Quoted £m	Unquoted £m	Quoted £m	Unquoted £m
Liability matching assets		3,620	1,374	3,092	1,629
Growth assets	a)				
Equity					
– Private		—	332	—	429
– Derivatives	b)	—	—	—	4
Alternatives					
– Real Estate		—	255	—	397
– Private Debt		—	602	—	726
– Diversified Growth		—	313	—	303
Cash and Cash equivalents		206	—	354	—
		3,826	2,876	3,446	3,488

a) Certain unquoted fixed interest securities, private equity and debt investments and property investments are stated at fair value. These fair values may differ from their realisable values due to the absence of liquid markets in these investments.

b) Derivatives are stated at the aggregated net present value of future discounted cash flows of each leg of the swap.

Included within liability matching assets are Government Bonds totalling £5,192 million (2023: £4,083 million), Corporate Bonds totalling £2,052 million (2023: £1,988 million), and Fixed income derivatives totalling £342 million (2023: £356 million), offset by repurchase agreements totalling £(2,592) million (2023: £(1,706) million). Circa 98% of the Scheme's corporate bonds are invested in investment grade credit. The remainder are either unrated or below investment grade.

The Sainsbury's Pension Scheme adopts a liability-driven investment (LDI) framework to manage its funding risk and reduce volatility by largely removing the interest rate and inflation rate impacts of its liabilities. As a result, the value of the Scheme's assets changes in a similar way to its liabilities, which helps maintain its ability to pay benefits and therefore member security over the long term.

Of the above assets, £3,565 million are denominated in pound sterling and £3,137 million are denominated in overseas currencies.

The valuation of many private market assets is based on valuations provided at 30 September 2023. A roll-forward of these valuations to 2 March 2024, adjusting for cash received or paid and applying the changes seen in relevant liquid indices, increased the valuation of illiquid assets by £47 million.

Index return from 30 September 2023 to 2 March 2024

Asset Class	Returns
Global equity USD return	18.5%
Global High Yield Debt USD return	7.3%
US loans USD return	4.5%
UK REITS GBP return	9.6%

An increase/decrease of 1 per cent in the indices used would have caused a £12 million increase/decrease in the adjustment.

34.7 Actuarial assumptions for measuring liabilities

Principal actuarial assumptions

	2024 %	2023 %
Discount rate	5.00	5.00
Inflation rate – RPI	3.20	3.25
Inflation rate – CPI	2.55	2.55
Future pension increases	1.95 – 3.00	1.90 – 2.95

a) Discount rate

The discount rate for the Scheme is derived from the expected yields on high quality corporate bonds over the duration of the Group's pension scheme and extrapolated in line with gilts with no theoretical growth assumptions. High quality corporate bonds are those for which at least one of the main ratings agencies considers to be at least AA (or equivalent).

b) Inflation

The Government's intention to amend the RPI calculation methodology to be aligned to that already in use for the calculation of the CPI (including housing) takes effect from 2030. As a result, the Group has assumed that RPI will be aligned with CPI post 2030, resulting in a single weighted average RPI-CPI gap of 1.00% p.a. up to 2030 (2023: 0.70% p.a.).

34 Retirement benefit obligations continued

34.7 Actuarial assumptions for measuring liabilities continued

c) Mortality

The base mortality assumptions use the SAPS S2 and SAPS S3 tables for the Sainsbury's and Argos sections, respectively, with adjustments to reflect the Scheme's population.

Following the completion of the 2021 triennial valuation and consideration of the previous three years of mortality experience both in the Scheme and the UK as a whole, the Company has decided to update the actuarial mortality base tables that determine the life expectancy assumptions to reflect a best-estimate adjustment derived from analysis carried out for the valuation. Future mortality improvements for the 2024 year-end are CMI 2022 projections with a long-term rate of improvement of 1.0 per cent p.a. Future mortality improvements for the 2023 year-end were CMI 2021 projections with a long-term rate of improvement of 1.25 per cent p.a.

While COVID-19 had an impact on mortality in 2020, the impact on future mortality trends is currently unknown. All IAS 19 calculations use the CMI model, which measures potential changes to future mortality trends. The Group's policy is to use the available version as at the year-end which is CMI 2022, which was released in June 2023.

As a result of the significant change to mortality in the CMI 2020 model, the CMI modified the calibration process for CMI 2020 to allow choice on the weighting placed on an individual year's data. For the Core version of CMI 2020, a weight of zero per cent was applied to 2020 data and weightings of 100 per cent for other years, so the potentially exceptional 2020 experience was ignored when modelling future improvements. This approach has been amended for CMI 2022, with zero per cent weighting applied to 2020 and 2021 data and 25% weighting applied to 2022 data, to reflect the view that the sustained and less volatile mortality experience provides greater evidence of a change to future mortality trends.

A 10 per cent weighting above the core parameters has been applied, reflecting that mortality rates for 2022 were higher and for 2023 are expected to be higher than 2019, and recognising the uncertain outlook. From 2028, mortality improvements are in line with the CMI 2022 Core model. The impact of different weightings on the Scheme liabilities is included in the sensitivities section within this note.

Life expectancy at age 65

	2024			2023		
	Sainsbury's section Main Scheme Years	Sainsbury's section Executive Scheme Years	Argos section Scheme Years	Sainsbury's section Main Scheme Years	Sainsbury's section Executive Scheme Years	Argos section Scheme Years
Members aged 65 at balance sheet date						
Male pensioner	18.9	22.2	19.7	19.5	22.7	20.3
Female pensioner	22.8	23.4	22.8	23.3	24.0	23.4
Members aged 45 at balance sheet date						
Male pensioner	19.8	23.1	20.7	20.7	24.0	21.6
Female pensioner	23.9	24.6	24.0	24.9	25.5	24.8

d) Sensitivities

The present value of the Scheme's liabilities and the net financing charge are dependent on the discount rate. Other key assumptions are based on market conditions or estimates of future events, including mortality rates. The carrying value of the retirement benefit obligations is impacted by changes to any of the assumptions used.

The sensitivities are calculated using the same methodology used to calculate the retirement benefit obligation, by considering the impact for a given change in an assumption while holding all others constant, thus meaning that interdependencies between the assumptions have not been taken into account in the analysis. The sensitivities reflect the upper ends of a range of reasonably possible changes in principal assumptions.

Change in present value of funded obligations – Increase/(decrease) effect

		Sainsbury's		Argos		Total	
		£m	£m	£m	£m	£m	£m
Financial sensitivities							
Discount rate	+/- 0.1%	(73)	74	(13)	13	(86)	87
Discount rate	+/- 1.0%	(666)	819	(118)	149	(784)	968
Inflation rate	+/- 0.1%	36	(44)	8	(12)	44	(56)
Inflation rate	+/- 1.0%	383	(396)	96	(92)	479	(488)
Inflation rate for future pension increases	+/- 0.1%	17	(25)	4	(7)	21	(32)
Inflation rate for future pension increases	+/- 1.0%	177	(221)	47	(53)	224	(274)
Demographic sensitivities							
Life expectancy	+/- 1 year	170	(166)	24	(26)	194	(192)
Change 2020, 2021 and 2022 weighting parameters in CMI 2022	-10% /+ 15%	41	(33)	6	(5)	47	(38)

Notes to the consolidated financial statements continued

34 Retirement benefit obligations continued

34.7 Actuarial assumptions for measuring liabilities continued

e) Future benefit payments

Details of future committed payments are included in the Background section at the beginning of this note. Expected cash contributions for the next financial year are approximately £45 million.

The duration of the Scheme's liabilities is around 15 years for the Sainsbury's section and 17 years for the Argos section.

Timing of benefit payments (undiscounted)

	2024 £m	2023 £m
Within the next 12 months (next financial year)	254	237
Between 2 and 5 years	1,172	1,104
Between 6 and 15 years	3,910	3,779
Between 16 and 25 years	3,966	3,974
Beyond 25 years	5,106	5,345
	14,408	14,439

35 Share-based payments

	2024 £m	2023 £m
Share-based payment expense	89	59

The Group operates the following share schemes:

35.1 Savings-Related Share Option Scheme (Sharesave)

The Group operates a Savings-Related Share Option Scheme, which is open to all UK employees with more than three months' continuous service.

This is an approved HMRC scheme and was established in 1980. Under Sharesave, participants remaining in the Group's employment at the end of the three-year (and historically also five-year) savings period are entitled to use their savings to purchase shares in the Company at a pre-stated exercise price.

Employees leaving for certain reasons can use their savings to purchase shares within six months of their leaving.

	2024		2023	
	Number of options million	Weighted average exercise price pence	Number of options million	Weighted average exercise price pence
Outstanding at beginning of financial year	59.4	177	58.3	186
Granted	16.1	213	23.7	167
Lapsed/forfeited	(7.6)	179	(14.0)	206
Exercised	(8.8)	165	(8.6)	167
Outstanding at end of financial year	59.1	188	59.4	177
Exercisable at end of financial year	13.2	170	7.1	166
Exercisable Range		161 to 260		161 to 260
Weighted average share price at date of exercise		266		258
Weighted average remaining contractual life		2.1 years		1.9 years

Options granted during the year were valued using the Black-Scholes option pricing model. No performance conditions were included in the fair value calculations.

	2024	2023
Share price at grant date	300p	226p
Exercise price	213p	167p
Expected volatility	25.2%	28.9%
Option life	3.2 years	3.2 years
Expected dividend yield	4.9%	5.6%
Risk-free interest rate	5.3%	3.0%
Fair value per option	66p	57p

The expected volatility is based on the standard deviation of the Group's share price for the period immediately prior to the date of grant of award, over the period identical to the vesting period of the award, adjusted for management's view of future volatility of the share price.

35 Share-based payments continued

35.2 Long-Term Incentive Plan

Under the Long-Term Incentive Plan, shares are conditionally awarded to Senior Leaders of the Company. Awards are calculated as a percentage of the participants' salaries and scaled according to grades.

Performance is measured at the end of the three-year performance period. If the required performance conditions, which are financial and non-financial non-market conditions, have been met, the awards vest and the participants are able to exercise 100% of the awards received. For 2020 awards and prior, recipients were only able to receive 50% of their awards after three years and 50% of their awards after four years. From 2021 onwards, schemes vest and participants are able to exercise after three years. Awards will expire five years from the grant date.

For Executive Directors, awards will normally be subject to a two-year holding period following the end of the three-year performance period. Awards will expire six years from the date of grant.

For awards granted in and before the year ended 4 March 2023, a core share award was granted which could grow by up to four times, dependent on the level of performance. For awards granted in the year to 2 March 2024, the maximum share award is allocated, and the award will vest between 0 per cent and 100 per cent based on performance against targets. Awards are structured as nil-cost.

Dividends will accrue on the shares that vest in the form of additional shares, except for certain colleagues who are unable to receive dividend equivalents due to financial services regulations.

	2024 Million	2023 Million
Outstanding at beginning of financial year	19.0	18.5
Conditionally awarded	21.4	9.7
Released to participants	(9.4)	(7.4)
Lapsed	(1.7)	(1.8)
Outstanding at end of financial year	29.3	19.0
Weighted average remaining contractual life	3.1 years	0.9 years
Weighted average share price at date of exercise (release to participants)	281p	232p

No performance conditions were included in the fair value calculations.

	2024	2023
Options granted in the year		
Share price at grant date	273p	230p
Option life	3 years	3 years
Fair value per option	273p	230p

35.3 Nil-Cost Share Award

The nil-cost share schemes include Deferred Share Awards, Bonus Share Awards and other Conditional Awards.

The last awards made under the Deferred Share Award plan were made in 2021. All awards outstanding in 2023 were released to participants in 2024.

Senior Leaders receive a percentage of their bonus award in shares. Before 2021, bonus awards had a three-year deferral period. However, awards granted from 2021 now have a deferral period of two years, except for certain colleagues who are subject to a deferral period due to financial services regulations.

Other conditional awards relate to the retention and recruitment of Senior Leaders as part of the wider reward strategy. Awards vest, typically between one and three years, subject to participants remaining in employment at the vesting date.

Dividends accrue on these shares and vest in the form of additional shares released at the end of the deferral period.

	2024 Million	2023 Million
Outstanding at beginning of financial year	28.1	22.9
Awarded	14.0	16.0
Released to participants in financial year	(14.0)	(7.6)
Lapsed	(1.0)	(3.3)
Outstanding at end of financial year	27.1	28.1
Weighted average remaining contractual life of share options outstanding	1.8 years	0.7 years
Weighted average share price for options exercised	262p	245p

36 Commitments

	2024 £m	2023 £m
Capital commitments contracted, but not provided for	140	159
Leases that have been signed but not yet commenced	73	101

Notes to the consolidated financial statements continued

37 Contingent liabilities

The Group has a number of contingent liabilities in respect of historical lease guarantees, particularly in relation to the disposal of assets, which if the current tenant and their ultimate parents become insolvent, may expose the Group to a material liability; however, this liability decreases over time as the leases expire. The Group has considered a number of factors, including past history of default as well as the profitability and cash generation of the current leaseholders, and has concluded that the likelihood of pay-out is remote.

Along with other retailers, the Group is currently subject to claims from current and ex-employees in the Employment Tribunal for equal pay under the Equality Act 2010 and/or the Equal Pay Act 1970. There are currently circa 16,300 equal pay claims from circa 10,900 claimants and the Group believes that further claims may be served. The claimants are alleging that their work within Sainsbury's stores is or was of equal value to that of colleagues working in Sainsbury's distribution centres, and that differences in terms and conditions relating to pay are not objectively justifiable. The claimants are seeking the differential back pay based on the higher wages in distribution depots, and the equalisation of wages and terms and conditions on an ongoing basis.

There are three stages in the tribunal procedure for equal value claims of this nature and the claimants will need to succeed in all three. The first stage is whether store claimants have the legal right to make the comparison with depot workers. Following European and Supreme Court decisions in other litigation, Sainsbury's has conceded this point. The second stage is the lengthy process to determine whether any of the claimants' roles are of equal value to their chosen comparators. In the event that any of the claimants succeed at the second stage, there will be a third stage comprising further hearings, in the following years, to consider Sainsbury's material factor defences, relating to non-discriminatory reasons for any pay differential. Completion of these two stages is likely to take many years, which will involve hearings and appeals. It is not possible to predict a final date with any certainty. If the Group is unsuccessful at the end of the litigation the liability could be material but due to the complexity and multitudinous factual and legal uncertainties we are not in a position to predict an outcome, quantum or impact at this stage. There are substantial factual and legal defences to these claims and the Group intends to defend them vigorously.

Given that the outcome of the second and third stages in the litigation remains highly uncertain at this stage, the Group cannot make any assessment of the likelihood nor quantum of any outcome and accordingly, no provision has been recognised.

38 Related party transactions

38.1 Key management personnel

The key management personnel of the Group comprise members of the J Sainsbury plc Board of Directors and the Operating Board. The key management personnel compensation is as follows:

	2024 £m	2023 £m
Short-term employee benefits	15	15
Post-employment employee benefits	1	1
Share-based payments	8	6
	24	22

Three key management personnel had credit card balances with Financial Services (2023: Five). These arose in the normal course of business and were immaterial to the Group and the individuals. One key management personnel held saving deposit accounts with Financial Services (2023: Two). These balances arose in the normal course of business and were immaterial to the Group and the individuals.

38.2 Joint ventures and associates

Transactions between the Group's subsidiary undertakings, which are related parties, have been eliminated on consolidation and are accordingly not disclosed. Related party transactions, which are at arm's length, and balances which the Group had with its joint ventures and associates, are as follows:

	2024 £m	2023 £m
Dividends and distributions received	—	1
Rental expenses paid	(8)	(6)

Year-end balances arising from transactions with joint ventures and associates are as follows:

	2024 £m	2023 £m
Other payables	(1)	(2)

38.3 Retirement benefit obligations

The Group has entered into an arrangement with the Pension Scheme Trustee as part of the funding plan for the actuarial deficit in the Scheme. Full details of this arrangement are set out in note 34 to these financial statements.

39 Related undertakings

All interests are in ordinary share capital, except where otherwise indicated.

39.1 Wholly owned subsidiary undertakings

All subsidiaries have been consolidated and the Group holds a majority of the voting rights of the following 100%-owned undertakings:

Entity	Country of incorporation	Holding	Registered office address*
ARG Personal Loans Limited**	UK	Indirect	33 Holborn
Argos Business Solutions Limited	UK	Indirect	33 Holborn
Argos Card Transactions Limited	UK	Indirect	33 Holborn
Argos Distributors (Ireland) Limited	Ireland	Indirect	6th Floor, South Bank House
Argos Holdings Limited	UK	Indirect	33 Holborn
Argos Limited	UK	Indirect	33 Holborn
Argos (N.I.) Ltd	UK	Indirect	Forestside Shopping Centre
Argos Surbs Investments Limited	UK	Indirect	33 Holborn
Avenell Property Limited (formerly Avenell Property Plc)	UK	Indirect	33 Holborn
Barleygold Limited	UK	Indirect	50 Bedford Street
Bells Stores Limited	UK	Direct	33 Holborn
BLSSP (PHC 7) Limited	UK	Indirect	33 Holborn
Chad Valley Limited**	UK	Indirect	33 Holborn
Cliffrange Limited	UK	Indirect	33 Holborn
Coolidge Investments Limited	UK	Indirect	33 Holborn
Cornerford Limited	UK	Indirect	33 Holborn
Financial Recovery Services Limited	UK	Indirect	33 Holborn
First Stop Stores Limited	UK	Indirect	33 Holborn
Global (Guernsey) Limited	Guernsey	Indirect	PO Box 33, Dorey Court
Habitat Retail Limited	UK	Indirect	33 Holborn
Hobart Property Limited (formerly Hobart Property Plc)	UK	Indirect	33 Holborn
Holborn UK Investments Limited	UK	Direct	33 Holborn
Home Retail Group Limited	UK	Indirect	33 Holborn
Home Retail Group (Cyprus) Limited***	Cyprus	Indirect	5 Anastasios Leventis Street
Home Retail Group (Finance) LLP	UK	Indirect	33 Holborn
Home Retail Group (Guernsey) LP	Guernsey	Indirect	PO Box 33, Dorey Court
Home Retail Group (Jersey) Limited	Jersey	Indirect	44 Esplanade
Home Retail Group (UK) Limited	UK	Indirect	33 Holborn
Home Retail Group Card Services Limited	UK	Indirect	33 Holborn
Home Retail Group Holdings (Overseas) Limited	UK	Indirect	33 Holborn
Home Retail Group Insurance Services Limited	UK	Indirect	33 Holborn
Home Retail Group Nominees Limited	UK	Indirect	33 Holborn
Home Retail Group UK Service Company Limited	UK	Indirect	33 Holborn
Horndrift Limited	UK	Indirect	33 Holborn
J Sainsbury Common Investment Fund Limited	UK	Indirect	33 Holborn
J Sainsbury Distribution Limited	UK	Direct	33 Holborn
J Sainsbury Pension Scheme Trustees Limited	UK	Direct	33 Holborn
J Sainsbury Trustees Limited	UK	Indirect	33 Holborn
Jacksons Stores Limited	UK	Direct	33 Holborn
Jacksons Stores 2002 Limited	UK	Indirect	33 Holborn
JS Information Systems Limited	UK	Direct	33 Holborn
JS Insurance Limited	Isle of Man	Direct	Third Floor, St George's Court
JSD (London) Limited	UK	Indirect	33 Holborn
Jungle Online	UK	Indirect	33 Holborn
Jungle.com Limited	UK	Indirect	33 Holborn
Jungle.com Holdings Limited	UK	Indirect	33 Holborn

* See full address in note 39.5.

** An application has been made to strike off this company from the Companies Register.

*** Currently in liquidation.

Notes to the consolidated financial statements continued

39 Related undertakings continued

39.1 Wholly owned subsidiary undertakings continued

Entity	Country of incorporation	Holding	Registered office address*
Nash Court (Kenton) Limited	UK	Indirect	33 Holborn
Nectar 360 Limited	UK	Indirect	33 Holborn
Nectar 360 Services LLP	UK	Indirect	33 Holborn
Nectar EMEA Limited	UK	Indirect	33 Holborn
Nectar Loyalty Holding Limited	UK	Direct	33 Holborn
Ramheath Properties Limited	UK	Direct	33 Holborn
Sainsbury Bridgeco Holdco Limited	UK	Direct	33 Holborn
Sainsbury Holdco A Limited	UK	Direct	33 Holborn
Sainsbury Holdco B Limited	UK	Direct	33 Holborn
Sainsbury Propco A Limited	UK	Indirect	33 Holborn
Sainsbury Propco B Limited	UK	Indirect	33 Holborn
Sainsbury Propco C Limited	UK	Direct	33 Holborn
Sainsbury Propco D Limited	UK	Direct	33 Holborn
Sainsbury Property Investments Limited	UK	Direct	33 Holborn
Sainsbury's Argos Asia Limited	Hong Kong	Indirect	Unit 904, 9/F, Tower 2
Sainsbury's Argos Asia Commercial Limited	Hong Kong	Indirect	Unit 904, 9/F, Tower 2
Sainsbury's Argos Asia Sourcing Limited	Hong Kong	Indirect	Unit 904, 9/F, Tower 2
Sainsbury's Argos Asia Technical Limited	Hong Kong	Indirect	Unit 904, 9/F, Tower 2
Sainsbury's Argos Commercial Consulting (Shanghai) Limited	China	Indirect	26/F, Tower 1
Sainsbury's Bank plc	UK	Direct	33 Holborn
Sainsburys Corporate Director Limited	UK	Direct	33 Holborn
Sainsbury's Corporate Healthcare Trustee Limited	UK	Indirect	33 Holborn
Sainsbury's Corporate Secretary Limited	UK	Direct	33 Holborn
Sainsbury's Group Holdings Limited	UK	Direct	33 Holborn
Sainsbury's Heather GP Limited	UK	Indirect	3 Lochside Avenue
Sainsbury's Intermediate Holdings Limited	UK	Direct	33 Holborn
Sainsbury's Manor GP Limited	UK	Direct	3 Lochside Avenue
Sainsbury's Manor Property Limited	UK	Direct	3 Lochside Avenue
Sainsburys (NI) Ltd	UK	Indirect	Forestside Shopping Centre
Sainsbury's Rose LP Limited	UK	Indirect	33 Holborn
Sainsbury's SL Limited	UK	Indirect	33 Holborn
Sainsbury's Supermarkets Ltd	UK	Direct	33 Holborn
Sainsbury's Thistle Scottish Limited Partnership	UK	Indirect	3 Lochside Avenue
Sainsbury's Tyne Property Holdings Limited	UK	Indirect	33 Holborn
Smartcharge Limited	UK	Direct	33 Holborn
Software Warehouse Holdings Limited	UK	Indirect	33 Holborn
Stamford House Investments Limited	UK	Direct	33 Holborn
Stamford Properties One Limited	UK	Direct	33 Holborn
Stamford Properties Three Limited	UK	Direct	33 Holborn
Stamford Properties Two Limited	UK	Direct	33 Holborn
Stanhope Finance Limited	UK	Indirect	33 Holborn
Town Centre Retail (Bicester) Limited	UK	Indirect	33 Holborn

* See full addresses in note 39.5.

39.2 Associated undertakings

Entity	Footnote	Country of incorporation	Interest	Holding	Registered office address ^{a)}
BL Sainsbury Superstores Limited	b)	UK	50%	Indirect	45 Gresham Street
British Land Superstores (Non-Securitised)	b)	UK	50%	Indirect	45 Gresham Street
Harvest 2 GP Limited		UK	50%	Indirect	100 Victoria Street
Harvest 2 Limited Partnership		UK	50%	Indirect	100 Victoria Street
Harvest 2 Selly Oak Limited		UK	50%	Indirect	100 Victoria Street
Harvest Development Management Limited		UK	50%	Indirect	100 Victoria Street
Harvest GP Limited		UK	50%	Indirect	100 Victoria Street
Hedge End Park Limited		UK	50%	Direct	33 Holborn
Pencilscreen Limited	b)	UK	50%	Indirect	45 Gresham Street

a) Full addresses in note 39.5.

b) In liquidation

39 Related undertakings continued**39.3 Overseas branches**

Entity	Country of incorporation	Holding	Registered office address ^{a)}
Sainsbury's Argos Asia Limited – Bangladesh Liaison Office	Bangladesh	Indirect	Level 10, Simpletree Anarkali
Sainsbury's Argos Asia Limited – India Branch Office	India	Indirect	Unit No. 1, 1st Floor, Ambience Corporate Tower II

a) Full addresses in note 39.5.

39.4 Subsidiary undertakings exempt from audit

The following subsidiaries are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of section 479A of the Act:

Entity	Company registered number
Argos Holdings Limited	5860214
Argos Surbs Investments Limited	5716474
Avenell Property Limited	03817411
BLSSP (PCH 7) Limited	04104076
Cliffrange Limited	1967242
Coolidge Investments Limited	07697101
Cornerford Limited	03871316
Habitat Retail Limited	7445750
Hobart Property Limited	03978071
Home Retail Group Limited	5863533
Home Retail Group Holdings (Overseas) Limited	0872776
Home Retail Group (UK) Limited	5844516
Horndrift Limited	03871243
Nash Court (Kenton) Limited	3447714
Nectar EMEA Limited	05821446
Nectar Loyalty Holding Limited	06436907
Ramheath Properties Limited	01762921
Sainsbury Propco A Limited	05644620
Sainsbury Propco C Limited	05676364
Sainsbury Propco D Limited	05676370
Sainsbury's Bridgeco HoldCo Limited	5644629
Sainsbury's Group Holdings Limited	11833110
Sainsbury's Intermediate Holdings Limited	10125892
Sainsbury's Rose LP Limited	11837174
Sainsbury's Manor GP Limited	SC453278
Sainsbury Property Investments Limited	02184043
Stamford Properties Three Limited	03896030
Stanhope Finance Limited	4288193
Town Centre Retail (Bicester) Limited	5564905
Sainsbury's Manor Property Limited	SC453263

39.5 Full registered office addresses

Address	Full address
3 Lochside Avenue	3 Lochside Avenue, Edinburgh, EH12 9DJ, United Kingdom
5 Anastasios Leventis Street	5 Anastasios Leventis Street, Leventis Gallery Tower, 8th Floor, 1097 Nicosia, Cyprus
Unit 904, 9/F, Tower 2	Unit 904, 9/F, Tower 2, The Quayside, 77 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong
26/F, Tower 1	26/F, Tower 1, Kerry Everbright City Phase III-Enterprise Centre, No.128, West Tian Mu Road, Shanghai 200070, People's Republic of China
33 Holborn	33 Holborn, London, EC1N 2HT, United Kingdom
44 Esplanade	44 Esplanade, St Helier, Jersey, JE4 9WG, Channel Islands
50 Bedford Street	50 Bedford Street, Belfast, BT2 7FN, United Kingdom
100 Victoria Street	100 Victoria Street, London, SW1E 5JL, United Kingdom
Forestside Shopping Centre	Forestside Shopping Centre, Upper Galwally, Belfast, BT8 6FX, United Kingdom
Level 10, Simpletree Anarkali	Level 10, Simpletree Anarkali, 89 Gulshan Avenue Plot 03, Block – CWS(A), Dhaka – 1212 Bangladesh
PO Box 33 Dorey Court	PO Box 33, Dorey Court, Admiral Park, St Peter Port, Guernsey, GY1 4AT
Third Floor, St George's Court	Third Floor, St George's Court, Upper Church Street, Douglas, IM1 1EE, Isle of Man
6th Floor, South Bank House	6th Floor, South Bank House, Barrow Street, Dublin 4, D04 TR29, Ireland
Unit No. 1, 1st Floor, Ambience Corporate Tower II	Unit No. 1, 1st Floor, Ambience Corporate Tower II, Ambience Island, NH-8, Gurgaon – 122011, Haryana, India
45 Gresham Street	45 Gresham Street, Gresham Street, London, EC2V 7BG

Company balance sheet

	Note	2 March 2024 £m	4 March 2023 £m
Non-current assets			
Investments in subsidiaries, joint ventures and associates	C2	7,296	7,678
Trade and other receivables	C3	847	72
Derivative financial assets		1	—
		8,144	7,750
Current assets			
Trade and other receivables	C3	70	1,192
Derivative financial assets		2	2
Cash and cash equivalents		510	299
		582	1,493
Total assets		8,726	9,243
Current liabilities			
Trade and other payables	C4	(1,295)	(2,919)
Borrowings	C6	(5)	—
Derivative financial liabilities		—	(2)
Taxes payable		(10)	(3)
		(1,310)	(2,924)
Net current liabilities		(728)	(1,431)
Non-current liabilities			
Borrowings	C6	(572)	—
Derivative financial liabilities		(1)	—
Deferred income tax liability	C5	(19)	(16)
Provisions		(1)	(1)
		(593)	(17)
Total liabilities		(1,903)	(2,941)
Net assets		6,823	6,302
Equity			
Called up share capital	C7	678	672
Share premium		1,430	1,418
Merger reserve		568	568
Capital redemption and other reserves	C7	681	682
Retained earnings		3,466	2,962
Total equity		6,823	6,302

The profit after tax for the Company for the financial year was £725 million (2023: profit after tax of £152 million). The notes on pages 196 to 198 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 24 April 2024, and are signed on its behalf by:

Simon Roberts
Chief Executive

Bláthnaid Bergin
Chief Financial Officer

Company registered number: 00185647

Company statement of changes in equity

	Note	Called up share capital £m	Share premium account £m	Merger reserve £m	Capital redemption and other reserve £m	Retained earnings £m	Total equity £m
At 5 March 2023		672	1,418	568	682	2,962	6,302
Profit for the year		—	—	—	—	725	725
Tax relating to other comprehensive income		—	—	—	(1)	—	(1)
Total comprehensive income		—	—	—	(1)	725	724
Transactions with owners:							
Dividends		—	—	—	—	(306)	(306)
Allotted in respect of share option schemes	C7	6	12	—	—	85	103
At 2 March 2024		678	1,430	568	681	3,466	6,823
At 6 March 2022		668	1,406	568	682	3,071	6,395
Profit for the year		—	—	—	—	152	152
Total comprehensive income		—	—	—	—	152	152
Transactions with owners:							
Dividends		—	—	—	—	(319)	(319)
Allotted in respect of share option schemes	C7	4	12	—	—	58	74
At 4 March 2023		672	1,418	568	682	2,962	6,302

The notes on pages 196 to 198 form an integral part of these financial statements.

Notes to the Company financial statements

C1 Basis of preparation and accounting policies

C1.1 Basis of preparation

The Company financial statements are prepared in accordance with United Kingdom Generally Accepted Accounting Practice. The financial year comprises the 52 weeks to 2 March 2024 (2023: 52 weeks to 4 March 2023).

The financial statements have been prepared on the going concern basis under the historical cost convention, except for derivative financial instruments and financial assets at fair value through other comprehensive income that have been measured at fair value.

The Company meets the definition of a qualifying entity under FRS 100 issued by the Financial Reporting Council. Accordingly, the financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework' and in accordance with the Companies Act 2006 as applicable to companies using FRS 101. As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to:

- a cash flow statement
- certain related-party transactions including those with subsidiaries
- the effects of new but not yet effective accounting standards
- certain disclosures in respect of financial instruments
- share-based payments
- certain comparatives as otherwise required by IFRS
- disclosures related to capital management

The basis for the above exemptions is because equivalent disclosures are included in the consolidated financial statements in which the entity is consolidated.

C1.2 Accounting policies

Material accounting policies, which have been applied consistently, are the same as those set out in note 3 to the consolidated financial statements except as noted below in respect of those which are Company specific.

a) Investments in subsidiaries, joint ventures and associates

Investments in subsidiaries, joint ventures and associates are carried at cost less any impairment loss in the financial statements of the Company.

At each financial year, the Company assesses the carrying amounts of its investments to determine whether there is any indication of impairment. Where such an indication exists, the Company makes an estimate of the recoverable amount based on the greater of the fair value less cost to dispose, or value-in-use calculations. Where a value-in-use calculation is used, discounted cash flows have been derived from Board-approved cash flow projections for four years and then extrapolated into perpetuity.

If the recoverable amount of the investment is less than its carrying amount, the investment is written down to its recoverable amount. Any impairment loss is immediately recognised in the income statement.

b) Trade and other receivables

Receivables are recognised initially at fair value, and subsequently at amortised cost using the effective interest rate method, less provision for impairment.

Receivable balances with other Group entities are reviewed for potential impairment based on the ability of the counterparty to meet its obligations. This is assessed by considering the net asset position of the entity and whether the amounts owed to the Company are covered. Where this is not the case, the estimated future cashflows of the counterparty are considered in line with the methodology detailed in note C2.

c) Trade and other payables

Payables are recognised initially at fair value, and subsequently at amortised cost using the effective interest rate method.

d) Deferred tax

Deferred tax is provided on temporary differences associated with investments in subsidiaries, branches and joint ventures except where the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

e) Share-based payments

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

C1.3 Significant estimate

Assessment of impairment of investments in subsidiaries

In carrying out value-in-use calculations to assess impairment, these require estimation relating to the appropriate discount factors and long-term growth as well as short and medium-term business plans. Management draws upon experience as well as external resources in making these judgements.

A sensitivity analysis is also performed to determine if there is sufficient headroom such that a reasonably possible change to key assumptions would not result in any impairment.

In respect of Sainsbury's Bank plc, the announcement that financial services products to be offered in the future will be provided by dedicated financial services providers through a distributed model and over time this will result in a phased withdrawal from the core Banking business is an indicator of impairment. A conclusion has been reached that the Company's investment is impaired and significant estimates have been made by management of future profitability and the associated costs to undertake the restructuring. Further information is set out in note C2.

C1.4 Income statement

The Directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and not presented an income statement nor a statement of comprehensive income for the Company alone.

C2 Investments in subsidiaries, joint ventures and associates

	2024 £m	2023 £m
Subsidiaries		
At the beginning of the financial year	7,677	7,667
Additions	88	60
Impairment	(470)	—
Other	a)	(50)
At the end of the financial year	7,295	7,677
Joint ventures and associates		
	1	1
	7,296	7,678

a) In the prior year, other movements relates to a dividend of £50 million paid by Sainsbury's Bank plc to J Sainsbury plc.

Rates used in value-in-use calculations

	2024	2023
Pre-tax discount rate	9%–15%	9%–15%
Long-term growth rate – weighted average used	2%	2%

The Company considers significant restructuring within its subsidiaries as well as the relationship between its market capitalisation and the carrying value of its investments, when reviewing for indicators of impairment.

Owing to the restructuring of the Group's financial services offering which is underway and described further in note 5 to the consolidated financial statements, this has been identified as an indicator of impairment of the Company's investment in Sainsbury's Bank plc. In addition, at 2 March 2024, the market capitalisation of the Group was significantly below the carrying value of the net assets of the Company, which primarily consists of investments in subsidiaries, indicating potential impairment. Accordingly, an impairment test over the investment in other subsidiaries has also been performed.

Where value-in-use calculations have been used to estimate the recoverable amounts of the investments, sensitivity analysis has been performed. Other than for Sainsbury's Bank plc which is described further below, the analysis indicates that there is sufficient headroom such that a reasonably possible change to key assumptions would not result in any impairment in any of the Company's investments in subsidiaries.

In respect of Sainsbury's Bank plc, value-in-use has been derived from the Board-approved cash flow projections for four years, together with estimated restructuring charges over that period, with an assumed growth rate of up to 2% beyond the four-year forecast period, depending on product line, with a probability weighted assessment of differing outcomes in respect of how the restructuring will be undertaken. The probability weighting was applied to cash flow projections which assume two scenarios, one comprising a sale of certain portfolios and the other a run down of certain portfolios over time. The pre-tax discount rate used of 14.7 per cent was derived from the Bank's weighted average cost of capital. Following the assessment, the Company has determined that the recoverable amount of its investment in Sainsbury's Bank plc is £350 million and as a result has recognised an impairment charge of £470 million. The calculation is sensitive to management's forecast of future performance over the restructuring period, deemed to be up to four years, including non-underlying costs expected to be incurred, as well as the discount rate applied to these cash flows.

Sensitivity

	2024	
		(Increase)/ decrease in impairment charge £m
Discount rate	2%	(36)
Discount rate	-2%	45
Estimate of forecast cashflows	10%	8
Estimate of forecast cashflows	-10%	(8)

In accordance with IAS 36, this impairment may be subject to reversal if in future periods there is a change in the estimates used to determine the investment's recoverable amount.

C3 Trade and other receivables

	2024			2023		
	Non-current £m	Current £m	Total £m	Non-current £m	Current £m	Total £m
Amounts owed by Group companies	847	70	917	68	1,191	1,259
Prepayments and accrued income	—	—	—	4	1	5
	847	70	917	72	1,192	1,264

Notes to the Company financial statements continued

C4 Trade and other payables

	2024			2023		
	Non-current £m	Current £m	Total £m	Non-current £m	Current £m	Total £m
Amounts owed to Group entities	—	1,292	1,292	—	2,916	2,916
Other payables	—	3	3	—	3	3
	—	1,295	1,295	—	2,919	2,919

C5 Taxation

Deferred income tax liability

	Capital losses £m	Rolled over capital gains £m	Total £m
At 5 March 2023	16	(32)	(16)
Rate change adjustment to income statement	(3)	—	(3)
At 2 March 2024	13	(32)	(19)
At 4 March 2023 and 5 March 2022	16	(32)	(16)

C6 Borrowings

	2024			2023		
	Current £m	Non-current £m	Total £m	Current £m	Non-current £m	Total £m
Term loan due 2026	6	575	581	—	—	—
Transaction costs	(1)	(3)	(4)	—	—	—
	5	572	577	—	—	—

Refer to note 33 of the Group financial statements for further detail.

C7 Share capital and reserves

C7.1 Share capital

	2024 million	2023 million	2024 £m	2023 £m
Called up share capital				
Allotted and fully paid ordinary shares 28 4/7p	2,371	2,352	678	672

Movements relate to allotments in respect of share option schemes as set out in note 26 to the Group financial statements.

C7.2 Capital redemption and other reserves

	Other reserves £m	Capital redemption reserve £m	Total capital redemption and other reserves £m
At 5 March 2023	2	680	682
Tax relating to other comprehensive income	(1)	—	(1)
At 2 March 2024	1	680	681

The other reserve represents the fair value gains and losses on the financial assets at fair value through other comprehensive income.

The capital redemption reserve arose through a return of share capital resulting in the redemption and cancellation of shares, by way of a B share scheme, approved at an Extraordinary General Meeting on 12 July 2004. The final redemption date for B shares was 18 July 2007 with all transactions completed in 2007.

C8 Contingent liabilities

Through the normal course of business, the Company has issued guarantees covering various commitments of its subsidiaries. The Company has also provided a guarantee to the Bank of England in respect of any borrowings by Sainsbury's Bank plc under the terms of the Sterling Monetary Framework. No liability has been recognised in the Company's accounts for this guarantee as it is considered remote that the guarantee will be called on. Note 39.4 of the Group financial statements sets out details on subsidiary undertakings exempt from audit.

Alternative performance measures (APMs)

In the reporting of financial information, the Directors use various APMs which they believe provide additional useful information for understanding the financial performance and financial health of the Group. These APMs should be considered in addition to, and are not intended to be a substitute for, IFRS measurements. As they are not defined by International Financial Reporting Standards, they may not be directly comparable with other companies who use similar measures.

All of the following APMs relate to the current financial year's results and comparative financial year where provided.

A1 Income statement measures

A1.1 Revenue

a) Retail like-for-like sales (Closest IFRS equivalent: None)

Definition and purpose

Year-on-year growth in sales including VAT, excluding Fuel and Financial Services, for stores that have been open for more than one year. The relocation of Argos stores into Sainsbury's supermarkets are classified as new space, while the host supermarket is classified as like-for-like.

The measure is used widely in the retail sector.

Reconciliation

	2024	2023
Retail like-for-like (exc. Fuel, inc. VAT)	7.5%	2.6%
Underlying net new space impact	(0.7)%	(0.6)%
Retail sales growth (exc. Fuel, inc. VAT)	6.8%	2.0%
Fuel impact	(3.6)%	3.2%
Total retail sales growth (inc. Fuel, inc. VAT)	3.2%	5.2%
VAT impact	0.4%	(0.1)%
Total retail sales growth	3.6%	5.1%

A1.2 Profit

a) Retail underlying operating profit and margin (Closest IFRS equivalent: Profit before tax)

Definition and purpose

Profit before interest and tax for the retail segment excluding non-underlying items.

This is the lowest level at which the retail segment can be viewed from a management perspective, with finance costs managed for the Group as a whole.

Reconciliation

	Note	2024 £m	2023 £m
Retail underlying operating profit	7.1	966	926
Retail sales	6	32,084	30,960
Retail underlying operating margin		3.01%	2.99%

b) Underlying profit before tax (Closest IFRS equivalent: Profit before tax)

Definition and purpose

Profit before tax excluding non-underlying items.

Provides shareholders with additional insight into the year-on-year performance.

Reconciliation

Face of the income statement.

Non-underlying items as set out in note 5 to the financial statements.

c) Underlying basic and diluted earnings per share (Closest IFRS equivalent: Basic and diluted earnings per share)

Definition and purpose

Earnings per share using underlying profit as described above.

A key measure to evaluate the performance of the business and returns generated for investors.

Reconciliation

Note 12 to the financial statements.

Alternative performance measures (APMs) continued

A1 Income statement measures continued

A1.2 Profit continued

d) Retail underlying EBITDA (Closest IFRS equivalent: None)

Definition and purpose

Retail underlying operating profit as above, before underlying depreciation, and amortisation.

Used to review the retail segment's profit generation and the sustainability of ongoing capital reinvestment and finance costs.

Reconciliation

	Note	2024 £m	2023 £m
Retail underlying operating profit	7.1	966	926
Add: Retail underlying depreciation and amortisation	A2.1	1,112	1,134
Retail underlying EBITDA		2,078	2,060
Retail sales	6	32,084	30,960
Retail underlying EBITDA margin		6.48%	6.65%

e) Underlying net finance costs (Closest IFRS equivalent: Finance income less finance costs)

Definition and purpose

Net finance costs before any non-underlying items that are recognised within finance income / expenses.

Provides shareholders with additional insight into the underlying net finance costs.

Reconciliation

Note 10 to the financial statements.

f) Underlying tax rate (Closest IFRS equivalent: Effective tax rate)

Definition and purpose

Tax on underlying items, divided by underlying profit before tax.

Provides an indication of the tax rate across the Group before the impact of non-underlying items.

Reconciliation

Non-underlying tax items as set out in note 5 to the financial statements.

A2 Cash flows and borrowings

A2.1 Retail cash flows (Closest IFRS equivalent: Group cash flows)

Definition and purpose

Retail cash flows identified as a separate component of Group cash flows.

Retail free cash flow: Net cash generated from retail operations, after cash capital expenditure and including payments of lease obligations, cash flows from joint ventures and associates and Sainsbury's Bank capital injections. This measures cash generation, working capital efficiency and capital expenditure of the retail business.

Other retail cash flows: Individual cash flow line items segregated from Group cash flows to allow individual Retail cash flows to be identified. This enables management to assess the cash generated from its core retail operations, and to assess core retail capital expenditure in the financial year in order to review the strategic business performance.

A2 Cash flows and borrowings continued**A2.1 Retail cash flows** (Closest IFRS equivalent: Group cash flows) continued**Reconciliation**

	Note	2024			2023		
		Retail £m	Financial Services £m	Group £m	Retail £m	Financial Services £m	Group £m
Profit before tax		483	(206)	277	284	43	327
Net finance costs		255	—	255	235	—	235
Operating profit/(loss)		738	(206)	532	519	43	562
Depreciation and amortisation		1,112	32	1,144	1,134	33	1,167
		34	—	34	41	—	41
		1,146	32	1,178	1,175	33	1,208
Net impairment charge on non-financial assets		23	212	235	315	—	315
(Profit)/loss on sale of non-current assets and early termination of leases		(5)	—	(5)	(5)	—	(5)
		(11)	14	3	(10)	—	(10)
		(16)	14	(2)	(15)	—	(15)
Non-underlying fair value movements		46	—	46	29	—	29
Share-based payments expense	b)	83	6	89	54	5	59
Defined benefit scheme expense/(income)		7	—	7	(2)	—	(2)
Cash contributions to defined benefit scheme		(44)	—	(44)	(44)	—	(44)
Operating cash flows before changes in working capital		1,983	58	2,041	2,031	81	2,112
Movements in working capital		262	(20)	242	159	307	466
		57	22	79	11	—	11
		319	2	321	170	307	477
Cash generated from operations	a)	2,302	60	2,362	2,201	388	2,589
Interest paid	a)	(323)	(13)	(336)	(307)	(9)	(316)
Corporation tax paid	a)	(58)	(3)	(61)	(99)	(4)	(103)
Net cash generated from operating activities		1,921	44	1,965	1,795	375	2,170
Cash flows from investing activities							
Purchase of property, plant and equipment		(649)	(1)	(650)	(523)	(2)	(525)
– Additions	a)	(649)	(1)	(650)	(523)	(2)	(525)
– Acquisitions	c)	(731)	—	(731)	—	—	—
Purchase of intangible assets	a)	(165)	(13)	(178)	(194)	(19)	(213)
Capital expenditure		(1,545)	(14)	(1,559)	(717)	(21)	(738)
Initial direct costs on new leases	a)	(6)	—	(6)	(16)	—	(16)
Proceeds from disposal of property, plant and equipment		16	—	16	29	—	29
– Core disposals	a)	16	—	16	29	—	29
– Acquisitions related	c)	61	—	61	—	—	—
Proceeds on disposal of amounts due from Financial Services Customers		—	446	446	—	—	—
Dividends and distributions received/(paid)	a)	—	—	—	51	(50)	1
Interest received	a)	27	—	27	15	—	15
Net cash (used in)/generated from investing activities		(1,447)	432	(1,015)	(638)	(71)	(709)
Cash flows from financing activities							
Proceeds from issuance of ordinary shares		15	—	15	13	—	13
Purchase of own shares		(18)	—	(18)	(45)	—	(45)
Share related transactions		(3)	—	(3)	(32)	—	(32)
Proceeds from borrowings		575	—	575	—	—	—
Repayment of borrowings		(41)	—	(41)	(40)	(55)	(95)
Net drawdown/(repayment) of borrowings		534	—	534	(40)	(55)	(95)
Capital repayment of lease obligations	a)	(505)	(2)	(507)	(512)	(2)	(514)
Dividends paid on ordinary shares		(306)	—	(306)	(319)	—	(319)
Net cash used in financing activities		(280)	(2)	(282)	(903)	(57)	(960)
Net increase in cash and cash equivalents		194	474	668	254	247	501
Capital expenditure		(1,545)	—	(1,545)	(717)	—	(717)
Less amounts paid for asset acquisition (note 2.6)		731	—	731	—	—	731
Core Retail capital expenditure		(814)	—	(814)	(717)	—	(717)

Items in the retail cash flow marked a) to c) reconcile to the summary cash flow statement in the financial review as outlined in note A2.2.

Alternative performance measures (APMs) continued

A2 Cash flows and borrowings continued

A2.1 Retail cash flows (Closest IFRS equivalent: Group cash flows) continued

Reconciliation continued

As set out in the Group cash flow statement the Group now classifies Interest received within Cash flows from investing activities whereby the previous treatment was within Cash flows from operations. 2023 amounts have therefore been re-presented whereby Retail Cash generated from operations and Retail Cash flows from investing activities were previously £2,216 million and £(653) million respectively. There has been no impact on cash flows within the Financial Services segment.

A2.2 Underlying retail cash flow movements (Closest IFRS equivalent: None)

Definition and purpose

Identifies cash movements in respect of Retail non-underlying items and also sets out a breakdown of items included in the summary cash flow statement set out in the Financial Review.

Reconciliation

	Note	2024 £m	2023 £m
Cash contribution to defined benefit scheme	A2.1	(44)	(44)
Non-underlying cash movements:			
Financial services model		(5)	—
Sainsbury's structural integration		(67)	(50)
Legal disputes income		—	30
ATM business rates reimbursement		—	3
Property-related transactions		—	(6)
Operating cash flows		(72)	(23)
Effect on Retail cash generated from operations		(116)	(67)

Sum of items marked a), b), and c) in note A2.1 as they appear in the financial review

	Reference	2024 £m	2023 £m
Retail free cash flow	a)	639	645
Share based payments and other	b)	78	49
Net consideration paid for Highbury and Dragon property transaction	c)	(670)	—

A3 Borrowings

A3.1 Net debt (Closest IFRS equivalent: Borrowings, cash, derivatives, financial assets at FVTOCI, lease liabilities)

Definition and purpose

Net debt includes the capital injections into Sainsbury's Bank, but excludes the net debt of Sainsbury's Bank and its subsidiaries. Financial Services' net debt balances are excluded because they are required as part of the business as usual operations of a bank, as opposed to specific forms of financing for the Group. Derivatives exclude those not used to hedge borrowings, and borrowings exclude bank overdrafts as they are disclosed separately. Hence net debt is represented as Retail net debt.

This metric shows the liquidity and indebtedness of the Group and whether the Group can cover its debt commitments.

Reconciliation

Note 32 to the financial statements.

A3 Borrowings continued**A3.2 Net debt/underlying EBITDA** (Closest IFRS equivalent: None)**Definition and purpose**

Net debt divided by Group underlying EBITDA.

Helps management measure the ratio of the business's debt to operational cash flow.

Reconciliation

	Note	2024 £m	2023 £m
Net debt	32	5,554	6,344
Group underlying EBITDA	A4.2	2,139	2,139
Net debt/underlying EBITDA		2.6x	3.0x

Group underlying EBITDA is reconciled within the fixed charge cover analysis in note A4.2.

A4 Other measures**A4.1 Return on capital employed** (Closest IFRS equivalent: None)**Definition and purpose**

Return divided by average capital employed.

Return is defined as 52 week rolling underlying profit before interest and tax.

Capital employed is defined as Group net assets excluding pension surplus, less net debt. The average is calculated on a 14-point basis which uses the average of 14 data points.

Represents the total capital that the Group has utilised in order to generate profits. Management use this to assess the performance of the business.

Reconciliation

Net debt as set out in note 32.

	Note	2024 £m	2023 £m
Return (Group underlying operating profit)	7.1	995	972
		£m	£m
Group net assets	Balance sheet	6,868	7,253
Less: Pension surplus	Balance sheet	(690)	(989)
Deferred tax on pension surplus	11.3	244	330
Less: Net debt	32	5,554	6,344
Effect of in-year averaging		42	(101)
Capital employed		12,018	12,837
Return on capital employed		8.3%	7.6%

A4.2 Fixed charge cover (Closest IFRS equivalent: None)**Definition and purpose**

Group underlying EBITDA divided by rent (representing capital and interest repayments on leases) and underlying net finance costs, where interest on perpetual securities is treated as an underlying finance cost. All items are calculated on a 52 week rolling basis.

This helps assess the Group's ability to satisfy fixed financing expenses from performance of the business.

Reconciliation

	Note	2024 £m	2023 £m
Group underlying operating profit	7.1	995	972
Add: Group underlying depreciation and amortisation expense	A2.1	1,144	1,167
Group underlying EBITDA		2,139	2,139
Capital repayment of lease obligations	A2.1	(507)	(514)
Underlying finance income	10	30	18
Underlying finance costs	10	(324)	(300)
Fixed charges		(801)	(796)
Fixed charge cover		2.7x	2.7x

Additional shareholder information

Financial calendar

Ex-dividend date of final dividend	6 June 2024
Record date of final dividend	7 June 2024
Q1 trading statement	2 July 2024
Annual General Meeting	4 July 2024
Payment date of final dividend	12 July 2024
Interim (half-year) results announcement	7 November 2024
Q3 trading statement	January 2025 ^{a)}
Preliminary (full-year) results announcement	April 2025 ^{a)}

a) Provisional dates

Shareholders

Shareholder information as at 2 March 2024.

	2024	2023
Number of shareholders	96,196	100,490
Number of shares in issue	2,370,612,927	2,352,338,052

Annual General Meeting (AGM)

The AGM will be held at 33 Holborn, London, EC1N 2HT at 11.00am on Thursday, 4 July 2024 with facilities to attend virtually. The Notice of Meeting and proxy card for the meeting are enclosed with this report and further details will be available at www.about.sainsburys.co.uk.

Registrars

For information about the AGM, shareholdings and dividends, or to report changes to personal details, shareholders should contact: Equiniti

Aspect House
Spencer Road Lancing BN99 6DA
Telephone: 0333 207 6557* (from UK) or +44 (0) 333 207 6557* (outside UK)

* Lines are open 8.30am to 5.30pm (UK time), Monday to Friday (excluding public holidays in England and Wales).

Shareholders with speech or hearing difficulties can also contact Equiniti using Relay UK. More information can be found by visiting www.relayuk.bt.com. Please remember to tell Equiniti if you change your residential address or bank details, or if there is any other change to your account information.

You can view and manage your shareholding online at www.shareview.co.uk. You will require your 11-digit Shareholder Reference Number to log in; this can be found on your share certificate and dividend confirmation.

Dividends

To receive dividends and any other money payable to you in connection with your J Sainsbury plc ordinary shares, you will need to provide your bank or building society account details. Payments will be made directly to your nominated account by direct credit. Please visit www.shareview.co.uk for further details.

Dividend Reinvestment Plan (DRIP)

Sainsbury's offers a DRIP, which is a simple way to buy additional Sainsbury's shares. Shareholders can reinvest their cash dividends in the Company's shares bought in the market through a specially arranged share dealing service. No new shares are allotted under this DRIP and approximately 22,000 shareholders participate in it. Full details of the DRIP and its charges, together with mandate forms, are available from Equiniti. Alternatively, you can elect to join the DRIP by registering at www.shareview.co.uk.

Shareholder communications website

More information about J Sainsbury plc, including the latest results and reports, can be found on our website at www.about.sainsburys.co.uk. As well as providing share price data and financial history, the site also provides information on management, our business strategy and corporate governance. It also contains information for investors, our sustainability report, regulatory and news releases, and current issues.

Electronic shareholder communications

The Company encourages all shareholders to receive their shareholder communications electronically to reduce our impact on the environment and has set up a facility for shareholders to do so. The service allows you to:

- View the Annual Report and Financial Statements on the day it is published
- Receive electronic notification of the availability of future shareholder information (you must register your email address for this service)
- Check the balance and current value of your shareholding and view your dividend history
- Submit your vote online prior to a general meeting

To register, visit www.shareview.co.uk. You will need your 11-digit Shareholder Reference Number, which can be found on your share certificate and dividend confirmation. For each shareholder registration, a donation will be made to the Woodland Trust, the UK's leading woodland conservation charity.

Share dealing services

To buy or sell your J Sainsbury plc ordinary shares, please visit your stockbroker or your bank who will usually be able to assist you. Alternatively, you may consider using Equiniti. Equiniti offers a telephone and online facility, which gives shareholders the opportunity to trade at a known price. The telephone service is available from 8.00am to 4.30pm, Monday to Friday, excluding bank holidays, on 03456 037 037. The online share dealing service gives shareholders the option to submit instructions to trade online and more information can be found by visiting www.shareview.co.uk.

ShareGift

If you have a small number of shares which would cost more for you to sell than they are worth, you may wish to consider donating them to the charity ShareGift (Registered Charity 1052686) which specialises in accepting such shares as donations. The relevant stock transfer form may be obtained from Equiniti. There are no implications for Capital Gains Tax purposes (no gain or loss) on gifts of shares to charity. If you are a UK taxpayer, it is also possible to obtain income tax relief. Further information about ShareGift may be obtained by calling 020 7930 3737, emailing help@sharegift.org or by visiting www.sharegift.org.

Shareholder security

Investment scams are designed to look like genuine investments and fraudsters use persuasive, high pressure tactics to scam investors.

Spot the warning signs

Have you been:

- Contacted out of the blue and told the investment is safe;
- Called repeatedly; or
- Told the offer is only available for a limited time?

Report a scam

Report any suspected investment scams to the FCA at www.fca.org.uk/consumers/report-scam-us or call the FCA Consumer Helpline on 0800 111 6768.

Avoid investment fraud

- Reject cold calls
- Check the FCA Warning List of firms and individuals who the FCA know are operating without their authorisation
- Get impartial advice

If you have lost any money to investment fraud, you should report it to Action Fraud on 0300 123 2040 or at www.actionfraud.police.uk. Find out more at www.fca.org.uk/scamsmart.

To understand how Sainsbury's processes shareholder data, please visit www.about.sainsburys.co.uk/site-services/privacy-policy.

ProSearch

Sainsbury's has instructed ProSearch, a specialist tracing company, to identify and communicate with shareholders who may be owed dividends or shares in Sainsbury's. If you have received a communication from ProSearch and think you may be due dividends or shares in Sainsbury's, please contact ProSearch directly for more information. You can call them on 0371 384 2735* or visit www.prosearchassets.com.

* Lines are open 9.00am to 5.00pm Monday to Friday (excluding UK public holidays).

American Depository Receipts (ADRs)

The Company has a sponsored Level 1 ADR programme for which the Bank of New York Mellon acts as depository. The ADRs are traded on the over-the-counter (OTC) market in the US under the symbol JSAIY, where one ADR is equal to four ordinary shares. All enquiries relating to ADRs should be addressed to:

Bank of New York

Mellon Shareholder Correspondence PO Box 505000
Louisville
KY 40233-5000

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General contact details

For any customer enquiries, please visit our websites:

- Sainsbury's <https://help.sainsburys.co.uk/help>
- Argos www.argos.co.uk/help/contact-us
- Habitat www.habitat.co.uk/help/contact-us
- Nectar www.nectar.com/help
- Sainsbury's Bank www.sainsburysbank.co.uk/insuring/support/customer_support_zone

Cautionary statement

Certain statements included in this Annual Report are forward-looking. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from any expected future events or results referred to in these forward-looking statements. They appear in a number of places throughout this Annual Report and include statements regarding our intentions, beliefs or current expectations and those of our officers, Directors and employees concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the business we operate. Unless otherwise required by applicable law, regulation or accounting standard, we do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

Glossary

Annual General Meeting (AGM) – This year the AGM will be held on 4 July 2024 at our registered office 33 Holborn, London EC1N 2HT at 11.00am.

Argos Financial Services (AFS) – ARG Personal Loans Limited; Home Retail Group Card Services Limited; and Home Retail Group Insurance Services Limited.

bps – Basis points.

by Sainsbury's – Core own-label brand.

CDP – Carbon Disclosure Project.

Click & Collect – Service which allows customers to place general merchandise and grocery orders online for collection in-store.

Corporate Responsibility and Sustainability (CR&S) – The need to act responsibly in managing our impact on a range of stakeholders: customers, colleagues, investors, suppliers, the community and the environment.

CPI – Consumer Price Index.

Earnings Per Share (EPS) – Earnings attributable to ordinary shareholders of the parent divided by the weighted average number of ordinary shares in issue during the year, excluding those held by ESOP Trusts, which are treated as cancelled.

Fair value – The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

FVTPL – Fair value through profit or loss. Method of valuing a financial instrument where changes in fair value are recognised directly in the income statement.

FVTOCI – Fair value through other comprehensive income. Method of valuing financial instruments where changes in fair value are recognised through other comprehensive income.

GDPR – General Data Protection Regulations.

Greenhouse Gas (GHG) – Gases in the atmosphere which absorb infrared radiation emitted from Earth's surface creating a 'greenhouse effect'.

Group – The Company and its subsidiaries.

GSCOP – Grocery Supply Code of Practice.

HFSS – High fat sugar and salt.

IFRIC – International Financial Reporting Interpretations Committee.

IFRSs – International Financial Reporting Standard(s).

Joint venture (JV) – A business jointly owned by two or more parties.

Kantar Worldpanel (Kantar) / Nielson Global Solutions (Nielson) – Independent third parties providing data on the UK Grocery Market.

Live Well for Less – Sainsbury's customer commitment to continue to help people live the life they want to live, with quality products at fair prices.

LTIP – Long-Term Incentive Plan.

Net zero – our commitment to becoming net zero in our own operations by 2035 through reducing our GHG emissions as much as possible and not adding to the amount of GHG in the atmosphere.

Nectar – One of the most popular loyalty schemes in the UK.

Paris Agreement – an agreement within the United Nations Framework Convention on Climate Change. The Agreement sets a goal for companies to limit global warming to 1.5°C above pre-industrial levels.

PCI – Payment card industry.

PRA – Prudential Regulation Authority.

RPI – Retail Price Index.

SONIA – Sterling Overnight Index Average

Taste the Difference – Sainsbury's premium own brand range of products.

Total Shareholder Return (TSR) – The growth in value of a shareholding over a specified period, assuming that dividends are reinvested to purchase additional units of the stock.

Tu – Sainsbury's own-label clothing range.

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**Find out more at
www.about.sainsburys.co.uk**

J Sainsbury plc Annual Report and Financial Statements 2024