

J Sainsbury plc

Good food
for all of us



Annual Report and
Financial Statements 2025

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Performance highlights

Financial highlights

3.1%

Retail sales growth (excl. fuel) versus the 2023/24 financial year. Including fuel sales increased 1.4%

£761m

Total underlying profit before tax, up 8.6% versus the 2023/24 financial year

23.1p

Total underlying basic earnings per share, up 4.5% versus 22.1p in the 2023/24 financial year. Basic earnings per share 10.4p

£531m

Retail free cash flow, versus £639 million in the 2023/24 financial year. Statutory net cash generated from operating activities from continuing operations was £1,364 million, versus £2,113 million in the 2023/24 financial year

£1,036m

Retail underlying operating profit, up 7.2% versus the 2023/24 financial year

£242m

Statutory profit after tax, up 76.6% versus the 2023/24 financial year

9.0%

Return on capital employed, up 70 basis points versus the 2023/24 financial year

Non-financial highlights

52.8%

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

£33.8m

Raised for good causes

373%

More surplus food redistributed to communities versus our 2019/20 baseline

21%

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

£1bn

Invested in lowering prices over the past four years, since setting out to put food back at the heart of the business

58%

Increased colleague pay by 58% since 2018



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

The best performing companies in the world are driven by a clear and compelling purpose. When John James and Mary Ann Sainsbury's opened their first store in 1869, their purpose was clear: to provide good quality food at affordable prices.

More than 150 years later, Sainsbury's has stayed true to those values. People who shop with us know that Sainsbury's stands for quality, value and service and we are incredibly proud of the brand we have built.

Our purpose – **making good food joyful, accessible and affordable for everyone, every day** – is more than a guiding principle. It shapes why we exist and how we deliver for our customers, colleagues, suppliers and shareholders. It defines how we approach every decision and has seen us go faster and further than ever before, as we continue to put good food at the heart of all that we do.

Our purpose in action



Page 6

Plan for Better



Page 16

Our people



Page 20





Business model

Our business at a glance

It's our ambition to be the UK's 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, enhancing our competitive advantage.

Building on **our brand** and strong assets to create value for our stakeholders



Everything we do is underpinned by data and technology innovation. And the infrastructure that supports our brands enables us to drive value and efficiency.



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 resilient and sustainable UK food system.



[Read more](#) page 16.



Business overview

Our brands work together to provide added value for our customers

Sainsbury's is a trusted, well-loved brand that has been bringing high quality, great value food to customers for over 150 years. Argos, Habitat, Tu, Smart Charge, Nectar, Nectar360 and Sainsbury's Bank are complementary brands which help deliver our purpose and give customers more reasons to shop with us.

Sainsbury's



N E C
T A R
3 6 0



Tu



Sainsbury's
Bank

Our strategy for Next Level Sainsbury's

In February 2024, we set out our Next Level Sainsbury's plan – designed to build on the success of our Food First strategy. Our strategy continues to put food at the heart of our business and gives customers more of what they come to Sainsbury's for: outstanding value, unbeatable quality food and great service.

Since setting out to put food back at the heart of the business, we have completely reset our competitive position and created a strong financial platform from which we will continue to grow, invest in further strengthening the business and deliver enhanced returns to shareholders.

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

Loyalty everyone loves

Build a world-leading loyalty platform

that is more personalised, joyful, rewarding and transparent for everyone

More Argos, more often

Unleash and transform Argos around the three things that have always made it brilliant

like its curated range, famously convenient experience and great value – so more customers buy more complete baskets more often

Save and invest to win

Save £1 billion and invest in transforming our capabilities

to take another big leap forward in efficiency, productivity and customer focus, continuing to build a platform for growth



Find out about the eight key commitments our four strategic outcomes are delivering on page 10.

Our investment case

Next Level Sainsbury's strategy

Delivering profit leverage from sales growth

Food volume growth



SG&A/sales reduction



Measured reinvestment in the customer proposition



Profit leverage from sales growth

Sustainable and reliable cash generation

Robust profitability



Disciplined capital investment



Strong sustained cash flows and higher return on capital

Enhanced returns to shareholders

Strong sustained cash flows



Focused capital allocation



Enhanced shareholder returns



Chair's letter

A thriving Sainsbury's is good for the UK



Martin Scicluna
Chair

In a rapidly changing retail environment, we remain focused on delivering for our customers, our colleagues and the communities we serve, creating lasting value for our shareholders and contributing to a stronger, more resilient UK economy.

Reflecting on another significant year for Sainsbury's, I am proud to share the considerable progress we have made. Today we are a stronger, more confident business, well-equipped to navigate a challenging economic environment shaped by persistent headwinds, regulatory changes and rising costs. We have made tough, yet balanced choices and the strength of our competitive position gives me confidence in our continued progress.

Benefiting from the deep foundations we've laid over the last four years, this first year of our Next Level Sainsbury's strategy has delivered strong profit growth. We've continued to invest in the business while maintaining a solid balance sheet and returning more than £500 million of capital to shareholders through dividends and a share buyback.

A successful and competitive Sainsbury's

A thriving, competitive Sainsbury's is not just good for business; it's good for the UK. As one of the UK's largest and longest established businesses, Sainsbury's plays an essential role in the strength of the London equity market. Our success directly benefits the UK economy, businesses and millions of pensioners whose savings are invested in British companies like ours. A strong, well-run Sainsbury's will deliver long-term value creation and strong, reliable returns for shareholders.

Sainsbury's is also one of the top ten largest taxpayers in the UK, making a significant contribution to both national and local economies. Our considerable tax payments help fund essential public services, including healthcare, education and infrastructure, supporting the communities where our colleagues and customers live and work.

Beyond our considerable financial and economic contributions, Sainsbury's continued success is about putting food first and people first – driven by our purpose to make good food joyful, accessible and affordable for everyone, every day.

As a responsible retailer and the UK's second largest private sector employer, we are proud to employ more than 141,000 colleagues, creating jobs where they matter most, strengthening local economies by providing first jobs, supporting long-term careers and skills that fuel economic mobility. To support our colleagues further, in January we led the sector on pay for the third year in a row and have increased frontline customer-facing colleagues' pay by 58 per cent since 2018.

At the heart of Britain's relationship with food

With more than 150 years of heritage at the heart of Britain's relationship with food, we understand the vital role we play in ensuring the UK food system remains strong, sustainable and accessible for generations to come.

We recognise UK food and farming is facing profound challenges. Inflation and financial pressures are amplified by the impact of climate change on supply chains, with farmers and growers also having to adapt to shifting consumer behaviours. Securing a strong, sustainable supply of food means we must prioritise building resilience into our supply chains. This will require ongoing collaboration across our sector between farmers and suppliers, policymakers, governments and major food businesses like ours.

The appointment of Simon as the new President of The Institute of Grocery Distribution last March, alongside being named as the sole retailer on the Government's new Food Strategy Advisory Board, underscores the trust placed in Simon and Sainsbury's. It's a tough but vital challenge and we look forward to playing our part in shaping the development of a forward-thinking National Food Strategy.



Driving progress on sustainability

Plan for Better remains core to our Next Level Sainsbury's strategy and purpose and is integrated into our business.

In the past year we have made good progress across many areas of our plan. Through collaboration with our suppliers from pork to mushrooms, we have worked to build partnerships that provide long-term financial assurance and deliver sustainable outcomes that support both the planet and the communities we serve. We have innovated to launch first to market packaging solutions for our customers across lamb and fish and continue to help our customers and the communities we serve access good, nutritious food.

As we look to the future, significant regulatory change and increasing disclosure requirements will impact not just our business, but the entire sector. Though we support the policy intent on schemes such as Extended Producer Responsibility and Deposit Return Scheme, ensuring they deliver the national recycling infrastructure that is required will be crucial to the delivery of our future packaging ambitions. Close collaboration between government and business will be required if we want to build a truly circular economy.

Financial review

The first year of our Next Level Sainsbury's plan delivered another strong performance, with retail underlying operating profit of £1,036 million, up 7.2 per cent, ahead of sales growth. Double digit profit growth at Sainsbury's, delivering on our operating leverage commitment, was partially offset by lower profits at Argos.

Our strong balance sheet allowed us to maintain an unchanged and conservative level of leverage while continuing to invest capital in efficiency and growth and delivering strong cash returns to shareholders of more than £500 million.

We have further tightened our focus on our core grocery business over the last year, through the announcements of the sale of Sainsbury's Bank's Core Banking and ATM businesses and the sale of the Argos Financial Services cards portfolio.



More information on our financial performance can be found in the Financial Review on page 47.



With more than 150 years of heritage at the heart of Britain's relationship with food, we understand the vital role we play in ensuring the UK food system remains strong, sustainable and accessible for generations to come.

Martin Scicluna

Chair

Our Board

As we announced in January, we made changes within our Operating Board to recognise the different needs of the Sainsbury's and Argos businesses and have reorganised our store support centre to reflect the distinction between the two business areas. These changes are driving faster decision making and improved performance for both Sainsbury's and Argos. Details of this can be found on page 75.

In April, we also announced two significant appointments to our Board of Directors and I am delighted to welcome Katie Bickerstaffe and Steve Hare to the Board as Non-Executive Directors. Katie will be a member of the Corporate Responsibility and Sustainability Committee and the Nomination and Governance Committee. Steve will join the Audit and Nomination and Governance Committees. Their extensive experience and leadership in retail and digital businesses will be invaluable to our Board. Katie's strong perspectives on digital transformation and Steve's expertise in leading tech businesses will greatly contribute to our strategic direction. These appointments will be effective following the Annual General Meeting (AGM) on 3 July 2025.

Additionally, after nine years of service, Brian Cassin has announced his retirement from the Board of Directors. Adrian Hennah, who has been a member of the J Sainsbury plc Board since April 2021, will succeed Brian as Senior Independent Director following our AGM. I would like to thank Brian for his commitment and dedication to Sainsbury's. Throughout his time with us he has provided invaluable leadership. We wish him all the best for the future.

Looking ahead with confidence

Focused action implementing our Next Level Sainsbury's plan will ensure we're well positioned for continued success. Simon and his leadership team have completely transformed Sainsbury's, creating a stronger business with a sharper value position, a renewed focus on innovation and focused investment plans, which are supporting growth, driving efficiency and building competitive advantage. We are now primed to make our biggest investment in property in more than a decade, opening 40 new stores in 2025/26 and bringing over 700,000 more people within a ten minute drive of Sainsbury's over the next two years.

The significant strides made by the business over the last four years are testament to the exceptional execution capabilities of our management team. For this, I sincerely thank the Operating Board and Simon for their remarkable efforts and unwavering support over the past year. The Board and I have total confidence in Simon and his team's ability to build on our progress and deliver on our commitments.

My final thank you is to all our colleagues. Thank you for your brilliant commitment, hard work, energy and passion. You are the driving force behind all our achievements.

Martin Scicluna

Chair

16 April 2025



Our purpose in action

Great-tasting, well-sourced food brings families and friends together, adding joy to our lives and making every occasion special

Food matters to everyone, every single day. Yet not everyone has access to good food. For many, finding the time, energy, or inspiration to plan, shop for and prepare the meals they want to enjoy, or share with their loved ones, can be a real challenge. Access to good food becomes even more challenging when budgets are tight.

That's why our Sainsbury's purpose is simple: to make good food joyful, accessible and affordable for everyone, every day. Whether that's helping customers enjoy quality food at great value or making shopping easier and more convenient. Because food fuels our lives but it should also be about so much more than that - it's a source of joy, connection and shared moments that matter.



Making good food joyful

We know our customers love the choice we offer and the excitement of new products, whether they're doing their big weekly shop, looking for a quick but delicious bite to eat, hosting friends and family or celebrating life's big moments. Through our food innovation, we're regularly adding new, high quality and delicious products to our shelves. Over the past year we launched 1,300 new products, 600 of which were in our premium *Taste the Difference* range.

With the rising costs of dining out, more customers are choosing to enjoy great meals at home, turning to *Taste the Difference* for restaurant-quality food at affordable prices. Only the highest quality ingredients go into our range – from fresh fruit and vegetables and mouth-watering treats to expertly crafted meals and desserts – you really can taste the difference. Perfect for those special moments and celebrations but also for bringing something joyful to everyday meals, *Taste the Difference* is the fastest growing premium range in the market. One in three baskets feature a product from the range and we continue to outperform the market for all big events – including at Christmas and Easter.

Joyful food is all about great quality. It's food that is well-sourced, grown sustainably, improves animal health and welfare and supports communities. This is part of the fabric of our *by Sainsbury's* range of everyday essentials. Like our MSC certified *by Sainsbury's* tuna, which is caught using lines, not nets. And all of our fresh and frozen *by Sainsbury's* chickens have more room to roam. Because our price position is as sharp as ever and our chickens are happier and healthier, our chicken market share has increased since launch.

Making good food accessible

The grocery sector has gone through huge shifts over the decades since we opened our first store in 1869. In a fast-moving industry like food retail, change is constant but what shoppers want is enduring – brilliant customer service and affordable, accessible and joyful food, whenever and however they shop.

Our winning combination of outstanding quality, great value and leading service continues to deliver. Because of the success of our strategy, we're bringing our brilliant food offer to more customers with 40 new stores this year – our biggest investment in property in over a decade. It will help us bring the best of Sainsbury's to even more communities around the country and place over 700,000 more people within a 10-minute drive of Sainsbury's over the next two years. At the same time, we're also making more of our food range available to more customers by rebalancing space and improving our stores for better customer and colleague experience.

Making good food affordable

We know how important the combination of great quality and affordable prices is for our customers. We've invested £1 billion in value over the last four years but as every household continues to feel the pressure, we're working hard to ensure every pound our customers spend goes further. For millions, shopping is a balancing act. Finding quality food at the right price and getting everything you need in one go needs to be as simple as possible.

Customers love the simplicity and savings of our Nectar loyalty scheme. With Nectar Prices, we've transformed the way they experience value at Sainsbury's, where purple is now a true symbol of great savings and low prices. Nectar Prices are now available on over 9,000 products and we also offer hundreds of millions of personalised offers a week, helping us build stronger connections and save customers over £2 billion in 2024/25.

No matter how our customers are choosing to shop, we're giving them access to the cheapest prices on the things they buy most often. In 2024, we were the first retailer to extend Aldi Price Match across all supermarkets, Local stores and online – offering market-leading prices on the most popular breakfast, lunch and dinner products, like milk, bread, butter, baked beans, chicken, tuna, pasta, rice and vegetables. And we're not just focused on staples when it comes to great value, over 75 per cent of products in Aldi Price Match are Healthy or Better for you choices.



Inspiring everyone, every day to make healthier choices

Making healthy choices can help us feel better and live longer, but it's not always easy. That is why we are committed to inspiring customers to make good choices when it comes to mealtimes. One of the ways we're achieving this ambition is through our Great Fruit and Veg challenge with Nectar. We ran the challenge for the fifth time this year giving customers the chance to collect up to 1,000 bonus Nectar points over a seven-week window when completing personalised fruit and vegetable portion tasks and helping shape customer behaviours for the better. This year, 785,000 customers participated, an increase of 10 per cent year-on-year, and 133 million portions of fruit and veg were purchased. To further support and inspire our customers to make healthier choices, we launched our Healthy Choice logo on own brand products.



Food first, people first

Our people are at the heart of everything we do and integral to delivering our purpose, which is why we are committed to doing all that we can to support our colleagues by continuing to make significant investments in pay. In January 2025, we led the industry on pay for frontline customer-facing colleagues again, for the third year in a row, representing an increase of 58 per cent since 2018. It's a reflection of how much we value and rely on the dedication and hard work of those who serve our customers every day.



A good food system that's fit for the future

At Sainsbury's, we're committed to taking a leading role in creating a more sustainable and resilient food system in the UK, with a thriving farming sector at its heart. This is a commitment to driving investment in the food system and contributing to economic growth. We can't overlook the importance of financial stability and investment in developing this strategy as it is the foundation for long-term success. For our part, we are working ever more closely with our suppliers and farmers to give long-term assurance and ensure we're securing our supply chains for the future, growing the produce we need here in the UK.

In partnership with Moy Park, our trusted poultry supplier, we were the first retailer of our scale to give our birds 20 per cent more space and enhance their welfare, helping our *by* Sainsbury's chickens have happier and healthier lives. More recently, we signed a ten-year partnership with Cranswick focused on enhancing pig welfare and helping build a more resilient UK farming sector. This collaboration will jointly invest over £60 million towards delivering a new standard for animal welfare across *by* Sainsbury's pork products, developing more resilient farming methods that benefit both the animals and the farming community in the UK. Together, Sainsbury's and Cranswick plan to deliver net zero *Taste the Difference* pork by 2029 and *by* Sainsbury's pork by 2030, working more closely on environmentally sustainable practices.

In a first for UK retailers, we also launched the Sainsbury's Egg Group, which will support our egg farmers to become more resilient by providing them with greater financial security and working with them to improve animal welfare. We have a history of innovating in eggs and in 2009 we became the first major retailer to stock 100 per cent cage-free eggs. Since 2020, all *by* Sainsbury's eggs have been free range.

We play a vital role in ensuring the UK food system remains strong and sustainable for generations to come and are proud to be a leader in sector innovation. In 2024, we were the first UK supermarket to introduce conventional mushrooms grown without peat, a change to production that will reduce peat usage by 20,465 tonnes per year, helping to protect nature and reduce carbon in our supply chain. This revolutionary move has the added benefit of growing mushrooms that are firmer and last longer.

1 in 3

Baskets contain *Taste the Difference*, the fastest growing premium range in the market

£2 billion

Saved with Nectar Prices in 2024/25

785,000

Customers participated in Nectar's Great Fruit and Veg challenge, an increase of 10 per cent year-on-year with 133 million portions of fruit and veg purchased

£1 billion

Invested in value over the past four years

£61 million

Joint investment with Cranswick in pork welfare and supply chain

58%

Increase in hourly paid colleagues pay since 2018



Chief Executive's letter

Our brilliant colleagues and suppliers are at the heart of everything we do



Simon Roberts
Chief Executive

Simon Roberts reflects on the first year of Next Level Sainsbury's and the value of working across the food system with our suppliers to deliver with purpose for our customers, our colleagues, our shareholders and the communities we serve.

Retail is, above all else, a massive team effort. Success doesn't happen without truly committed and dedicated people; our teams working together across all our stores, supply chains and support centres to deliver for customers every day. That's why I want to start with a huge thank you to all my colleagues and our suppliers for their hard work, resilience and passion. Their commitment has helped us make a brilliant start to our Next Level strategy, with a year of significant progress building on the strong foundations that Food First delivered.

We have had our best year yet in Grocery since the launch of Food First. We outperformed the market every quarter for a second consecutive year and made our biggest market share gains in more than a decade as more customers chose Sainsbury's for their big shop.

A purpose that creates value

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 that Sainsbury's has stayed true to these values.

Our purpose – **making good food joyful, accessible and affordable for everyone, every day** – is more than a guiding principle. It shapes why we exist and how we work across the food system with our suppliers to deliver for our customers, colleagues, shareholders and the communities we serve. It defines how we approach every decision. Putting good food back at the heart of our company has helped us go faster, make bolder decisions and push further than ever before.

It's no coincidence that this year has been one of our strongest, reflecting four years of investment to improve the fundamentals of this business. We've delivered great value, introduced more new and innovative products to our shelves, given more space in our stores to our core food ranges and continued to lead our sector on pay increases for our hourly colleagues. As a result, we've grown grocery volume market share, won more loyal customers and continue to deliver market-leading customer service, all whilst making our business more sustainable and resilient for the future.

Delivering for our customers

In today's tough economic climate, providing great value for our customers has never been more important. People continue to make careful choices about how they spend their money. They are looking for the best possible quality at the lowest possible price and without any compromise on service or their shopping experience. This is what we are committed to deliver for all our customers every day.

Argos has felt the impact of customers being more careful with their spending and tough, competitive market conditions. Online traffic was challenged in the first half of the year and the Summer also started slowly, resulting in sales below our expectations. In the second half, we took action to drive more traffic and increase sales and I'm pleased to say we saw a return to sales growth in the fourth quarter.

In our grocery business, we have invested £1 billion over the last four years to make good food more affordable for everyone, whether that's through our Low Everyday Prices, Aldi Price Match or Nectar Prices. This means that customers feel confident choosing Sainsbury's more often and for more of their shopping, trusting the value, quality and service we provide.

Over the past year, we've made real progress towards our goal of making good food more accessible by bringing more of the Sainsbury's food range to more customers in more locations. Through our planned programme of space reallocation from general merchandise to food, we've added 90,000 sq. ft. of additional food space in the first year of Next Level Sainsbury's, creating more opportunities to better serve our customers. We've also been trialling a number of changes to the look and feel of our supermarkets and convenience stores, experimenting with around 100 new innovations in a small number of innovation hubs and then rolling out the best of these innovations across many more stores.



Last November, we were proud to become the first UK grocer to bring Aldi Price Match to convenience stores. It's so important to us that customers can be confident in our consistently great value, whether they're popping into their Sainsbury's Local or shopping in one of our supermarkets. We've focused on the everyday essentials households buy most often like milk, bread, butter, pasta, rice, salad, tuna, chicken, potatoes and vegetable oil, making it easier for everyone to save on the items that matter most.

Constantly innovating and developing new ideas in food is a real passion for us. In fact, innovation is one of the key reasons why people shop at Sainsbury's and we have been developing more and more new and delicious choices. Nowhere is this more evident than in *Taste the Difference*. It continues to grow ahead of the market as many more customers choose Sainsbury's for all the important celebrations and occasions throughout the year or for a special 'dine-in' meal at home.

As a result of everything we have been doing to invest in our value, quality and service, more customers are now confidently choosing Sainsbury's for their big shop, week after week and for all the moments in life that really matter. Christmas was another real highlight as we won grocery market share for our fifth consecutive year. This was only possible with the most outstanding team effort right across the business. We really delivered for customers, with a great range of products, leading availability and standout quality and service. Christmas is a time when consumers make such a clear and considered choice about who to shop with and we are proud to have delivered again for them.

Good food requires a more resilient and sustainable UK farming sector

At Sainsbury's, we really understand that the foundation for consistently sourcing and delivering good food is long term partnership. That's why we've been investing for the long term with our growers, farmers and suppliers, working together to build a resilient and thriving UK agricultural sector that can serve communities today and for generations to come.

I have spoken publicly and proudly about the importance of these long-term relationships we have been working to develop with many of our suppliers, including Moy Park for chicken. Working together, we have set new standards for chicken welfare, reduced carbon emissions and created a new long-term deal for farmers – all with no increase in price for customers. It's a partnership that will be good for Sainsbury's but, just as importantly, good for UK farmers, good for customers and better for the environment. A great example of purpose-driven decision making that is delivering real value and supporting UK farming.

In addition, we've partnered with Cranswick for the next ten years to significantly improve pig welfare, making a £50 million investment to implement higher standards by 2030. Cranswick is committing an additional £11 million to build new sheds and housing to further improve welfare. This partnership means long-term stability and support for the 170 farmers in the Sainsbury's Pork Producer Group, giving them the confidence to invest in their farms, facilities, and practices. Together, we're building financial and environmental resilience for the future. On top of that, we're aiming for our *Taste the Difference* pork to achieve net zero by 2029 and for all *by Sainsbury's* fresh pork to achieve net zero by 2030.

Continuing to invest in our colleagues

People are at the heart of everything we do. As the UK's second-largest private sector employer, we're committed to supporting all our colleagues across Sainsbury's and Argos who play such a critical role on the front line across all our stores and online operations. I'm pleased to share that we led the industry again this year on pay for the third year in a row. It's a reflection of our philosophy - always making decisions that put people first and food first - and demonstrates how much we value the dedication and hard work of our colleagues who serve customers every day.

We have increased
colleague pay by

58%
since 2018

We invested

£1bn

in lowering prices over the
past four years



It's the strength of our whole team that sets us apart.

Simon Roberts

Chief Executive

This year, being named Grocer of the Year at the Grocer Gold Awards was a huge moment of recognition for our entire team and everything we've done to put food back at the heart of Sainsbury's. Winning this award for the first time in nearly two decades was a such special moment for all of our team. It highlights our unwavering commitment to our customers and the continued transformation of our company, as well as the dedication and hard work of our outstanding colleagues, suppliers, and farmers.

Next Level momentum in year two and beyond

As I look to the year ahead, we remain fully focused on delivering the best combination of value, quality and service for all our customers. We have made four years of exceptional progress and investment, resetting our price position and strengthening the fundamentals of our business. This puts us in a strong competitive position and we are committed to sustaining this in the year ahead. There is much more to come and our belief in the strength of Sainsbury's offer has driven our decision to make our largest investment in expanding our store space in over a decade as we open new supermarkets in key new locations and extend food space within many of our existing stores.

Retail will always be, as I said at the start, a massive team effort. Like any great team, our success will continue to come from working together and really delivering against our Next Level goals and outcomes. Whether it's our Sainsbury's and Argos colleagues delivering with so much pride and passion in our stores and support centres, or our suppliers developing and bringing the best products and helping us to innovate and grow - it's the strength of our whole team that sets us apart.

So as we look back over a year of significant transformation and further progress, a huge thank you to everyone who has played a part in this journey. Together, we will keep taking Sainsbury's to the next level.

Simon Roberts

Chief Executive

16 April 2025

Strategy overview

Next Level Sainsbury’s year one

Building on strong foundations

The first year of our Next Level Sainsbury’s strategy has built on the success of our Food First strategy, delivering further grocery market share gains and significant operating leverage. This reflects the investments we have made over the last four years to improve our grocery proposition. We have built resilience and sustainable competitive advantage through strengthening the fundamentals of the business across logistics, technology and the way we work with suppliers.

We are winning more big basket primary customers, providing us with the confidence to accelerate our plans to bring more of the Sainsbury’s food range to more customers. We have acquired 14 new supermarket sites in key target locations. Together with further new supermarket openings and expanding food space in our supermarkets through space reallocation, this provides a unique opportunity to drive further market share gains.

The strength of our balance sheet and cash generation are key strategic assets, allowing us to invest capital to remain competitive, drive growth and efficiency and build competitive advantage while also delivering strong returns to shareholders. During the year we invested £825 million of capital in the business and have returned more than £500 million of our £531 million

Retail free cash flow to shareholders, completing our share buyback programme of £200 million and paying ordinary dividends of £308 million. The strength of our balance sheet was recognised by S&P and Moody’s giving public investment grade ratings in January 2025 and we issued £550 million of unsecured fixed income bonds, our first unsecured bond issue in 21 years.

We have further sharpened our focus on our core grocery business over the last year, through the announcements of the sale of Sainsbury’s Bank’s core banking and ATM businesses and the sale of the Argos Financial Services cards portfolio.

Across the business, we are focused on delivering the eight commitments that we made at the launch of Next Level Sainsbury’s:

1 Food volume growth ahead of the market	
2 Customer satisfaction higher 2026/27 than 2023/24	
3 Colleague engagement higher 2026/27 than 2023/24	
4 Deliver our Plan for Better commitments	
5 Deliver profit leverage from sales growth	
6 £1 billion cost savings over three years to 2026/27	
7 1.6 billion+ retail free cash flow over the three years to 2026/27	
8 Higher return on capital employed	

Progress key

No progress Ongoing On track

We have made really strong progress against our ambitious three-year commitments, consistently leading on customer satisfaction, delivering food volume growth ahead of the market, and as a result, profit leverage from sales growth. We have good line of sight on our financial commitments and are confident in our ability to deliver as we look ahead over the life of the plan.

Our progress against these commitments is driven by our four strategic outcomes: First choice for food, Loyalty everyone loves, More Argos, more often and Save and invest to win.

Outcomes	What this means
 First choice for food  Read more page 11	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
 Loyalty everyone loves  Read more page 14	Build a world-leading loyalty platform that’s more personalised, joyful, rewarding and transparent – for everyone
 More Argos, more often  Read more page 14	Unleash and transform Argos around the three things that have always made it brilliant: its curated range, famously convenient experience and great value – so more customers buy more complete baskets more often
 Save and invest to win  Read more page 15	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



Delivering on our outcomes



First choice for food

We have delivered a record-breaking year in Grocery, outperforming the market every quarter for a second consecutive year and making our biggest market share gains in more than a decade, as more customers come to Sainsbury's for their big trolley shop. Our winning combination of outstanding quality, great value and leading service really resonates with customers, driving a significant increase in loyalty, with primary customer numbers 18 per cent higher than four years ago.

More customers are shopping with us for their big trolley shops

We are strengthening customer loyalty and successfully converting Secondary into Primary customers who trust Sainsbury's as their first choice for their big trolley shop, fuelling the largest share gains in the market for the main shopping mission. Our commitment to consistently deliver great value has driven a sustained improvement in our competitive value position and a significant improvement in customers' perception of the value we offer. We continue to prioritise price investment in the items that matter most to customers and were the first retailer to extend our Aldi Price Match campaign across supermarkets, convenience stores and online. We have rolled out our Nectar Prices offer to over 9,000 products and we are enhancing our capabilities in personalised value through Your Nectar Prices.

We continue to work closely with our suppliers to develop innovative and high-quality products. We launched more than 1,300 new products over the course of the year, of which more than 600 were *Taste the Difference*. *Taste the Difference* remains the fastest growing Premium Own Label in the market, with sales growth of 15 per cent and a particularly strong performance in Fresh categories.

Through strengthening our relationships with suppliers and migrating our Food products to a machine learning forecasting platform, we have delivered significant improvements in availability over the last four years, growing food availability levels by 190 basis points. As a result, we have achieved the biggest improvement in customer satisfaction for availability of all major competitors over the same time period.

We continue to deliver outstanding customer service, with our overall satisfaction scores consistently ahead of the other full-choice grocers. We believe that happy, well engaged colleagues deliver great customer service and in January we announced our investment in an above inflation pay award for our colleagues, leading the industry for the third year in a row.

Growing food space to bring more of our range to more customers

We are building on the strength of our grocery performance and our winning combination of quality, value and service to bring more of Sainsbury's food to more customers in more locations and improving ranges, the customer experience and the efficiency of many of our stores.

This year, we acquired 14 new supermarket sites in key target locations from Homebase and Co-op, the majority of which we expect to convert and open in 2025/26. Combined with our organic store opening programme, we expect to open 15 new supermarkets in 2025/26 and over the next two years, our new supermarket openings will add over 400,000 sq ft of new space, our most significant investment in new supermarket space for many years. This will bring over 700,000 more people within a 10-minute drive of a Sainsbury's store. We also plan to add another 25 new convenience stores in each of the next two years.

Our three-year 'More for More' plan is on track, investing in our supermarkets to make more of our food range available to more customers by rebalancing space towards food. In 2024/25 we added around 90,000 sq ft of food space, weighted to the second half, and we are planning to add another 90,000 sq ft of food space in 2025/26. We are seeing positive early results in invested stores, with benefits expected to build through the second half of 2025/26 and beyond as we annualise periods of disruption. We are learning as we go, making more of our range and proposition accessible to more customers, creating an environment which enables simple and frictionless shopping missions and improving digital capabilities across our supermarkets.

In January, we shared an update on the changes we're going to make to the way we offer food services in our stores, making it easier to grow and improve availability while keeping costs down. We will close patisserie, hot food and pizza counters and are making popular products available in aisles. We have now closed all remaining Sainsbury's Cafés and we are converting our scratch bakeries to bake-off. From Autumn, we will create new On the Go hubs with flexiserve hot food offerings. These changes will deliver an improved customer experience.

Taking all these elements of space growth into account, we expect to grow total food space in Sainsbury's by nearly three per cent in 2025/26.

Delivering for customers online and in our convenience stores

We've made great progress in transforming our convenience stores this year. By reconfiguring space and optimising our range, we've brought more products to customers and improved the store environment for a simpler, faster shopping experience. This has driven nearly four per cent sales growth in 2024/25 and an increase in market share of 20 basis points. We were the first grocer to launch Aldi Price Match in our convenience stores, extending our value offer and significantly improving our value for money customer satisfaction scores.

We're also investing in new format stores to better serve specific customer missions. We've opened our first airport store at Edinburgh airport and four new format stores with features like more chilled food space, digital screens, and increased security features.

Online grocery sales have increased by seven per cent year on year and more customers are doing their online shopping with us. They are benefiting from the investments we have made in improving the digital customer journey including better showcasing our product ranges and improving the relevance of suggested basket additions. This has been a key driver of increased basket size, more frequent visits and improved customer satisfaction.

Growth in our OnDemand rapid delivery channel remains very strong, with sales growth of around 80 per cent in the year. We've strengthened our long-term partnerships with external providers and rolled out the offer to over 1,200 locations, serving a significant portion of the population.



Delivering on our outcomes continued



First choice for food continued

Playing a leading role in driving resilience and improving sustainability in the UK food system

We are leading work to create a new culture of collaboration and long-term partnership to deliver shared value and build resilient supply chains, which will enable us to offer good food to our customers now and in the future.

In March 2025, we announced a ten-year partnership with Cranswick to set new standards in pig welfare and to provide more stability for the 170 farmers in the Sainsbury's Pork Producer Group as they invest in farms and factories to build resilience for the future. Together we will invest more than £60 million to implement these new higher standards by 2030, during which time we also aim to offer *Taste the Difference* pork that meets net zero criteria by 2029 and *by Sainsbury's* fresh pork by 2030 – all whilst protecting value for our customers.

This year we also launched the Sainsbury's Egg Group in collaboration with our egg farmers and became the first retailer globally to invest in Vet Vision AI technology to measure and enhance positive animal welfare on dairy farms.

For the second year running we were awarded both the Marine Stewardship Council UK Supermarket of the Year and Aquaculture Stewardship Council UK Retailer of the Year. We also delivered leading packaging innovations moving to vacuum pack all lamb mince and introducing pulp trays for fresh salmon and trout, along with cardboard packaging for our fresh breaded chicken and fish products.

We continue to help provide good food for all, raising £33.8 million for good causes this year and redistributing 18.3 million meals to communities, increasing the amount of surplus food redistributed by 31 per cent through the roll out of our partnership with Olio to all stores and ongoing redistribution through Neighbourly.

Improving performance in the products and services that sit alongside our food offer

Sainsbury's general merchandise and clothing delivered higher profits on sales that were in line with the prior year. Margins benefited from the combination of stronger clothing sales and lower household electrical and toys sales as we continue to focus ranges and reduce space allocation in some categories.

Clothing sales grew by 2.9 per cent, with particularly strong growth of 12.3 per cent in Q4. Our renewed focus on design and range in womenswear resulted in strong sales growth of five per cent. The actions we have taken to improve availability and expand our basics range delivered growth in essentials sales of nearly four per cent.

Sainsbury's general merchandise sales were down 2.8 per cent, driven by space reductions as we've implemented space reallocations into food and softer demand for categories such as household electricals and toys. We delivered particularly strong results in our home accessories and fragrance categories and we continue to make good progress in repositioning the Habitat brand, with a positive customer response to our design-led collaborations.

Smart Charge, our ultra-rapid electric vehicle (EV) charging network, is now established in over 75 supermarket locations with more than 600 ultra-rapid EV charging bays. The sites are maturing rapidly, delivering double-digit revenue growth month-on-month on average. Twenty five per cent of all electric vehicles entering our Smart Charge Sainsbury's car parks now charge with us, up from fifteen percent at launch. We invested £25 million in Smart Charge rollout in 2024/25 and looking ahead, we will focus on building revenues in our top supermarkets.

In focus: Our biggest investment in new space in over a decade

We are building on the strength of our grocery performance and our winning combination of quality, value and service to bring more Sainsbury's food to more customers in more locations. At the same time, we're focused on improving ranges, enhancing customer experience and making many of our stores more efficient.

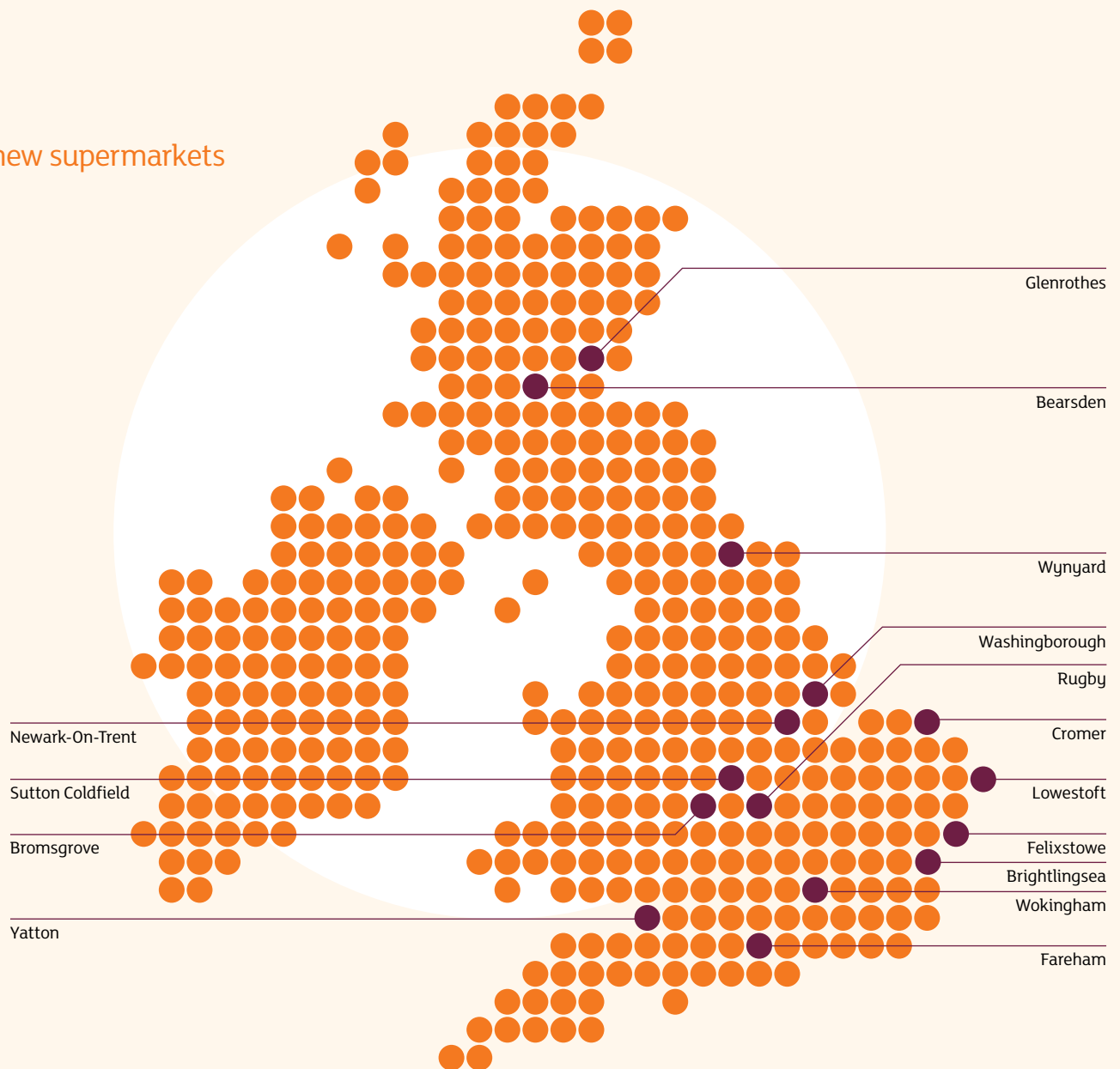
More fresh food

to more people

in more, easy to reach locations



Our new supermarkets



40 new stores

Will open in the coming year –
15 supermarkets and 25 convenience stores

Over 700,000 more people

Will be within a ten-minute drive of a
Sainsbury's store over the next two years

400,000 sq ft of space

Will be added to our supermarket
estate over the next two years



Our belief in the strength of Sainsbury's offer has driven our decision to make our largest investment in expanding our store space in over a decade as we open new supermarkets in key new locations and extend food space within many of our existing stores.

Simon Roberts
Chief Executive



Delivering on our outcomes continued



Loyalty everyone loves

Customers love our personalised and rewarding Nectar loyalty scheme. Nectar Prices have transformed the way that customers experience value at Sainsbury's, with the purple of Nectar now synonymous with value. As value perception has improved, we have built a bigger base of loyal primary customers and this in turn benefits our Nectar360 Retail Media offering.

Fuelled by our connection to customers, Nectar360 continues to deliver profitable growth and improved client satisfaction. We are expanding the Nectar coalition, delivering leading data and insights to brands and agencies that work with us and investing to scale our Digital Retail Media offer. In the year ahead, we will further expand our personalisation capabilities in loyalty. In addition, we are making high returning investments to accelerate the growth of Nectar360 – further digitising our stores through our connected screen network. We will launch a new industry-leading platform to better connect clients to our full suite of retail media and measurement services.

Growing customer loyalty through the 'power of purple'

Nectar Prices has delivered over £2 billion in savings to our customers this year. With more than 9,000 offers available, participation has increased to over 85 per cent, reaching record levels during the Christmas period. We're going even further to showcase Nectar Prices in store, rolling out more Nectar branding as well as offering greater opportunities for brands to connect directly with customers through displays and digitised in-store media.

More than one million customers are already enjoying personalised savings each week through Your Nectar Prices, available on SmartShop and Online. This has delivered significant savings to customers and we're further enhancing the strength of our value offer as we work towards generating up to 500 million personalised offers a week. We're also focused on growing our active digital Nectar users by enhancing the Nectar app's digital integration and user experience.

Investing to accelerate growth in Nectar360, ahead of plan to deliver at least £100 million incremental profit by March 2027

Over 900 clients and media agencies now partner with Nectar360 to get the best return on their advertising spend. Our enhanced retail media capabilities, leading data and insights, and commitment to exemplary client service have led to a four percentage point improvement in overall client satisfaction year-on-year.

We are accelerating our ambition to create a scaled and connected digital screen network in our stores. With 820 screens already installed in partnership with Clear Channel, we're realising the benefits of connecting with our customers digitally on the shop floor. We're diverting capital towards this high-returning investment, committing to a further 1,600 screens to be rolled out over 2025/26 and into early 2026/27, with a cash payback of less than two years. This will enable brands to communicate directly with customers through more than 2,500 connected digital screens in the future.

The Nectar Coalition continues to grow, achieving a 97 per cent Nectar partner satisfaction score. We've announced exciting new partnerships with Marriott Bonvoy, Severn Trent Water and Smart Charge and extended our partnership with British Airways. Alongside this, our marketing affiliate programme, Nectar eShops, has doubled the number of brands available for customers over the last 18 months, offering them more choice and extending the offers they can access.



More Argos, more often

Following a slow start to the financial year and a significant reduction in online traffic, Argos sales were behind our expectations in the first half of the year, particularly in the first quarter and early weeks of the second quarter. Sales strengthened into the second half as we took action to improve online customer traffic and volume and we returned to sales growth in the fourth quarter. Profits declined year on year in both the first half and the second half, with actions taken during the year improving the trend in the second half.

Within a General Merchandise market that remains highly competitive, our focus is on encouraging customers to shop with us more often and with bigger baskets. To this end, we are driving change in our digital and commercial proposition and we have made some good progress strengthening the Argos offer. We have also continued to reduce the complexity of the Argos operating model whilst still providing market-leading convenience for customers.

Focused on extending our range, increasing desirability and enhancing our digital capabilities

We have reset our approach to trading events to deliver more impactful and focused value activity. We ran five of our new Big Red events during the year, delivering strong improvements in customer satisfaction scores for promotions and value and driving an increase in awareness of the premium brands available at Argos.

We continue to strengthen our partnerships with key supply partners, growing our share at launch moments of the must-have new products from global brands, particularly across Technology, Gaming and Toy categories. Our Lego partnership has expanded and for the first time this Christmas we partnered to run gamified engagement activity online for the 12 days of Christmas, attracting over 100,000 new customers to Argos.

We have improved our own labels in addition to the work over recent years on Habitat. We will focus on five primary owned brands (Habitat, Chad Valley, Bush, Home and McGregor), versus 11 previously. This year will see the range relaunch of McGregor in Garden & DIY and Chad Valley in Toys.

Through our Supplier Direct Fulfilment (SDF) model we have introduced more than 4,000 new products this year across 150 categories. This is a 43 per cent increase year-on-year, with a total of 13,500 SDF products now available. In the year ahead we plan to go further to extend the breadth of our range, with plans to add an additional 10,000 SDF products in key categories such as Household Electronics, Furniture, Computing and Gifting.

Our digital capabilities have strengthened through the year, driving more traffic to our site as we deliver a seamless online experience for customers with greater personalisation. As a result, more customers are shopping with us online and making a recommended "attachment" purchase in the same transaction, increasing items per basket. We will also be modernising the credit offer available on our website and are working closely on a new Argos Pay proposition with NewDay, following its acquisition of the Argos Financial Services cards portfolio. This will launch in early 2026.

Improving operational efficiencies and customer experience

We have been working hard to enhance our operating model, including rightsizing our standalone stores to improve operational efficiency and customer experience. We're also rolling out more digital Collection Points and investing in technology across our Convenience estate to make collections faster and easier. Our improved Argos app now offers increased personalisation and access to promotional activity and a simpler collection experience for users.

We've made significant improvements to our stock management processes, delivering smarter and simpler stock flow. This has optimised working capital and availability across our network, with a 12 per cent reduction in Argos' stockholding year-on-year. We're more actively managing clearance activity to prevent stock accumulation and are using data-driven insights to improve forecast accuracy on buying and ranging.



Save and invest to win

We are making strong progress towards the ambition we laid out in February 2024 and we are confident in our plans to deliver £1 billion of cost savings by March 2027. We achieved savings of around £350 million in 2024/25, bringing total savings over the last four years to over £1.6 billion, and are well underway with a programme of high-returning activity that is already delivering savings as well as driving growth and customer proposition improvements. In addition, our capital investments in efficiency, particularly in technology, will deliver cross-functional savings benefits over the longer-term, giving us clear line of sight to achieving our target.

High returning investments in technology and automation driving efficiencies

We have nearly completed our three-year future front-end programme, optimising checkouts in all our supermarkets and delivering savings of around £70 million over the course of the programme. On average, self-service participation has increased to over 70 per cent of transactions compared to around 40 per cent five years ago. While we have achieved a step up in supermarket volumes, front-end labour costs have reduced, driven by a nine per cent improvement in front-end productivity year-on-year.

We're making good early progress with the next phase of our front-end transformation, aiming to drive growth in SmartShop participation for big basket shops. We're trialling payments on SmartShop handsets, delivering flexibility and speed for customers while reducing the physical infrastructure required.

Our longer-term investments in technology and automation are simplifying our general merchandise logistics network, driving improvements in product availability and efficiency. This will result in a transition from five depots to three network distribution centres. This will begin to deliver savings in FY25/26 and a total benefit of £70 million per year once fully implemented.

We're rolling out video analytics technology in stores to protect colleagues and reduce costs, whilst minimising the impact on customer experience. This technology aims to reduce mis-scanned items at self-service checkouts and has been deployed in 150 stores, with plans to roll out to a further 250 stores over the next financial year.

Our five-year strategic partnership with Microsoft is already delivering good results, providing store colleagues with real-time data and insights to focus in-store processes and using machine learning capabilities to improve efficiencies.

Reflecting our commitment to invest in sustainable technologies, we're now buying 100 per cent of the energy generated from eight wind farms across the UK, with wind energy making up over 30 per cent of our electricity sourcing and the remainder coming from other 100 per cent renewable sources.

Delivering productivity benefits through end-to-end programmes

In January, we announced several propositional changes in our supermarkets to drive growth and availability while reducing costs. These changes include closing all remaining Sainsbury's Cafes, hot food, pizza, and patisserie counters and converting scratch bakeries to bake-off. These adjustments are driving cross-functional benefits, increasing our fresh food selling space, improving product quality and delivering cost savings.

We also reviewed management structures in our Store Support Centres, reducing the number of senior management roles by about 20 per cent in a number of areas to drive faster decision-making and execution while reducing costs.

Additionally, we've completed the main phase of migrating our Food products to machine learning forecasting, entering our second year of using the platform. This has delivered higher sales due to improved availability, better waste metrics and higher forecasting accuracy leading to better working capital management.

Financial Services

Financial Services operating profit grew by 3.4 per cent in the year, driven by lower expenses as a result of a prior year fixed asset write-off and significant actions taken by management to reduce operational costs, partially offset by lower income from the decision to exit core Banking and higher funding costs. We have made good progress over the year in implementing our plan for a phased withdrawal from core Banking services, announcing in June 2024 the sale of Sainsbury's Bank personal loan, credit card and retail deposit portfolios to NatWest Group. We now expect this transaction to complete in May 2025.

In September 2024, we announced the sale of the Sainsbury's Bank ATM business, comprising around 1,370 cash machines, to NoteMachine to provide end-to-end ATM managed services. The deal provides a shared commission income stream.

In October 2024, we announced the sale of the Argos Financial Services cards portfolio to NewDay Group. NewDay acquired beneficial title to the AFS portfolio in February 2025. The AFS cards support around 20 per cent of Argos sales and are held by around two million Argos customers. We additionally announced that we will be partnering with NewDay to create a new Argos-branded digital credit proposition. This will, in time, replace the current Argos credit card propositions with a wider choice of modern, flexible and more convenient ways to manage the cost of purchases.

Following these transactions, we will continue to benefit from financial services income streams which have a stronger connection to our retail offer, including commission income from insurance, travel money and ATMs. We expect the combination of this commission income alongside income from the NewDay partnership to deliver sustainable annual profit from financial services of at least £40 million in the financial year to February 2028.

We expect to return bank disposal proceeds of £250 million via special dividend in the second half of the year, subject to regulatory approval. The special dividend will be accompanied by a proposed share consolidation. Any distributable bank disposal proceeds in excess of £250 million will be used to enhance the share buyback above a core £200 million base.



Plan for Better

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

Our world faces significant challenges on a global scale, from climate change to social inequality to nature loss. We need to do even more to build the resilience of our planet, our communities and our business.

Our Plan for Better

Our 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 collaborating across our industry. We need our many suppliers and partners to work together with us to build a resilient supply chain which helps us to offer good food to our customers, now and into the future. Without action, the challenges we already face such as climate change, water scarcity, resource pressure and biodiversity loss will become more intense and make our purpose increasingly difficult to achieve.

Plan for Better sets out our bold ambition to play a leading role in creating a more sustainable food system in the UK. We continue to build a culture of collaboration and long-term partnership with our suppliers to help establish a food system which supports farmers and growers, improves planetary outcomes, supports a healthier population, and drives economic growth and shared value for Sainsbury's and our supply base.

In March 2025, we announced a ten-year partnership with Cranswick to set new higher standards in pig welfare and together we plan to invest more than £60 million to implement these by 2030. We also aim to offer *Taste the Difference* pork that meets net zero by 2029 and *by Sainsbury's* fresh pork that meets net zero by 2030. We launched The Sainsbury's Egg Group to collaborate more closely with our egg farmers to help build resilience for the future and became the first retailer globally to invest in Vet Vision AI technology to measure and enhance positive animal welfare on dairy farms.

Through innovation we are making improvements to source and package our products in a more sustainable way. We became the first UK supermarket to introduce conventional mushrooms grown without peat, reducing the carbon intensity of production by preventing extraction of peat from valuable habitats important for carbon, nature and water. We were the first major retailer to vacuum pack lamb mince, replacing traditional plastic tray packaging, using a minimum of 65 per cent less plastic.

We continue to support our colleagues, customers and communities. To support and inspire our customers to make healthier choices, we launched our Healthy Choice logo on Own Brand products. We are also helping them to navigate towards sustainable choices through our Good To Know launched in April 2024. We continue to invest in colleague pay, with an above inflation pay increase of five per cent for hourly paid colleagues in the year ahead, matching the Living Wage from August 2025.

We helped to provide good food for our communities by raising £33.8 million for good causes this year and redistributing 18.3 million meals to communities, growing the amount of surplus food redistributed by 31 per cent through the roll out of our partnership with Olio to all stores and ongoing redistribution through Neighbourly.

We were recognised for our leadership and performance by industry benchmarks, including achieving an A rating for climate change by CDP for the 11th consecutive year. We were the first UK supermarket to win, for the second year running, both the Marine Stewardship Council UK Supermarket of the Year and Aquaculture Stewardship Council UK Retailer of the Year awards. This year, we were acclaimed as 'Leading on human rights innovation' status in the CCLA Modern Slavery UK Benchmark 2024, achieving a top tier score.

While we have made good progress year-on-year across most of our Plan for Better metrics, we recognise that there is still work to be done. In areas such as healthy and sustainable diets, deforestation and conversion free and plastic packaging we face significant challenges in reaching our ultimate ambitions. These obstacles range from a lack of infrastructure, market-wide supply chain dynamics, the absence of viable innovation and technology and nature of behaviour change. To effectively respond to the many 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 innovative solutions which support in creating a more resilient food system for generations to come.

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 focus on those issues where we believe we can deliver the biggest impact. Our plan has three interlocking pillars: Better for you, Better for the planet and Better for everyone.

Better for you



We aim to provide 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 intend to play 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 champion human rights, and strive to ensure fair treatment for both people and animals, creating a place where everyone can feel safe and supported



Our progress this year

Our most material issues	Target	Progress	Key achievements
Healthy and sustainable diets	At least 85% Healthy and Better for you sales tonnage sold by 2025	81.9% of our sales are Healthy and Better for you Up 1.2% year-on-year Down 0.1% versus baseline	- We have seen continued above market growth in produce, which has helped drive our Healthy and Better for you sales tonnage - To support and inspire our customers to make healthier choices, we launched our Healthy Choice logo on Own Brand products - We helped make healthier choices more affordable, with more than 75 per cent of products in Aldi Price Match Healthy or Better for you choices. Our Aldi Price Match campaign was extended to convenience stores in November 2024, helping more customers access these products. This year, over 100 of these choices were plant-based, including our Unsweetened Soya Drink, and 30 of them were across fish and seafood, helping our customers to diversify the protein in their baskets - We tested multibuy on prepared fruit, frozen fruit and veg, and meat free options, which helps further support the affordability of healthier choices. We outperformed the market in volume growth in multiple categories including produce, frozen fruit and veg and frozen meat-free products - We continue our work to make healthier food more appealing, with customers participating in our fifth Great Fruit and Veg challenge buying 133 million portions of fruit and vegetables, up 20 million from last year - We launched a number of new Sainsbury's ranges and improved products, such as our low sugar, high protein, gut-friendly healthy choices, including raw cold pressed juices and shots and a kefir yoghurt drinks range - Drinks influenced our healthy sales, with mix and reclassifications impacting performance this year
Reduce carbon emissions	Reduce absolute Scope 1 and 2 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	448,734 tCO₂e of absolute greenhouse gas (GHG) emissions from our own operations ^{a)} Down 2.2% year-on-year Down 52.8% versus baseline 39.8% of our Scope 3 emissions are covered by suppliers that have had any 1.5°C targets approved by the SBTi ^{b)}	- We were awarded an A rating for our climate change disclosure by CDP for the 11th consecutive year - We are using even more new-to-planet renewable electricity to power our business, following the completion and commissioning of Pines Burn Wind Farm in the Scottish Borders. This is the eighth wind farm from which Sainsbury's now buys 100% of electricity generated, generating approximately 3 per cent of Sainsbury's annual electricity needs. Wind energy makes up over 30 per cent of our electricity sourcing, with the remainder from other 100 per cent renewable sources - Through our Graphite investment programme, we have spent £19 million on the installation of new Solar PV systems, next generation LED lighting innovation, refrigeration and heating, ventilation and air conditioning efficiency. We continue to focus on engineering innovation, which supports in identifying the latest technology to support our decarbonisation roadmap - We invested across ten of our depots this year, installing electric plug points for our Rigid fleet, enabling our full fleet of 450 rigids to charge their refrigeration units via 100 per cent renewable electricity whilst stationary at our depots - We invested £25 million in Smart Charge rollout in 2024/25 and looking ahead, we will focus on building electric vehicle (EV) charging revenues in our top supermarkets. We now have 619 charging bays across 75 Sainsbury's stores, helping to address the shortage of electric chargers in the UK. From this year, customers could be rewarded with Nectar points for charging their electric vehicles, the first electric charging service to offer customer loyalty benefits - We continue to engage our suppliers to understand and support their journey to net zero. 11.6 per cent of our emissions now come from suppliers that have approved SBTi 1.5°C net zero targets. 28.2 per cent of emissions are covered by suppliers that have had any 1.5°C target approved and a further 13.4 per cent of emissions are covered by suppliers that have either committed to a 1.5°C net zero target, or have had any target approved by the SBTi. This represents a 119 per cent increase year on year in the number of suppliers who have any science based target approved or a commitment to have a 1.5°C net zero target approved by the SBTi 612 suppliers (covering 53 per cent of our Scope 3 emissions) have disclosed through HIGG or Manufacture 2030 environmental disclosure platforms - We were the first UK supermarket to launch conventional mushrooms grown without peat, reducing the carbon intensity of production by leaving peat in the ground, removing 20,465 tonnes of peat from mushroom production each year



Plan for Better continued

Our progress this year continued

Our most material issues	Target	Progress	Key achievements
Reduce food waste	Reduce food waste by 50 per cent by 2030	0.617% of food handled sent to anaerobic digestion ^{d)} Down 3.9% year-on-year Down 15.3% versus baseline	- This year we have redistributed 17.5 million meals and prevented 7,386 tonnes of surplus food going to waste, a 31 per cent increase year-on-year 373% more surplus food redistributed to communities versus our 2019/20 baseline - We rolled out our partnership with Olío to all stores this year, helping us redistribute our use-by food surplus - We launched a new internal target to donate more of our eligible surplus to Neighbourly or Olío by the end of 2025 - We announced that from March 2025, 30 heavy goods vehicle trucks will be powered with fuel directly from food waste. The diesel alternative is 100 per cent biomethane, a renewable gas produced from the anaerobic digestion of unsold food - We started a pilot of intelligent automation in stores, including establishing a machine learning model to optimise markdowns on near-dated products - We supported FareShare's pioneering Surplus with Purpose scheme, providing funding at farm level which helped FareShare and our suppliers 'rescue' 271 tonnes of surplus fruit and vegetables in 2024 and provide it to communities who need it most
Reduce plastic packaging	Reduce our own brand plastic packaging by 50 per cent by 2025, increase recycled content and recyclability	55,154 tonnes of own brand plastic packaging Down 7.6% relative year-on-year ^{d)} Down 19.5% relative versus baseline	- On an absolute basis, our own brand plastic packaging tonnage reduced by 5.5 per cent year-on-year and declined by 21 per cent versus our baseline - We were the first major retailer to vacuum pack lamb mince, replacing traditional plastic tray packaging, using a minimum of 65 per cent less plastic - In produce, we have changed the packaging of our <i>Taste the Difference</i> berries to cardboard trays, saving over 100 tonnes of plastic per year - We were the first retailer to introduce pulp trays for fresh salmon and trout, along with cardboard packaging for our fresh breaded chicken and fish products, saving 649 tonnes of plastic a year - We also announced changes across our bakery packaging, switching all doughnuts and pastries to cardboard and paper packaging – a 90 per cent reduction in plastic, this is expected to save over 560 tonnes of plastic a year - In Argos, we have delivered 926 tonnes of plastic packaging reduction since our 2020 calendar year baseline, by introducing paper alternatives to replace plastic packaging across Home and Furniture products
Champion 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	Human rights strategy in place, spanning HRDD, commercial integration, on-the-ground investments and industry-wide change	- We continued to work collaboratively with Fairtrade on our approach to improve wages for banana workers. As well as the Fairtrade Minimum Price and Fairtrade Premium, we have a mechanism that enables an additional contribution to go towards reducing living wage gaps for workers on plantations within our banana supply chain. The contributions are calculated by Fairtrade and bespoke to Sainsbury's supply chain - We were awarded top tier in the CCLA Modern Slavery Benchmark, recognising us as 'Leading on human rights innovation' - Our partnership with strategic research partner, the University of Nottingham's Rights Lab supported us with our advocacy approach, research into the impacts of climate change on people and livelihoods, and the evaluation and categorisation of country risk from a human rights perspective - We commissioned an expert consultancy to review our human rights due diligence management systems, identifying strengths and areas for improvement. An action plan was co-created by Human Rights, Technical and Commercial teams and will be implemented, monitored and tracked by a cross-functional working group - In partnership with ActionAid and Ethical Tea Partnership, we began supporting a collaboration to empower tea farmers and workers in Kenya to claim their rights to a positive working environment and have access to fair pay and essential services like healthcare, education, clean water and safe housing for themselves and their families

a) We have received third party limited assurance on our Scope 1 and 2 greenhouse gas emissions. For more information see pages 123 and 124.

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. Following supplier engagement over the year we have now included any 1.5°C aligned target in our headline metric. This differs from our Long Term Incentive Plan (LTIP) metrics which focuses on suppliers with 1.5°C net zero targets approved by the SBTi.

c) We use 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) Relative: removing volume impact.



Key achievements

Nature positive

- We were the first UK supermarket to win, for the second year running, both the Marine Stewardship Council UK Supermarket of the Year and Aquaculture Stewardship Council UK Retailer of the Year awards
- We published new policies for key raw materials including Coffee, Cocoa, Non-Timber Forest Products (Bamboo), Wool and Pulp, Paper and Fibre Based Packaging
- We celebrated 20 years of partnership with The Woodland Trust. In that time we have raised over £14 million to support the creation and protection of UK woodland and we planted 132,878 trees over the year
- We continued our agroforestry initiative to help our farmers and growers deliver farming practices which have a positive impact on the environment and help to protect and regenerate nature. Our Nectar partnership with The Woodland Trust, which plays a key role in conservation projects, was also extended to 2027
- We made a £300,000 investment in the Produce, Conserve, Inform initiative in Mato Grosso, Brazil, supporting the sustainable development of soy and cattle farming by helping to protect and restore forests and natural habitats, improve farming practices, promote strong local governance and strengthen protections for indigenous peoples

Minimise water use

- We reduced water usage in our own operations by 2.2 per cent year-on-year, to 2,562,660m³ through better management of water in our estate and through leak prevention
- We maintained our CDP rating, achieving an A- for our water disclosure
- We supported seven collective action projects situated in important sourcing areas for our supply chain for long-term integrated and sustainable water management in collaboration with WRAP
- We trialled two additional replenish projects in partnership with the Rivers Trust in the Beult and Cocker catchments. These use nature-based solutions to reduce flood risk and replenish the equivalent annual water used by three stores in the catchments into local ecosystems

Support our communities

- We raised £33.8 million for good causes this year
- We celebrated 25 years of partnership with Comic Relief, raising over £179 million in total since 1999. Since the launch of our Nourish the Nation programme with Comic Relief, we have donated over £21 million to help those experiencing food poverty, allowing us to donate over 31 million meals to those who need it most. Through the programme, we donated over £8.9 million to Comic Relief this year to help tackle food poverty for the communities at risk now and in the future
- We launched a Seasonings Shuttle service for food club users, an initiative that offered free herbs and spices throughout the months of May and August to users at mobile food clubs in Greater Manchester and the North East of England, run by The Bread and Butter Thing, ensuring communities had access to good food without having to compromise on taste
- Through our Community Grant scheme, we supported 605 local good causes this year, donating over £4 million to initiatives supporting our local communities since 2021
- Alongside our partners Comic Relief and Feeding Britain, we advocated for the extension of the Government's Holiday Activities and Food (HAF) programme which was confirmed in January 2025. Through our Nourish the Nation programme and partnership with Comic Relief, we've helped to create over 35,000 additional HAF places which have helped children access good food during school holidays

Improve animal health and welfare

- First retailer in the world to invest in Vet Vision AI technology used to measure and enhance positive animal welfare on dairy farms
- Launched Sainsbury's Egg Group to collaborate with our egg farmers to build resilience for the future
- We improved our performance across four of five Animal Health and Welfare metrics
- We increased our sales volumes from food products with welfare standards above the UK industry baseline to 62.7 per cent, up 0.6 per cent year-on-year
- We increased our sales volume of feather and down from an independently audited farm assurance standard to 99.9 per cent, up 4.4 per cent year-on-year
- 80 per cent of our animal health and welfare outcome KPIs achieved Sainsbury's KPI performance targets, improving 1.9 per cent year-on-year
- We remained flat at 86.7 per cent of our key animal supply chains achieving Sainsbury's responsible use targets for total antibiotic use
- We saw a decrease of 10 per cent year-on-year for key animal supply chains achieving responsible use targets for antibiotics deemed critically important for human health. This remains above our baseline and we are confident in reaching our end ambition



For information on how we are **driving an inclusive culture**, please see pages 20 to 23 in this report.

Future priorities

- We will drive progress against our new packaging ambition to strive towards 100 per cent recyclable or reusable packaging in line with Extended Producer Responsibility legislation, working actively with industry to address problem materials and drive the right solutions
- We will drive progress towards our ambition to achieve deforestation and conversion free in our own brand products, improving our traceability and data. We will work to address challenges limiting our progress such as market-wide challenges in achieving conversion free soy through industry collaboration and action groups
- We will continue to reduce food waste with a focus on our non-human redistribution channels such as redistribution to animal feed
- We will continue to identify carbon reduction levers and develop decarbonisation roadmaps in key hotspots including within our agricultural supply chains on topics such as soya, low carbon fertilisers and soil supporting engagement and collaboration through our Making it Happen action groups
- We will work to quantify and cost carbon reduction roadmaps and embed the required investments for Scope 1 and 2 reductions further into financial planning
- We will continue to work in collaboration with industry groups to effectively measure Scope 3 carbon reduction
- We will build actionable plans for key products and ingredients across our five human rights pillars and continue to collaborate with partners to accelerate industry-wide initiatives
- In the year ahead we will be looking to evolve our approach in a number of pillars. In 'Healthy and sustainable diets' we will look to diversify protein sales and drive greater purchase of healthier, plant-rich choices. In Nature we will develop a more detailed understanding of our material risks and opportunities nature building actions plans to support our ambition to protect and regenerate nature
- We will review our material topics through a refreshed materiality assessment in line with best practice



Our people

Driving 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. Our colleagues are fundamental to achieving our Next Level Sainsbury's strategy and 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 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. To deliver our Next Level Sainsbury's strategy, our leaders need to role model our purpose and culture and in 2024 we redefined our leadership performance expectations to reflect this.

Investing in colleagues

At Sainsbury's, our colleagues are the very heart and soul of our business. We believe that happy well engaged colleagues deliver great customer service and so, to support our frontline customer-facing colleagues further, earlier this year we led the industry on pay again - for the third year in a row.

To further support our colleagues, we provide free food for store and depot colleagues during their shifts and free sanitary products across all sites and stores for colleagues. We have maintained 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. In addition, the colleague discount on Argos purchases increases from 10 per cent to 15 per cent every pay day.

Our partnership with Salary Finance includes loans and Pay Advance, which gives colleagues the option to access their pay ahead of pay day. Colleagues also have access to Simple Savings and Help to Save saving schemes, where they can save directly from salary. 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.

Opportunities to develop and grow

We have a wide variety of development programmes and opportunities available for colleagues. These include personal development toolkits and programmes, including apprenticeships and graduate programmes. Our range of leadership programmes includes Leading@Sainsbury's and Accelerate YOU (see page 22 for more details).

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. The 178 colleagues who completed their apprenticeship this year achieved a first-time completion rate of 92 per cent. 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 even more 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.

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. We continue to respond to the ongoing challenges of increasing retail crime, including through improving communication locally in every store, along with enhancing training and development for colleagues. 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 six per cent and customer accidents by 23 per cent over the last five 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 feed back 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. Progress against our wellbeing policies is tracked to ensure that we're supporting our colleagues to be their best.

Our Mental Health policy confirms our commitment to providing a working environment which supports and respects colleagues experiencing mental health problems to thrive through line manager support, workplace adjustments and occupational health where required. Our line managers are trained in Mental Health Awareness, to help them understand the role they can play in supporting colleagues at work. This year we are proud to have achieved a Tier 1 rating in the CCLA Mental Health benchmark, the first and only retailer to achieve this ranking.

Colleagues who told us
they feel comfortable being
themselves at work

78%

Rated
Tier 1
in the 2024 CCLA
Mental Health benchmark.
The first and only retailer
to achieve this ranking



I think we all sometimes need a helping hand to ensure that we maintain wellbeing as a priority.

Clodagh Moriarty

Operating Board Sponsor for Wellbeing

At Sainsbury's, we have empowered our colleagues to work differently. We introduced Smarter Working, which covers flexible working, hybrid working and meeting frameworks – 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 allow our colleagues flexibility in when they work by flexing the length of their days to accommodate workload peaks or personal commitments.

Diversity, equity and inclusion

We remain deeply committed to creating an environment that is inclusive and truly reflective of the diverse communities we serve – which helps us fulfil our purpose of making good food joyful, accessible and affordable for everyone, every day. 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. This year, 78 per cent of our colleagues told us they are able to be themselves at work, with 92 per cent of our colleagues who told us that their manager is accessible and approachable.

We continue to prioritise representation and transparency across the business and this year marks our eighth gender pay gap report and the fifth year of voluntarily reporting on our ethnically diverse pay gap. This year's report shows that our mean gender pay gap decreased further from 8.4 per cent to 7.5 per cent in favour of men, while our median gender pay gap has decreased from 6.7 per cent to 6.1 per cent. This gap continues to be influenced by more senior positions held by men and men occupying more hourly paid roles that attract a premium. We are dedicated to increasing the number of women in senior roles across the business and are seeing positive results with 50 per cent of our Operating Board being women.

Our mean ethnicity pay gap has grown by 0.5 per cent to -3.4 per cent, and the median ethnicity pay gap has increased by 0.4 per cent to -5.8 per cent, meaning the gap favours our ethnically diverse colleagues. This is driven by the high proportion of hourly paid colleagues who are ethnically diverse and work in London, where we pay a premium for these roles.

As we go through organisational changes, we continue to focus on diverse representation at all levels with a stretching ambition to have 50 per cent women and 15 per cent ethnically diverse representation at senior levels by 2028. When establishing our representation targets for 2024 to 2028, we conducted a thorough analysis of our current business demographics in comparison to national statistics. This comprehensive review enabled us to set realistic and relevant targets that align with our business needs and goals. Progress against these targets can be seen on page 23.

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 people continued

Diversity, equity and inclusion continued

We offer leadership development acceleration programmes to support colleagues and build a diverse talent pipeline. Our Accelerate YOU programme aims to speed up the progression of high potential ethnically diverse colleagues through targeted and personalised development. We have introduced a more accessible Retail Management programme that allows colleagues from any part of the business to put themselves forward for the development opportunity. This year, 18 of our high potential ethnically diverse colleagues went through Accelerate YOU, providing them with the support and development to move into a senior leadership role. Further, we regularly analyse different parts of our business to identify areas that require further investment into diversifying the talent pipeline. We know that the Tech and Digital division is an area where we had a shortage of female candidates for roles and therefore we partnered with Code First Girls, helping us recruit 29 women to join our business in 2024.

Sainsbury's Colleague Networks

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



at Sainsbury's

Our EnAble network champions all colleagues with disabilities, long-term conditions and neurodiverse conditions and supports them all to fulfil their potential by building an inclusive environment for them to thrive and feel empowered. It is sponsored by Bláthnaid Bergin, Chief Finance Officer.

This year, the EnAble network hosted a Disability Week which focused on the unique contributions we each bring to our roles and lives beyond any disabilities or neurodivergent conditions we might have and included an insightful keynote event with Alex Brooker.



Our I AM ME network is dedicated to fostering confidence, driving authenticity and supporting better career progression of ethnically diverse colleagues, celebrating different cultures and building an inclusive environment. It is sponsored by Graham Biggart, Managing Director Argos, and Chief Strategy and Supply Officer.

In the year, the I AM ME network hosted many business-wide events, including Race Equality Week, South Asian Heritage Month, East and South East Asian Heritage Month and Black History Month, providing our colleagues with a platform to express themselves and empowered allies to enhance 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 Commercial Officer - Sainsbury's.

Throughout the year, the Inspire team has completed extensive colleague listening and focused on setting up three new communities to support our colleagues experiencing, or supporting others with, infertility, parenthood and menopause challenges. The team also marked many important events, including International Men's Day, International Women's Day and World Menopause Day.



Our Proud@Sainsbury's network aims to support our ambition to be a truly inclusive retailer where every one of our colleagues can fulfil their potential and where our customers feel welcome when they shop with us. It is sponsored by Mark Given, Chief Marketing, Data and Sustainability Officer.

This year, the Proud@Sainsbury's team and allies were a visible presence at more than 30 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, Bisexual Awareness Week, Lesbian Visibility Day, Non-Binary Awareness Week and LGBT+ History Month.



We Care at Sainsbury's

Our We Care network aims to make caring visible by raising awareness and supporting our carer colleagues to reach their full potential by building empathy and real flexibility to drive positive culture change. It is sponsored by Claire Pickthall, Director of Stores and Channel Operations. During the year, the We Care network focused on providing resources, guidance and advice for our carers and line managers. It 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.

Ranked 4th

in our sector in the FTSE 350 Women on Boards report and 28th overall in the FTSE 100 Women on Boards and in Leadership rankings.

Top 50 Employer

For the third consecutive year, included as a The Times Top 50 Employer for Gender Equality (one of only two retailers recognised in the list)

“

Our commitment to continuing to embed inclusion is clear. As we make progress, we always hold ourselves to account where we can be better.

Prerana Issar
Chief People Officer



Diversity and inclusion targets

Senior leadership positions (the top 200 leaders)¹

2028 target: 50% Women



2028 target: 15% Ethnically diverse



1 Excluding Bank and Asia colleagues

Senior management positions (the top 1,000 leaders beneath the top 200 senior leadership positions)²

2028 target: 50% Women



2028 target: 15% Ethnically diverse



2 Excluding Bank and Asia colleagues

We continue to be accredited as a Disability Confident Leader, which is the highest tier of accreditation in the Government's Disability Confident scheme. The Chair of our EnAble network was also recognised in the Shaw Trust Disability Power 100 list for her contribution to advocating for the disabled community.

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.

Two Sainsbury's colleagues were recognised in the Role Models for Inclusion in Retail Index, our Proud@Sainsbury's network was nominated for the Outstanding LGBTQI+ Network of the Year category at the British LGBTQ+ awards and two of our colleagues were included in the 2025 Women to Watch (WiHTL) index.

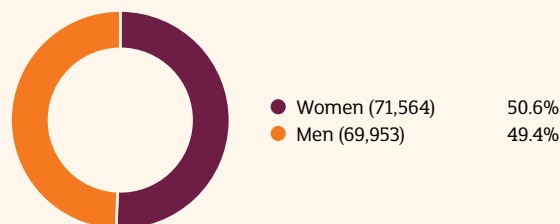
We are very proud that both our Chief Executive and Chair were recognised at the Diversity in Retail Inclusion Awards as Most Inclusive Chief Executive Officer in Retail and Most Inclusive Chair in Retail.

We are making progress in driving positive, sustainable change to improve the lived experience and opportunities for under represented 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

Total colleagues



“At Sainsbury's, our colleagues are the very heart and soul of our business. We remain deeply committed to creating an environment that is inclusive and truly reflective of the diverse communities we serve.

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 1 March 2025, 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 67 to 86.

Section 172 duties	Relevant disclosure and page number
The likely consequences of Board decision-making in the long term	Business model on page 2 Chair's letter on page 4 Our purpose in action on page 6 Chief Executive's letter on page 8 Strategy overview on page 10 Delivering on our outcomes on page 11 Plan for Better report on page 16 Our people on page 20 Engaging with our stakeholders on page 25 Key performance indicators on page 45 Financial review on page 47 Principal risks and uncertainties on page 54 Statement of viability on page 63 Introduction to the governance report on page 67 Board leadership and Company purpose on page 76 Annual report on remuneration on page 111
The interests of our colleagues	Our business model on page 2 Chair's letter on page 4 Our purpose in action on page 6 Chief Executive's letter on page 8 Plan for Better report on page 16 Our people on page 20 Engaging with our stakeholders on page 25 Key performance indicators on page 45 Introduction to the governance report on page 67 Board leadership and Company purpose on page 76 Annual report on remuneration on page 111
The need to foster our business relationships with suppliers, customers and others	Business model on page 2 Our purpose in action on page 6 Chief Executive's letter on page 8 Strategy overview on page 10 Delivering on our outcomes on page 11 Engaging with our stakeholders on page 25 Key performance indicators on page 45 Introduction to the governance report on page 67 Board leadership and Company purpose on page 76 Corporate Responsibility and Sustainability Committee report on page 92

Section 172 duties	Relevant disclosure and page number
The impact of our operations on the community and the environment	Our purpose in action on page 6 Chief Executive's letter on page 8 Strategy overview on page 10 Delivering on our outcomes on page 11 Plan for Better report on page 16 Task Force on Climate-related Financial Disclosures (TCFD) on page 31 Principal risks and uncertainties on page 54 Board leadership and Company purpose on page 76 Corporate Responsibility and Sustainability Committee report on page 92
The desirability of maintaining a reputation for high standards of business conduct	Strategy overview on page 10 Delivering on our outcomes on page 11 Engaging with our stakeholders on page 25 Key performance indicators on page 45 Principal risks and uncertainties on page 54 Non-financial and sustainability information statement on page 65 Introduction to the governance report on page 67 Board leadership and Company purpose on page 76 Composition, succession and evaluation on page 84 Division of responsibilities on page 87 Nomination and Governance Committee report on page 88 Annual report on remuneration on page 111
The need to act fairly between shareholders	Engaging with our stakeholders on page 25 Introduction to the governance report on page 67 Board leadership and Company purpose on page 76 Audit Committee Report on page 96



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. More customers are choosing us for their big weekly shop and we now have 24 million active Nectar users.

Within Argos we have 19.5 million active customers, of which 1.9 million benefit from a credit proposition offering. The Argos website is the third most visited online retailer in the UK.

In Financial Services, we have 1.5 million active Sainsbury's Bank 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
- Quality of products
- Great service levels
- Availability and range of products
- Convenience and location
- Speed of Groceries Online delivery
- Sustainability

How we engage

- 2.9 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
- Store working and store visits
- 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

- The Board and Operating Board engage directly and indirectly with customers, via store visits as well as receiving updates on customer feedback and overall metrics on consumer sentiment and trends. This feedback and research is used to inform our responses to the key issues impacting customers, such as price inflationary pressures and availability of products
- The Chief Marketing, Data and Sustainability Officer provided regular updates to ensure that the Board received feedback from our customer listening sessions
- We delivered our highest ever Christmas customer satisfaction scores both online and in supermarkets
- The Board continues to focus on delivering for customers in line with our priorities in the first year of 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. We launched 1,300 new products as we continued to deliver food innovation to customers
 - Loyalty everyone loves: we continue to advance our personalisation capability, extending the range and reach of our offers as well as creating more individual customer engagement. Our fifth annual Great Fruit and Veg Challenge performed better than ever before with more than 780,000 customers participating, an increase of 10 per cent year-on-year, and over 130 million portions of fruit and veg purchased
 - More Argos, more often: we remain focused on extending our range, increasing desirability and enhancing our digital capabilities to drive greater customer consideration
 - 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



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 We're Listening colleague engagement survey, 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

Next Level Sainsbury's – periodic updates for colleagues

In addition to our seven Let's Talk sessions which provided direct dialogue between colleagues and the Board and Operating Board, this year, we introduced our Next Level Sainsbury's – periodic updates for colleagues. To make it easier for colleagues to know the latest company news, Simon Roberts and other Operating Board members shared updates on significant events during the previous pay period and updated colleagues on the key events coming up in the next period. Each update was accompanied by a short video message to provide the key messages to colleagues.

Engagement outcomes

- 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 inflationary pressures, safety and communication
- We have increased colleague pay by 58 per cent since 2018
- 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 announced that we will raise pay for our hourly paid colleagues by five per cent in the year ahead, split into two separate increases to help manage a particularly tough cost inflation environment.
- Further supporting colleagues with inflationary pressures, we continue to provide colleague discount uplifts in Sainsbury's to 15 per cent every Friday and Saturday, with a discount uplift in Argos from 10 to 15 per cent every pay day
- We continue to deliver development and career growth opportunities for colleagues through apprenticeship and graduate programmes which are designed to equip individuals with the essential skills needed to thrive in an ever-evolving job market

Colleague pay increase

At Sainsbury's, our colleagues are the very heart and soul of our business. We believe that happy well engaged colleagues deliver great customer service and so, to support our frontline customer-facing colleagues further, earlier this year we led the industry on pay again - for the third year in a row.

Changes to our proposition and management structures

In January, we spoke to colleagues about some changes to our store support centres, our food services offer, cafés and our Argos management teams, which we expect to result in the reduction of over 3,000 roles from across the business. The changes to our proposition will drive cross-functional benefits, increasing our fresh food selling space and improving customer proposition and product quality alongside delivering cost savings. The changes to the management structures in our Store Support Centres are to drive faster decision making and execution whilst reducing costs.



Shareholders

Why they matter

We have over 92,000 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 incorporate investors' views and considerations within strategic decision-making.

What matters to them

- How consumer spending habits are evolving, particularly in general merchandise but also in grocery, as inflationary pressures and higher interest rates persist
- The outlook for grocery inflation given increased retailer cost pressures, including National Insurance Contribution increases
- Whether there are signs of a change in competitive behaviour and what this means for industry dynamics
- The sustainability of Sainsbury's grocery volume share momentum and sources of market share gains, including our decision to grow supermarket space
- Argos's trading momentum and the outlook for sales and profit, given pressures on discretionary spend
- Understanding the source of and delivery of our cost savings targets and therefore our ability to mitigate cost inflation, particularly inflationary pressures in wage costs
- Providing confidence in profit guidance, including ongoing delivery of operating leverage in Sainsbury's and the impact of changes in Argos's profitability
- Providing confidence in cash flow guidance, including capital expenditure discipline, return on capital employed and the impact of working capital
- Providing clarity on capital allocation, including dividends and share buybacks
- 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
- Real-time feedback from investors after meetings and presentations
- The Annual General Meeting
- Investor meetings with the Chair and the Chair of the Remuneration Committee to discuss remuneration decisions
- Attendance at results presentations, key investor conferences and tours of our stores
- Regular email and telephone contact with investors and analysts
- Dialogue with shareholder groups
- Regular engagement with investors on how we are delivering on our Plan for Better, including specialist group meetings with subject matter experts. Support from the Chair and Chair of the Corporate Responsibility and Sustainability Committee on Plan for Better investor engagement
- Analyst attendance at the Board strategy meetings, providing insight and perspective on the retail sector
- Throughout 2024/25, we engaged in investor roadshow activity in London, Edinburgh, Paris, the United States, Canada and Dubai

Engagement outcomes

- In January 2025, the Chief Executive and Chief Financial Officer hosted more than 30 investors in our Fosse Park store, showcasing our strategy in action
- In September 2024, the Operating Board hosted around 20 sell-side analysts and advisors in our newly refurbished Cobham store, bringing our More for More strategy - to reallocate space in our supermarkets towards food and away from general merchandise and clothing - to life
- Ahead of the issuance of our unsecured fixed income bonds in January 2025, we held a number of meetings with debt investors as part of a bond issuance roadshow
- The Board used its understanding of investor viewpoints when evaluating and supporting strategic updates, ensuring strategic and financial outcomes for shareholders
- The Board regularly received reports and updates from the Director of Investor Relations, summarising key feedback from our principal shareholders, to ensure that shareholders' views inform decision-making throughout the year



Engaging with our stakeholders continued

Suppliers

Why they matter

We have 8,200 Goods For Resale (GFR) suppliers that supply products for food, general merchandise and clothing, and over 1,600 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

- Publishing journals, newsletters and video content to ensure suppliers have access to and can understand our Next Level Sainsbury's strategy
- Providing free-to-air events such as our Supplier Trade Briefing event in May 2024 from our Operating Board, Food Commercial Leadership team and Category teams to ensure we are delivering key messages
- Hosting supplier networking sessions to give suppliers a dedicated opportunity to spend more time collaborating in person with our category teams
- Taking part in annual, independent surveys which benchmarked us against other retailers and highlighted areas for improvement; these included the Advantage survey and the Groceries Supply Code of Practice supplier survey
- Clear requirements for suppliers through supplier sourcing manuals, including our Plan for Better requirements
- Publishing our Modern Slavery Statement to ensure suppliers understand the importance of preventing Modern Slavery and human trafficking to our business
- Collaboration with agricultural suppliers on sustainability through action groups and our Sainsbury's Dairy Development Group and newly formed Egg Group

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
- 97 per cent of direct suppliers rated Sainsbury's positively for our GSCOP compliance
- In May 2024, we held our virtual Supplier Trade Briefing event, attended by over 1,900 delegates where our Operating Board and Food Commercial Leadership teams touched on the launch of our Next Level Sainsbury's strategy and how our suppliers can help drive its success. We also delivered virtual category-specific updates across all our individual categories so suppliers, no matter the size, could dive further into the strategic details of how we can work together to all reach the 'Next Level Sainsbury's'
- Results day briefings were delivered to our key suppliers to ensure they were kept up to date with business performance
- To support face-to-face engagement, in June and September we launched category supplier networking sessions. The purpose of these was to give suppliers a dedicated opportunity to spend time with our entire category teams
- We actively engaged with our supply chains to manage key short and longer-term risks, focusing on building more resilient supply chains for the future
- Market first collaborations such as the launch of conventional mushrooms grown without peat. See page 36 for further information
- In March 2025, we announced our ten-year partnership with Cranswick to set new standards in pig welfare and to provide more stability for the 170 farmers in the Sainsbury's Pork Producer Group as they invest in farms, factories and procedures to build resilience for the future.
- The Corporate Responsibility and Sustainability Committee received updates during the year on the outcomes of the annual independent surveys, which helped understand what suppliers value and prioritise focus areas for the year ahead
- 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
- Our ongoing collaborative approach to our Plan for Better engagement with our key carbon suppliers has resulted in a greater understanding of progress towards net zero, 39.8 per cent of our Scope 3 emissions now being covered by suppliers with either a 1.5 degree net zero target, or any other 1.5 degree target approved by the SBTi, representing a 100 per cent increase year on year in the number of suppliers with such targets

More information



More detail on how we work with our suppliers on sustainability can be found on page 16 and in our standalone **Plan for Better report**.

Suppliers as partners

The success of our business relies on strong partnerships with our suppliers, which help us offer quality food and innovative products tailored to our customers' needs. We are committed to building lasting relationships with both our GFR and GNFR suppliers, and we're proud that suppliers ranked us the highest retailer for conducting trading relationships "fairly, in good faith and without duress" in the Groceries Code Adjudicator (GCA) Survey Results 2024.

One year into the Next Level Sainsbury's strategy, we have continued to shift our focus on supplier relationships to view them as partners. This change has fostered open dialogue with suppliers, ensuring the continuous delivery of high quality products and services for both our business and customers. This partnership approach is crucial in addressing and improving the complex environmental and social challenges we face, contributing to a more sustainable food system in the UK.

To support our approach we announced that we are launching the Sainsbury's Egg Group, an industry first development group to support egg farmers and protect supply for years to come. We will work in collaboration with our three main egg packers and around 100 farmers, not only to support continuous improvements in animal welfare but to committing to always pay at or above the cost of production for eggs. This commitment will give financial reassurance for our farmers and give them the confidence to invest in future business advancements. The group will also support our Plan for Better commitments, as those who sign up for the group will commit to carbon reduction in their production and an annual carbon footprint assessment.



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 over 14 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
- Tackling food poverty for children, now and in the future, so every young person can have a good start in life
- Impacting our communities at a local and national level
- Supporting communities internationally exposed to humanitarian disasters

How we engage

- Advocating for the extension of the Government's Holiday Activities and Food (HAF) programme alongside Comic Relief and Feeding Britain
- Launched a Seasonings Shuttle service for food club users, an initiative that offered free herbs and spices throughout the months of May and August to users at mobile food clubs in Greater Manchester and the North East of England, run by The Bread and Butter Thing, ensuring communities had access to good food without having to compromise on taste
- Ongoing partnerships with our food redistribution partners to address the immediate need for access to food within our communities
- 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

- We raised £33.8 million for good causes this year
- We celebrated 25 years of partnership with Comic Relief, raising over £179 million in total. Since the launch of our Nourish the Nation programme, we have donated over £21 million to help those experiencing food poverty, allowing us to donate over 31 million meals to those who need it most
- Through the programme, we donated over £8.9 million to Comic Relief this year to help tackle food poverty for the communities at risk now and in the future
- Through our Community Grant scheme, we supported 605 local good causes this year, donating over £4 million to initiatives supporting our local communities since 2021
- We've helped to create over 35,000 additional HAF places which will continue to help children in future school holidays
- We supported FareShare's pioneering Surplus with Purpose scheme, providing funding at farm level which helped FareShare and our suppliers 'rescue' 271 tonnes of surplus fruit and vegetables in 2024 and provide it to communities who need it most

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 141,000 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 a wide range of issues of relevance to our business sector
- Our Chief Executive was appointed as a Member of the Government's Food Strategy Advisory Board
- 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 proposed legislation announced at Budget 2024; the Employment Rights Bill; the development of new schemes to improve recycling, such as the Deposit Return Scheme (DRS) and Extended Producer Responsibility (EPR); and the growing wider burden on the retail sector including the changes to employer National Insurance Contributions announced at Budget 2024
- We hosted a reception in the UK Parliament for MPs and Ministers in November, alongside attending four national Political Party Conferences. Both sets of activity provided opportunities for Sainsbury's to discuss our economic and societal contributions throughout the UK with politicians and policymakers

More information



More information on our activities with government, parliamentarians and regulators can be found in our standalone Plan for Better report on www.about.sainsburys.co.uk

Non-governmental organisations

Why they matter

Non-governmental organisations (NGOs) play a key role in facilitating collaboration by convening industry on a pre-competitive basis to drive 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 addressing the market challenges we face to unlock progress. This is particularly important as we progress our Next Level Sainsbury's strategy and Plan for Better and through our 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 partnerships with NGOs
- Regular industry meetings and collaboration, supported by NGOs
- Participation in key benchmarks and disclosures
- Driving progress through our priority industry collaboration groups (including Mondra, IGD and WRAP)

Engagement outcomes

- Our Chief Executive, Simon Roberts, became IGD President and will focus on leading work to build a more sustainable food system. He has also given a number of speeches including at the National Food Congress
- Supported IGD and Ernst and Young's work on an industry climate transition plan to champion a clearer action plan to support UK food businesses to deliver on their net zero ambitions
- Met with signatories to the WWF's Retailers' Commitment for Nature and submitted second year of data to WWF Basket Report to support our commitment
- Worked with NGOs to unlock sector challenges including data definition and measurement. See our standalone Plan for Better report for details



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

Introduction

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

We have a Science Based Targets initiative (SBTi) 1.5°C aligned target 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 track record in reducing our own emissions and we are also engaging closely with our suppliers to ensure we're driving positive change across our value chain.

No one business or organisation can tackle the challenge of climate change in isolation. 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 to build resilience into our food system and collaborate across our industry, such as The Institute of Grocery Distribution (IGD), Waste and Resources Action Program (WRAP) and the Consumer Goods Forum (CGF).

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 know 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 fifth year of reporting against the recommendations set by the Task Force. We have complied with the Financial Conduct Authority Listing Rule 6.6.6(8) 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. The Board continues to upskill in this area and understands that responding to the impacts of climate change involves everyone in the organisation. This year our finance and sustainability teams delivered upskill sessions on specific climate-related topics, such as Scope 3 emissions footprinting, for Non-Executive Directors and the senior leadership team who attend the Plan for Better Acceleration Squad. We also continue to upskill the wider commercial teams across the food and general merchandise divisions on topic areas such as carbon emission reductions, water and biodiversity.

 See pages 71 to 73 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 and 3 GHG emissions (see page 113 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 92 to 121.

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 the Corporate Responsibility and Sustainability Committee.

 Further information on the **key climate-related discussions** is on page 82.

Plan for Better Acceleration Squad

The Plan for Better Acceleration Squad 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 Acceleration Squad is chaired by the Chief Marketing, Data and Sustainability Officer and has cross-divisional representation at the senior leadership level. Climate risks are reviewed annually at the Acceleration Squad 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 the Acceleration Squad. The Government Affairs team provides regular updates to the Plan for Better Acceleration Squad, the Operating Board and the 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 92 to 95, 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 value 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 consumer preferences or climate-related regulation, such as carbon taxes.

Climate change also presents opportunities to build business resilience and efficiency, create new products with a reduced environmental impact for our customers and develop and invest in new technologies.

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 54).

Financial impact ranges

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

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



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

Strategy continued

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

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 35 to 36 for key actions).

Risks

Risk description ^{a)}	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	Medium 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^{b)}	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.

b) We are focusing on strengthening the offer and building revenue in our top supermarkets and will invest selectively where we can see a clear opportunity for returns with the costs associated with the infrastructure are considered within our corporate plan. Further details are on page 39.

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. Our strategy supports our transition to a low carbon economy and achieving our SBTi approved 2030 near-term and net zero targets, achieving net zero within our own operations by 2035 and in our Scope 3 emissions by 2050.

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> <i>Reduce food waste</i>	Our Next Level strategy places focus on being First choice for food and sets an ambition to play a leading role in creating a more sustainable food system in the UK. We want our customers to be able to access affordable, nutritious and diverse food that forms part of a healthy and sustainable diet, particularly with more customers wanting to make sustainable choices when it comes to food. We continue to support a healthy and sustainable portfolio with a focus on the development and promotion of plant-rich foods, lower GHG animal protein and meat alternatives, to capture switching calories from existing and new customers. We are learning from the success of our lower carbon <i>Taste the Difference</i> Aberdeen Angus beef range to explore how we can develop lower carbon products across other supply chains. We continue to build a culture of collaboration and long-term partnership with our suppliers to help establish a food system which supports farmers and growers. To reduce the emissions of our products, we became the first UK supermarket to introduce conventional mushrooms grown without peat, reducing the carbon intensity of production by preventing extraction of peat from valuable habitats important for carbon, nature and water. These mushrooms also have a day longer shelf life, helping to reduce food waste. See our case study on page 36 for more details. We are currently also trialling low carbon fertilisers in our spring onion and potato supply chains. We continue to use recycled and alternative fibres in our garments, with a focus on projects relating to garment durability to increase longevity of garments. We are still exploring options for circularity programmes, improving efficiency as well as appealing to climate conscious consumers. 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 35 for more details).
Introduction of a carbon price leading to an increase in the cost of higher GHG emission products <i>Reduction in carbon emissions</i>	



Key climate-related risk/opportunity	How our strategy addresses the risks and opportunities identified
Investment in climate change solutions  <i>Reduce carbon emissions</i>  <i>Reduce food waste</i>	We continue to invest in engineering innovation, energy efficiency and carbon reduction initiatives. Progress is underway to further embed these costs into our corporate financial plans which are approved by the Board. These initiatives are necessary to achieve our net zero targets. When investing in our estate we work to prioritise 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, the removal of gas heating and the removal of hydrofluorocarbon (HFC) refrigerant gas and replacement with natural alternatives – CO₂. Furthermore, we have continued to increase on-site renewable electricity generation as well as increasing new-to-the-planet Power Purchase agreements. We are working on transitioning our vehicle fleet to alternative fuel by 2035. Examples of innovative technology that we have introduced include: 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 in-store refrigeration systems according to their lifecycles, ensuring that fridges using HFC refrigerant gas are replaced with those that use natural CO₂ refrigerants, which are more energy efficient. We have invested in technology to mitigate air infiltration, maintaining store temperatures. This feature is being rolled out to a number of existing and new stores this year. We are also trialling next generation LED lighting technology and we have an ongoing programme of installing solar photovoltaics (PV) panels across our estate increasing on-site renewable electricity generation. We are exploring opportunities to convert operational food waste to bio-fuels, a lower carbon fuel alternative for our logistics fleet, reducing reliance on the use of diesel. We announced that from March 2025, 30 heavy goods vehicle (HGV) trucks will be powered with fuel directly from food waste. The diesel alternative is 100 per cent biomethane, a renewable gas produced from the anaerobic digestion of unsold food. We work closely with external academic partners to support us in making investments in climate change solutions. Collaboration with 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. We are working on a longer-term project to understand the potential impact of climate change across our estate and any resilience measures and mitigations that may be required.
Ban on the sale of new petrol/diesel cars and vans from 2035 leading to a reduction in fuel sales  <i>Reduction in carbon emissions</i>	Following the launch of our dedicated electric vehicle (EV) charging business, Smart Charge, in 2024, our customers can now access 619 ultra-rapid EV charging bays across 75 Sainsbury's stores to date. To better understand the financial impacts of this transition risk we have performed quantitative scenario analysis on our fuel category (see page 35 for more details).
Increased likelihood of heat events, flooding and droughts leading to a reduction in crop yields and increased sourcing costs  <i>Reduction in carbon emissions</i>  <i>Protecting and regenerating nature</i>  <i>Championing human rights</i>	We continue to work alongside key suppliers on sustainability issues with a focus on building supply chain resilience. This includes engaging with suppliers to understand their climate adaptation plans and ensuring the protection of human rights across our supply chain. Our scenario analysis also considers 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. This year we completed a pilot to assess a variety of physical climate risks using geolocation farm data for our suppliers in areas of geographically heightened risk.  More information on our qualitative assessment on our supply chain is detailed on page 34. 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 36 for more details).
Increased likelihood of flooding leading to water damage and closure of stores and depots  <i>Water neutral by 2040</i>	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. We continue to use the Volumetric Water Benefit Accounting (Replenish) methodology to support us to reach our operational water neutrality target through nature-based solutions. This year we trialled two additional projects in the Beult and Cocker catchments which reduced flood risk, not only to our stores, but also to the surrounding areas. The pilot successfully replenished water into local ecosystems for three stores – Cocker mouth, Staplehurst and Headcorn. To further our understanding of how material flood risk is to our estate we completed a pilot to quantify the impact of coastal, river and surface water flooding at a property level across three financial parameters – revenue loss due to business interruption, infrastructure damage and contents damage.  More information on our qualitative and quantitative assessment on our own operations is detailed on page 34.

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

Strategy continued

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 have assessed the impact of climate change within high risk areas of our value chain as well as within our own operations. Scenario analysis can act as a ‘stress test’ for our current business operations and value 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.

We continue to work 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 decision and targeted investments to minimise the impact of flooding.

We model the impact of future flood risk on our operations under four climate scenarios (RCP¹ 2.6, 4.5, 6 and 8.5) up to 2100. We assign each store a floodability rating, measuring the frequency and flood depth to the risks of flooding from rivers, seas and surface level water. Over ten 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 the properties in our estate in the future. To further our understanding of how material the impact of flood risk is for our estate we completed a pilot to understand the potential financial impacts to help 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.

Case study

Tadcaster store flood protection

Tadcaster is one of our stores we have identified as being 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.

(1) A Representative Concentration Pathway (RCP) is a GHG concentration trajectory adopted by the IPCC and refers to different scenarios and actions that can be taken to manage climate change over time.

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 GHG 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 Acceleration Squad with oversight from the Corporate Responsibility and Sustainability Committee.

Type of risk	Most material risks	Most exposed categories
Physical risks	- Heat events - Labour capacity - Drought - Flooding	- Produce - Cotton - Coffee - Tea
Transition risks	- Regulation, including carbon taxes - Changes in consumer preferences	- Meat, Fish and Poultry - Dairy - Clothing - Fuel

We have worked with a third-party climate specialist to complete a pilot to better understand the impact of physical climate risks on selected supply chains in the following geographic areas of heightened risk – the UK, Spain, Peru, South Africa and Morocco. Using geolocation data from over 500 of our farms, we looked at five physical climate risks: flooding, heat, water stress, wildfire and tropical cyclones, under three different climate scenarios (RCP2.6, 4.5 and 8.5) up to 2050. Overall, the qualitative analysis indicated that these supply chains are at high risk from heat, water stress and wildfire under all climate scenarios and over all time frames. South Africa and the UK are most exposed to flood risk, but the qualitative analysis indicated that the risk is not expected to increase over time. We are working with our third-party climate specialist to develop a climate risk dashboard which shows the geographical spread of each climate risk and the exposure according to the farm location which we intend to use to upskill our technical and commercial teams to inform decisions about sourcing locations or for onboarding new suppliers as part of our existing due diligence processes.

Quantitative scenario analysis

Our own operations

Building on the qualitative analysis undertaken above we conducted a pilot to quantify the potential impact from coastal, river and surface water flooding over two climate scenarios (RCP 4.5 and 8.5) in 2030, 2050 and 2100 at a property level. We looked at three financial parameters: revenue loss due to business interruption, content damage and damage to the building. Overall, the potential total financial impact as a proportion of total retail revenue is low across all scenarios and timeframes. The analysis helped to identify the most exposed properties in our portfolio – 40 properties within our estate make up over 70 per cent of total potential financial impact due to flood events. We intend to use this analysis to inform the strategic direction of flood mitigation strategies and prioritisation of stores in collaboration with our property and facilities management teams.



Our products and value chains

Within our value chain we annually perform 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 a 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 products in the meat, fish and poultry category. For fuel we have assumed a rapid uptake of battery electric vehicles leading to a 25 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 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	£100m to £150m revenue loss to MFP category in isolation Overall opportunity to business post-mitigations	N/A	£1,200m to £1,300m revenue loss to fuel category in isolation Smaller revenue loss risk/potential opportunity to business post-mitigations	Meat, Fish and Poultry • Continue to establish long-term contracts with key suppliers and work with them to reduce their GHG emissions, for example, joint plans, supplier targets, animal health and welfare and feed efficiency, hosting action groups covering biodiversity and water, soil and energy and carbon • Continue to explore development of lower GHG emission animal protein within existing product (having launched a range in 2023 from our integrated beef supply chain delivering our <i>Taste the Difference</i> Angus Aberdeen lower carbon beef range) and promotion of meat alternatives to capture switching calories from existing and new customers • Engagement with traders in Brazil to explore options to source deforestation- and conversion-free soy within our supply chain Clothing • Increase the use of recycled and alternative fibres • Explore options for circularity programmes • Signatories of Textiles 2030, which aims to reduce the aggregate water footprint of new products sold by 30 per cent • Continue to drive progress towards our target for 100 per cent of our cotton to be sourced to an independent standard by the end of the 2025 calendar year. This year, we are collaborating with our key clothing and home textiles suppliers to achieve traceability to farm level • 'Test and trial' projects focusing on durability in clothing blueprints to increase longevity of garments Fuel • Smart Charge, powered by Sainsbury's, our ultra-rapid EV charging service now has 619 charging bays across 75 Sainsbury's stores, helping to address the shortage of electric chargers in the UK. From this year, customers could be rewarded with Nectar points for charging their electric vehicles, the first electric charging service to offer customer loyalty benefits • We continue to develop decarbonisation roadmaps for our Scope 3 hotspots and investigate lower carbon fuel offerings at our petrol filling stations
Changes in consumer preferences	£300m to £350m revenue loss to MFP category in isolation Overall opportunity to business post-mitigations	£30m to £35m revenue loss to clothing category in isolation		

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

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

Strategy continued

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

Quantitative scenario analysis continued

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 emissions) as a result of no global action having been taken to reduce emissions, leading to extreme physical risks manifesting in the long term and a 1.5°C (low emissions) 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 emissions) 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:
Most material physical climate risks ^{a)} :	Produce ^{b)}	Cotton	Coffee	Tea	
Heat events	£35m to £40m revenue loss to crops	£55m to £60m revenue loss to crops	£45m to £50m revenue loss to crops	£30m to £35m revenue loss to crops	• Engage: continue to work closely with our suppliers through working groups and dedicated forums to better understand supplier climate adaptation plans and how sustainability risks, including climate, associated with growing locations are being addressed, for example, engaging with factories which have low performance in water conservation on their water resilience plans • Explore supply chain adaptation options with suppliers: higher altitude locations, lower flood risk areas, vertical farming, glass growing structures, installing reservoirs, drainage channels and using drought and temperature resistant crop strains • Investment: prioritising support for suppliers where we have long-term contracts on areas of risk and working with them to reduce the climate-related risks such as developing new supply chains and support where cost of sustainability is a challenge • Certification: sourcing of sustainable crops through relevant certification standards, including Fairtrade and Rainforest Alliance, expanding to instant coffee and exploring other types of cotton • Human rights: work towards a transition to net zero is just and equitable for the communities we source from
Labour capacity	N/A	N/A	£45m to £50m revenue loss to crops	£30m to £35m revenue loss to crops	
Drought	£5m to £10m revenue loss to crops	£0m to £5m revenue loss to crops	£0m to £5m 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	£5m to £10m revenue loss to crops	£0m to £5m revenue loss to crops	
Key sourcing locations	Spain UK	Benin Brazil India USA Bangladesh (manufacturing)	Brazil Columbia Honduras Peru Vietnam	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 169). 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. In January 2024 we announced the phased withdrawal of the Core Banking business from the Group. The Banking segment is included within the consolidated accounts for the year ended 1 March 2025; however, the majority of this is separately presented as discontinued operations and is classified as held for sale as at the balance sheet date. Given the size of the Bank in relation to the Group, we deem the climate-related impacts to be immaterial. There has been no change to the Bank's exposure to the impact of climate-related risks and opportunities since the prior year which remains limited as the Bank does not have a mortgage portfolio or undertake any corporate lending.

Case study

Conventional mushrooms grown without peat

In October 2024 we became the first UK supermarket to launch conventional mushrooms grown without peat, removing 20,465 tonnes of peat from mushroom production each year. This change to the growth process reduces the carbon intensity of mushroom production and leaves peat in the ground which will help us protect valuable habitats important for carbon, nature, and water.

Case study

UK grown Brassicas

One of the ways we mitigate flood risk is to have multiple growing locations for any given crop. For example, for UK grown Brassicas we use three distinct areas – Cornwall, East Anglia and Scotland. These areas have similar growing conditions, ensuring consistency of both quality and supply, but are far enough apart to reduce the risk of all three areas simultaneously suffering from a severe weather event. This allows each area to act as a contingency for the others if required, reducing the risk of shortages and ensuring resilient supply.



Risk management

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

Environment and social sustainability is one of our principal risks and incorporates our climate-related risks as well as social sustainability risks.

See page 58 for more detail.

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, Scope 2 and Scope 3 targets and consideration of physical and transition climate risks impacting our operations and value 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 Acceleration Squad 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 Acceleration Squad. These risks are considered in tandem with other business-related risks (such as 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 Acceleration Squad has cross-divisional representation at the senior leadership 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 58.

The risk management process for climate is in line with the business-wide risk management framework described on pages 54 to 62.

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. More information about our sustainability metrics methodology is published in our annual Data Book which can be found on our corporate website.

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, supported by third-party South Pole and follows the GHG Protocol. This metric is verified by ERM CVS (providing limited assurance under ISAE 3000).
	Electricity which comes from renewable sources (%)	The amount of renewable electricity 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. This metric is verified by ERM CVS (providing limited assurance under ISAE 3000).
	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 11a) our customers' use and consumption of the products we sell and follows the GHG protocol.
	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 with any 1.5°C target approved by the SBTi (% of emissions)	Suppliers with any approved SBTi 1.5°C aligned targets recorded on the SBTi platform.
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.
Healthy and sustainable diets	Healthy and Better for you sales tonnage as a proportion of total sales tonnage (%)	Food sales tonnage of Healthy 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 and Better for you defined using a nutrition criteria tool, including criteria from the Eatwell Guide which is lower in GHG emissions.



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

Plan for Better commitment	Metric	Methodology
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 during the financial year. We follow the WRAP recommended calculation as follows: food waste / (tonnes food product sold as intended + tonnes food waste + tonnes food surplus sent to other destinations).
Nature	Soy independently certified - Credits / Mass-Balance / Segregated/ Low risk origin (%)	Sustainably sourced soy tonnage during the 2024 calendar year as a percentage of total soy tonnage, as calculated by third party 3Keel.
	Palm oil sourced to an independent standard - Mass-Balance / Segregated / IP (%)	Sustainably sourced palm oil tonnage during the 2024 calendar year as a percentage of total palm oil tonnage, 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 the 2024 calendar year. Sustainability assessments were carried out by third party Track Record Global Ltd.
	Cotton sourced to an independent standard - Mass-Balance / Fairtrade / Organic / Recycled (%)	Cotton tonnage independently sourced and certified by third party standards as a percentage of total cotton tonnage sold during the financial year. This metric is verified by ERM CVS (providing limited assurance under ISAE 3000).
	Woodland trees planted against January 2020 1.5m commitment (number)	Total number of trees planted in the financial year through partnership with the Woodland Trust.
	Manmade cellulosic fibres sourced to an independent environmental standard (%)	Percentage of own brand SKUs which contains environmentally sourced manmade cellulosic fibres as a percentage of total own brand SKUs containing manmade cellulosic fibres in the financial year.
	Leather tonnage from tanneries certified to a minimum of bronze level by the Leather Working Group (%)	Leather tonnage from own brand products sourced from tanneries which have a bronze or above accreditation from the Leather Working Group as a percentage of total leather tonnage sold during the financial year.
	Volumes of cocoa bean equivalent sourced to an independent standard - Mass-Balance / Segregated (%)	Independently sourced cocoa bean equivalent tonnage during the 2024 calendar year as a percentage of total cocoa bean equivalent tonnage, as calculated by third party 3Keel.
	Volumes of coffee sourced to an independent standard (%)	Independently sourced coffee tonnage from own brand products as a percentage of total coffee tonnage sold during the 2024 calendar year where coffee is the main ingredient.

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	Absolute GHG emissions for Scopes 1, 2 and 3 are included within our climate-related metrics table on pages 40 and 41.
Transition and physical risks Amount and extent of assets or business activities vulnerable to transition or physical risks.	Percentage	In our own operations we assessed that over ten 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. The product categories that we have performed climate scenario analysis cover over 23 per cent of total revenue. We perform scenario analysis for the risks we have identified as most material to our business outlined in the strategy section on pages 35 and 36. 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 transition 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.



Further details can be found in our **scenario analysis section** on pages 35, 36 and **note 17 of the financial statements** on page 169.



Metric category	Unit of measurement	Narrative
Capital deployment Amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities	Reporting currency	This year, through Graphite (our energy efficiency investment programme), we have spent £19 million focused on the decarbonisation of heat, increasing the amount of renewable energy, energy efficiency and the removal of HFC refrigerant gas. Examples over the year have included the installation of new solar PV systems, next generation LED lighting innovation, refrigeration and heating, ventilation and air conditioning efficiency. We continue to focus on engineering innovation, which supports in identifying the latest technology to support our decarbonisation roadmap. We have focused on controller trials, enhanced metering, remote monitoring and thermal energy storage control strategies, along with continued advancements in store aerodynamic design and methods for reducing infiltration impact and recovering energy from the air. In addition to this capital investment we continued to invest in replacing in-store refrigeration systems according to their lifecycles as part of our store maintenance programme, ensuring that fridges using HFC refrigerant gas are replaced with those that use natural CO2 refrigerants, which are more energy efficient. We also made a significant investment across ten of our depots by installing electric plug points for our rigid fleet, enabling our full fleet of 450 rigid to charge their refrigeration units via 100 per cent renewable electricity whilst stationary at our depots. We continue to trial using electric vehicles in our Grocery Online (GOL) operations testing different brands to determine which work best operationally. We now have three stores with fully electric GOL fleets and dedicated charging points in their loading areas and this year, in our Christchurch store, started a trial leveraging our Smart Charge chargers in customer car parks to eliminate the need for dedicated chargers to optimise equipment. We invested £25 million in Smart Charge rollout in 2024/25 and looking ahead, we will focus on building EV charging revenues in our top supermarkets.
Climate-related opportunities Proportion of revenue, assets or other business activities aligned with climate-related opportunities	Amount or percentage	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. Part of our capital expenditure is directed towards the removal of natural gas heating, replacing this with RIHC systems, using the refrigeration systems to provide all heating and cooling requirements. This is aligned with the replacement of refrigeration systems, considering equipment lifecycles. Through this process we also remove refrigeration systems using HFC refrigerant gas, replacing it with CO₂. We have fully mapped our estate, allowing us to identify which sites need to be invested in and when, including options to optimise reductions in emissions. We continue to learn from the successes of our new stores and ensure that our store rollout model uses similar technology. For further details see page 42. Engineering innovation is at the heart of our decarbonisation programme and builds up new, innovative technology to be rolled out into both new and existing store developments. This includes work to review the future of refrigeration, energy efficiency and controls optimisation and heat recovery efficiency.
Internal carbon prices Price on each tonne of GHG emissions used internally by an organisation	Price in reporting currency, per MT of CO ₂ e	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. We do not currently use an ICP, but it may be something we choose to adopt in the future. 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. To improve the accuracy of our Scope 3 emissions footprint we are working with some of our key suppliers to obtain primary emission factor data and a third-party service provider to improve the accuracy and specificity of data relating to our own brand products. More information can be found in the Scope 3 section on page 40.
Remuneration Proportion of executive management remuneration linked to climate considerations	Description	Our Plan for Better metrics, which includes climate-related metrics, form part of the Executive Directors' long-term incentive arrangements. Further details can be found on page 113.



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

Metrics and targets continued

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 ^{a)}	461,692	51.4%
2023/24	458,973	51.7%
2024/25	448,734	52.8%

^{a)} The significant reduction in emissions in 2022/23 was due to our move to 100 per cent renewable electricity in 2022.

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 123 which provides a more detailed breakdown of our Scope 1 and 2 GHG emissions. 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. We remain committed to achieving our near-term target of reducing our Scope 1 and 2 GHG emissions by 68 per cent by 2030. We set out our strategy and progress to date on our transition to net zero within our own operations on pages 42 to 44.

Scope 3

	Baseline ^a 2018/19 tCO ₂ e	
Scope 3 GHG target boundary emissions	25,652,904	
	Forest, Land and Agriculture (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

^{a)} As we continue to work to improve the accuracy of our Scope 3 footprint this may result in a future restatement of our baseline and resubmission of our net zero targets to SBTi (see below for more information).

Our 1.5°C net zero SBTi approved target is to reduce our Scope 3 near-term boundary FLAG emissions by 36.4 per cent and our energy and industrial emissions by 50.4 per cent by 2030. Our Scope 3 near-term target boundary covers emissions from the following material categories: 1a) purchased goods for resale; 4) transport; and 11a) consumer use.

Our GHG emissions footprint continues to be calculated using industry average carbon emission factors which enables us to identify our most carbon-intensive products and the suppliers which constitute the top 80 per cent of our Group emissions. We continue to actively work towards an aligned industry approach to measure supplier specific emissions as this is the most effective way to track emissions reductions within our own value chain.

We are continuously improving the accuracy of our Scope 3 footprint and we recognise that without accurate supplier-specific primary emission factor data, reporting actual emission reductions is extremely challenging. This year we have commenced a programme of work to improve the accuracy of the data we use in our emissions footprint. We identified several workstreams to improve the quality of our data, including engaging with some of our strategic suppliers within fuel and protein to obtain primary emission factor data. We are also working with a third-party data provider to develop more specific secondary emission factors, at the ingredient level, in our own brand composite products. We are still developing principles around data quality and a system to assess, capture and embed primary data into our footprint. We continue to collaborate with other retailers and WRAP on reporting Scope 3 emissions which includes accurately and transparently reporting emission reductions.

We are engaging directly with our strategically important suppliers to understand their carbon reduction roadmaps so that we can more accurately model realistic emission reductions forecasts within our value chain. We continue to request our suppliers to disclose on either Manufacture 2030 or HIGG and our key suppliers to set SBTi approved targets.

We recognise we cannot solve the challenges relating to reducing Scope 3 emissions on our own and are therefore committed to working at the industry level to find a solution. We continue to participate in industry-wide working groups such as the Institute of Grocery Distribution (IGD) to help build resilience in our food system. In July 2024 the IGD, together with partners across the food chain including Sainsbury's, launched a transition plan to help the UK food system achieve its net zero ambitions. More information on our Scope 3 strategy can be found in our Climate Transition Plan section on pages 43 and 44.



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 are governed by the Plan for Better Acceleration Squad with oversight from the Corporate Responsibility and Sustainability Committee. We have set SBTi approved GHG emissions reduction targets covering all scopes and timeframes. We include sustainability metrics within the long-term remuneration targets for Executive Directors (see page 113 for more details). We have reviewed the relevance of our Plan for Better metrics and have updated the below table to show the current metrics that we are reporting performance against. We publish all of our sustainability metrics, including historical metrics, in our annual Data Book which is published on our corporate website.

Plan for Better commitment	Metric	Baseline	Results		Target
			2023/24	2024/25	
Reduction in carbon emissions	Absolute GHG emissions within our own operations (tCO ₂ e)	949,744 tCO ₂ e 2018/19	458,973 tCO ₂ e	448,734 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	N/A	N/A	36.4% FLAG and 50.4% energy/ industry emissions reduction by 2030/31 72% FLAG and 90% energy/ industry emissions reduction by 2050/51
	Suppliers disclosing through Manufacture 2030 or HIGG (% emissions)	43.8% 2022/23	57.2%	53.0%	N/A
	Suppliers with SBTi 1.5°C net zero target approved (% emissions)	<2% 2022/23	6%	11.6%	80% of emissions by 2025/26 (LTIP target only)
	Suppliers with any 1.5°C target approved by the SBTi (% of emissions)	N/A	31.9%	39.8%	80% of emissions by 2025/26
Reduction in water use	Absolute water usage within our own operations (m ³)	3,224,000 m ³ 2018/19	2,621,341 m ³	2,562,660m ³	Water neutral 2040/41
Healthy and sustainable diets	Healthy and Better for you sales tonnage as a proportion of total sales tonnage (%)	82.0% 2021/22	80.9%	81.9%	85% 2025/26
Reduction in food waste	Food waste to anaerobic digestion as a percentage of food handled (%)	0.728% 2019/20	0.642% ^{a)}	0.617%	0.364% 2030/31
Nature	Soy independently certified - Credits / Mass-Balance / Segregated/ Low risk origin (%)	5.8% 2019	88.3%	96.7%	100% 2025
	Palm oil sourced to an independent standard - Mass-Balance / Segregated / IP (%)	99.1% 2019	100%	100%	100% 2025
	Timber sourced to an independent sustainability standard (%)	58.2% 2019	92.9%	98.0%	100% 2025
	Cotton sourced to an independent standard - Mass-Balance / Fairtrade / Organic / Recycled (%)	76.0% 2019	97.4%	98.2%	100% 2025
	Woodland trees planted against January 2020 1.5m commitment (number)	493,750 trees 2019/20	1,292,583	1,425,461	1,500,000 (cumulative) 2025/26
	Manmade cellulosic fibres sourced to an independent environmental standard (%)	95.3% 2023/24	95.3%	91.4%	100% 2025
	Leather tonnage from tanneries certified to a minimum of bronze level by the Leather Working Group (%)	96.4% 2023/24	96.4%	98.9%	100% 2025
	Volumes of cocoa bean equivalent sourced to an independent standard - Mass-Balance / Segregated (%)	47.0% 2023	47.0%	65.4%	100% 2025
	Volumes of coffee sourced to an independent standard (%)	64.0% 2024	N/A	64.0%	100% 2025

a) 2023/24 food waste to humans result restated from 6,345 tonnes to 5,637 tonnes due to data correction and change of methodology.



Sainsbury's climate transition plan within the TCFD section

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 (GHG) 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, with many of our Plan for Better commitments supporting our carbon reduction strategy (see the Plan for Better report for details).

In line with the SBTi guidance, our climate transition plan does not include the purchase of carbon credits to meet our near-term or long-term reduction targets. We acknowledge the potential role of carbon credits to neutralise residual emissions in support of our net zero ambition and so we intend to investigate and understand this opportunity in line with developing best practice.

Driving progress

	Reduction targets from baseline	Absolute emissions target tCO ₂ e
2018/19 baseline		949,744
2024/25	52.8%	448,734
2030 near-term target	68%	304,812
2035 net zero target	100%	—

Strategy	Proportion of emission footprint	Key actions	Progress to date
Logistics: Zero carbon vehicles and infrastructure	52.0%	- We are working on transitioning our vehicle fleet to alternative fuel by 2035 - Moving the majority of company cars to electric and hybrid	- Three stores with fully electric GOL fleets - Further GOL trials including leveraging Smart Charge for GOL EV fleet in Christchurch store - Participation in eFreight 2030 consortium to test and trial electric HGVs and chargers
Refrigerants: Switch to natural refrigerants	29.4%	- Replacing our remaining refrigeration systems that use 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	- Ongoing removal of HFC refrigerant gas through our annual refrigeration replacement programme, replacing this with CO₂ - We invested across ten of our depots this year, installing electric plug points for our rigid fleet, enabling our full fleet of 450 rigids to charge their refrigeration units via 100 per cent renewable electricity whilst stationary at our depots
Heating: Electrification of heat	18.5%	Remove the use of gas heating and replace with our RIHC and heat pumps programme	Continued replacement alongside refrigeration replacement schemes
Other: Business travel and other	0.1%		

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, invest in on-site generation, secure long-term Power Purchase agreements with new-to-the-planet wind farms and implement energy efficiency programmes to support the switch to electrification of heat and transport as well as mitigating costs. This year we launched our eighth wind farm Power Purchase agreement to our portfolio. The new wind farm, featuring seven turbines, adds 33.6 MW of renewable capacity to the grid and is expected to generate 92,000 MWh of electricity annually, covering approximately three per cent of Sainsbury's annual energy needs. Wind energy makes up over 30 per cent of our electricity sourcing, with the remainder from other 100 per cent renewable sources.

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

We have a strong track record of reducing GHG emissions in our own operations (Scope 1 and 2) over the last 18 years, reducing our emissions by 52.8 per cent from our 2018/19 baseline. We have implemented projects through our ongoing Graphite investment programme, now in its 15th year, which reduce energy consumption and GHG emissions and improve energy efficiency. Examples include a move to 100 per cent LED lights across our estate, replacement of hydrofluorocarbon (HFC) refrigerant gases with natural alternatives, electrification of our heating and moving to 100 per cent renewable electricity since 2022 and our commitment to long-term purchasing of renewable energy from new-to-the-planet Power Purchase agreements.

We continue to collaborate with Imperial College on our transition roadmap for our entire estate and direct operations, which provides modelled scenarios up to 2035. We continue to commit capital investment to support our roadmap to net zero by 2035 across own operations. Progress is underway to further embed capital allocation into our corporate financial plan which is approved by the board.

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.



Value chain – Scope 3 – net zero by 2050

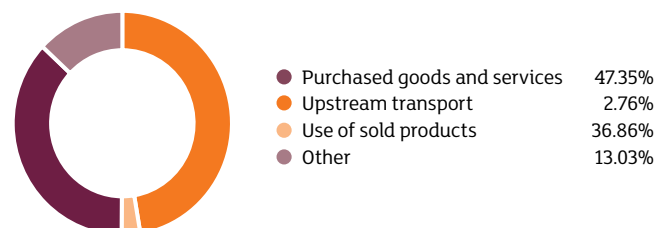
Emission reduction targets from our 2018/19 target boundary baseline

	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 255¹ suppliers making up 80 per cent of the emissions covered by our 2030 Scope 3 target. The SBTi has 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:

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
Production of products	Agriculture and land management	100% FLAG emissions	- Create supplier working groups on key climate-related topics - Develop incentive initiative schemes for suppliers - Support suppliers to understand, develop and deliver their own emission reduction plans and work to understand opportunities for supply chain collaboration that accelerates progress - 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 - Drive progress towards our ambition to zero deforestation- and conversion-free in own brand products by 2025, focusing on supply chain traceability, certified materials and policy development in high risk commodities	- Created working groups with strategic suppliers focused on soil and fertiliser use 'Making it Happen' action groups covering carbon - Launched action group with our High Environmental Impact suppliers across livestock, crops and fish supply chains. Began incorporating sustainability data and insights within regular conversations with these high impact suppliers - Launched new Egg Group, a first for the UK retail sector, to support our egg farmers, ensuring a stable supply of eggs and improving sustainability - Continued collaboration with The Land App and the UK Centre for Ecology and Hydrology: to date, 264 farmers in our supply chain have used Land App to survey their farms, supporting the establishment of biodiversity baselines and which can be used to suggest possible land management plans - Published policies on high risk deforestation materials including Cocoa, Coffee, Non-Timber Forest Products and Pulp, Paper and Fibre-based requiring certified products supporting sustainable forest management and ensuring these products do not contribute to deforestation
	Supplier operations	29%	- 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	612 suppliers disclosed on either M2030 or HIGG platforms, which provide data insights on where collaboration or support is needed to overcome barriers to climate action and provide insights on supplier maturity in emissions reduction, whilst also supporting supplier sites to improve their own environmental performance - Played an active role in the British Retail Consortium (BRC) Mondra Coalition working to improve the measurement and management of the food sector's Scope 3 emissions - Worked with suppliers in product development e.g. conventional mushrooms grown without peat, Vet Vision AI technology and vacuum pack lamb mince - Ten-year partnership with Cranswick which alongside improving pig welfare standards, aim to offer <i>Taste the Difference</i> pork that meets net zero by 2029 and <i>by Sainsbury's</i> fresh pork that meets net zero by 2030
	Healthy and sustainable diets	N/A ^{a)}	- Making it easier for customers to make healthy, affordable, accessible and 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	- We outperformed the market in volume growth in multiple categories including produce, frozen fruit and veg and frozen meat-free products - Over 100 of our Aldi Price Match choices were plant-based, including our Unsweetened Soya Drink, and 30 were across fish and seafood - We have worked to independently evaluate initiatives to help support healthier purchases in collaboration with The Institute of Grocery Distribution (IGD) - Continued to advocate for sector change and alignment on definitions of healthier and sustainable choices

a) Healthy and sustainable diets does not have its own emissions footprint as it covers food products in general with the emissions captured by the rows above.



Sainsbury's Climate Transition Plan within the TCFD section continued

Value chain – Scope 3 – net zero by 2050 continued

Emission reduction targets from our 2018/19 target boundary baseline continued

Strategy	Proportion of emission footprint	Key activities	Progress to date
Supply chain transport	4.3%	• 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	• Continue to explore carbon reduction opportunities with our suppliers • Remain a signatory of the Cargo Owners for Zero Emission Vessels (coZEV)'s 2040 Ambition Statement
Use of products Fuel	48.3%	• 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 • Continue to develop decarbonisation roadmaps for our Scope 3 hotspots and investigate lower carbon fuel offerings at our petrol filling stations	• Expanded Smart Charge, powered by Sainsbury's, our ultra-rapid EV charging service which now has 619 charging bays across 75 Sainsbury's stores

Acknowledging the uncertainties for Scope 3

By definition, Scope 3 is beyond our direct control. This 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 and farmer access to appropriate funding 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 (incl. 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	• Identify key suppliers for engagement • Ask key suppliers to set 1.5°C net zero science-based targets (to match our own), setting this as an expectation for our own brand food suppliers through sourcing manuals • Create supplier working groups focused on key climate-related topics, projects relating to efficiency and innovation in products and services • Support our key carbon suppliers in hotspot areas to create decarbonisation roadmaps and take actions to reduce their emissions • Develop incentive initiative schemes for suppliers • Engage with and encourage suppliers to 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	• Participate in leading retail working groups to facilitate collective action • Collaborate with third-party providers towards innovation
Government, public sector and civil society	• Engage clearly with government on our key advocacy priorities • Drive progress through our priority industry collaboration groups (including Mondra, IGD and WRAP)

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 acknowledge that our transition plan will be an iterative document and will annually report progress against our plan within our TCFD disclosure.



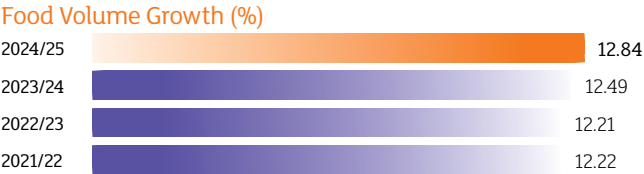
Key performance indicators

Operational

Food volume growth (%) ahead of the market

Definition: Growth in Sainsbury's Grocery volume market share over 52 weeks as measured by Kantar.

+35bps
vs 2023/24 base



Customer satisfaction (score) versus 2023/24 base

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?

Maintained
vs 2023/24 base



Colleague engagement (score) versus 2023/24 base

Definition: Colleague engagement score out of 100 from the internal, annual 'We're Listening' survey in response to the question: "How happy are you working for Sainsbury's".

(2)
vs 2023/24 base



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.

- Carbon Scope 1 and 2 - ahead of target
- Carbon Scope 3 - progress during year, but behind target
- Plastic - low end of target range
- Food waste - progress during year, but behind target
- Healthy and sustainable diets - progress during year, but behind target



Key performance indicators continued

Financial

Profit leverage from sales growth (%)

Retail underlying operating margin versus 2023/24

Definition: Profit leverage measured through an improvement in retail underlying operating margin. Calculated as retail underlying operating profit as a percentage of retail sales excluding fuel excluding VAT.

+10 bps

vs 2023/24 base

Retail underlying operating margin (%)



Retail free cash flow (£m)

£1.6 billion over three years to 2026/27

Definition: Net cash generated from retail operations, after cash capital expenditure and after investments in joint ventures and associates. Refer to note A2.1 on page 212 for reconciliation.

£531 million

cumulative cash

Retail free cash flow (£m)



Cost savings (£m)

£1 billion over three years to 2026/27

Definition: Total cost savings as a result of identified initiatives excluding Sainsbury's Bank.

£349 million

cumulative savings

Cost savings (£m)



Return on capital employed (%)

versus 2023/24 base

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 214. for reconciliation.

+70 bps

vs 2023/24 base

Return on capital employed (%)





Financial review



Bláthnaid Bergin
Chief Financial Officer

Growth in sales and operating profit have driven continued strong cash generation, enabling continued investment in the business in line with our Next Level Sainsbury's plan while maintaining a strong balance sheet.

We have also delivered stronger cash returns to shareholders, including the completion of a £200 million share buyback programme, and have additionally committed to a further programme of at least £200 million in 2025/26.

Grocery sales increased by 4.5 per cent, reflecting strong volume growth despite inflationary pressures on prices. With the first full year of our Nectar Prices offering, we continued to prioritise value for customers, keeping inflation below cost to protect value, with a particular focus on those products customers buy most often. This has led to an increase in basket sizes, and improved value perception year-on-year.

Argos faced a challenging market as customers continued to reduce discretionary purchases, compounded by wetter summer weather in the first half of the year, resulting in a 2.7 per cent reduction in sales. However, sales recovered in the second half, exiting the year with Q4 sales growth of 1.9 per cent year-on-year.

Overall, our Group sales (including VAT) increased by 1.0 per cent year-on-year as a 3.1 per cent increase in retail sales (including VAT, excluding fuel) offset an 8.9 per cent decrease in fuel sales (including VAT), driven by reduced demand and lower average fuel price.

Retail underlying operating profits increased 7.2 per cent, driven by higher grocery volumes and cost savings from our save and invest to win programme, offsetting lower profits at Argos.

Our Save and invest to win programme delivered £349 million of savings in its first year of the three-year programme. This was driven by enhanced productivity from end-to-end initiatives and high returning investments in technology and automation.

Financial Services underlying operating profit was £30 million, up 3.4 per cent, driven by cost reductions from last year's fixed asset write-off and proactive management actions to lower operational costs. This was partially offset by lower income as a result of the decision to exit Core Banking and increased funding costs.

We announced in January 2024 that we would exit Core Banking and that future Financial Services activities would be run as a distributed model. As a consequence, we have presented the results relating to Core Banking, ATM operations, Argos Financial Services cards and mortgages as discontinued operations. Underlying operating profit from discontinued operations was £37 million (2023/24: £47 million). This only includes those costs that can be directly attributed to those assets and liabilities which are to be sold, with the remaining central costs allocated to continuing operations. However, we anticipate these costs will decrease as we right size our support functions.

We are making excellent progress in the transition to a distributed model. We sold our ATM estate and partnered with NoteMachine; the transition is set to complete by May 2025 ensuring that our customers will continue to have access to free cash services. Our Core Banking products will be transferred to NatWest during the first half of 2025. The transfer of beneficial ownership of Argos Financial Services cards to NewDay was finalised on February 28, 2025, with the legal title and migration expected to be completed in the first quarter of 2026, supporting Argos purchases.

Total underlying profit before tax of £761 million (2023/24: £701 million), of which £724 million related to continuing operations (2023/24: £654 million) was up by 8.6 per cent year-on-year. This was driven predominantly by higher retail underlying operating profit, partially offset by an increase in net finance costs.

Non-underlying costs reduced £47 million to £377 million (2023/24: £424 million) and include; discontinued operations of £274 million for Financial Services loss on disposal and phased withdrawal and £103 million relating to continuing operations. This decrease year-on-year was primarily driven by the gains from property related transactions such as the Hendon mixed use development site.

Total statutory profit before tax increased £107 million year-on-year to £384 million (2023/24: £277 million). Group statutory profit after tax was £242 million (2023/24: £137 million) with £420 million relating to continuing operations (2023/24: £308 million).

Underlying basic earnings per share increased to 23.1 pence (2023/2024: 22.1 pence), reflecting the increase in underlying operating profit and despite a higher tax rate. Basic earnings per share increased to 10.4 pence (2023/24: 5.9 pence).

Working capital generated £98 million, driven by an increase in payables whilst maintaining a flat inventory position. Retail free cash flow generation remained strong at £531 million (2023/24: £639 million) although declined by £108 million year-on-year due to the reduction in working capital inflow and higher capital expenditure. We returned the majority of our retail free cash flow generated to shareholders following the completion of the share buyback programme announced in April 2024.



Financial review continued

Non-lease net debt increased by £64 million, driven primarily by £52 million of costs incurred in relation to our strategic review of Financial Services as part of the phased withdrawal from Core Banking services, as well as additional costs incurred for other share related transactions. Total net debt increased by £204 million, with lease net debt increasing by £140 million.

We delivered a return on capital employed of 9.0 per cent, up from 8.3 per cent in 2023/24, driven by improved underlying retail operating profits supported by our increased capital investment in growth and efficiency.

As at 1 March 2025 the net defined benefit pension surplus under IAS 19 for the Group was £731 million (excluding deferred tax). The £41 million increase from 2 March 2024 primarily reflected lower obligations due to a higher discount rate. This was partially offset by a decrease in asset values. For 2025/26 we expect total pension scheme cash contributions of around £27 million.

With the success of the Food First strategy and our continued momentum under the Next Level Sainsbury's strategy, the Group is firmly in the middle of its leverage target range and the Group published investment grade credit ratings from Moody's and Standard & Poor's at Baa3 and BBB respectively. In January, the Group established a £5 billion Euro Medium Term Note (EMTN) programme and subsequently issued a £250 million five-year bond and a £300 million ten-year bond. The transaction was very successful and

significantly over-subscribed. The establishment of the EMTN programme and the success of the debut bond issues has diversified the Group's funding sources and enhanced its go-forward funding options. The proceeds of the bond issue were used to repay the term loan taken out to finance the 2024 Highbury and Dragon property transaction.

Last February 2024, we announced that we would move to a progressive dividend policy from the start of this financial year, ending March 2025. The Board has recommended a final dividend of 9.7 pence per share, an increase of 5.4 per cent year-on-year to be paid on 11 July 2025 and contributing to full-year dividends of 13.6 per share, up 3.8 per cent year-on-year.

Following the completion of the £200 million share buyback programme during the year, the strength of our balance sheet enables us to commit to a further buyback programme during 2025/26, repurchasing at least £200 million of shares in 2025/26. In addition, we expect to distribute £250 million of Bank disposal proceeds via a special dividend in the second half of the year. Any additional bank disposal proceeds exceeding £250 million will be allocated to further enhance the share buyback beyond the core £200 million base.

Financial review of the year results for the 52 weeks to 1 March 2025

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 within this financial review refers to the Group's performance on a continuing operations and discontinued operations basis before non-underlying items, unless where otherwise stated. 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 210 to 214.

The comparative results have been re-presented, as Core Banking, ATM operations, Argos Financial Services cards and mortgages have been classified as discontinued operations, following the respective agreement to sell and announced sale of related operations as part of the strategic review of Financial Services. Further details can be found in note 11 on page 163.

	52 weeks to 1 March 2025 £m	52 weeks to 2 March 2024 £m	Change %
Summary income statement			
Underlying Group sales (excluding VAT)	33,142	32,721	1.3
– Continuing	32,812	32,238	1.8
– Discontinued	330	483	(31.7)
Underlying operating profit			
Retail	1,036	966	7.2
Financial Services	30	29	3.4
– Continuing	(7)	(18)	61.1
– Discontinued	37	47	(21.3)
Total underlying operating profit	1,066	995	7.1
Underlying net finance costs	(305)	(294)	(3.7)
Underlying profit before tax	761	701	8.6
Items excluded from underlying results	(377)	(424)	11.1
– Continuing	(103)	(165)	37.6
– Discontinued	(274)	(259)	(5.8)
Profit before tax	384	277	38.6
Income tax expense	(142)	(140)	(1.4)
– Continuing	(201)	(181)	(11.0)
– Discontinued	59	41	43.9
Profit for the financial period	242	137	76.6
– Continuing	420	308	36.4
– Discontinued	(178)	(171)	(4.1)
Underlying basic earnings per share	23.1p	22.1p	4.5
Basic earnings per share	10.4p	5.9p	76.3
Interim dividend per share	3.9p	3.9p	—
Final dividend per share	9.7p	9.2p	5.4
Total dividend per share	13.6p	13.1p	3.8



In the 52 weeks to 1 March 2025, the Group generated total profit before tax of £384 million (2023/24: £277 million) and a total underlying profit before tax of £761 million (2023/24: £701 million).

Profit growth was driven primarily by the performance of the food business, reflecting a second year of strong volume growth and market outperformance in every quarter. Higher food profits more than offset the impact of a challenging general merchandise market on Argos, where both sales and profit declined. Our ongoing cost savings programme helped reduce the impact of inflationary headwinds and allowed us to lead the market in announcing an above inflation pay increase for colleagues.

Cash generation remained strong, supporting higher capital investment, with retail free cash flow of £531 million, most of which was returned to shareholders through dividend payments of £308 million and a share buyback of £200 million.

Group sales

Group sales (including VAT) increased by 1.0 per cent year-on-year, with a 3.1 per cent increase in retail sales (including VAT, excluding fuel) offset by an 8.9 per cent decrease in fuel sales (including VAT).

	52 weeks to 1 March 2025	52 weeks to 2 March 2024	Change %
Total sales (including VAT) performance by category	£m	£m	
Sainsbury's	26,639	25,561	4.2
Grocery	24,777	23,699	4.5
General merchandise (Sainsbury's) and clothing	1,862	1,862	—
Argos	4,916	5,054	(2.7)
Retail (exc. fuel)	31,555	30,615	3.1
Fuel sales	4,653	5,106	(8.9)
Retail (inc. fuel)	36,208	35,721	1.4
Financial Services	512	637	(19.6)
Continuing operations	182	154	18.2
Discontinued operations	330	483	(31.7)
Group sales	36,720	36,358	1.0
Continuing operations	36,390	35,875	1.4
Discontinued operations	330	483	(31.7)
Retail like-for-like sales performance	52 weeks to 1 March 2025	52 weeks to 2 March 2024	
Like-for-like sales (exc. fuel)	3.2%	7.5%	
Like-for-like sales (inc. fuel)	1.5%	3.8%	

Retail underlying operating profit

	Note ^{a)}	52 weeks to 1 March 2025	52 weeks to 2 March 2024	Change
Retail underlying operating profit (£m)	A1.2 a)	1,036	966	7.2%
Retail underlying operating margin (%)	A1.2 a)	3.17	3.01	16bps
Retail underlying EBITDA (£m)	A1.2 d)	2,192	2,078	5.5%
Retail underlying EBITDA margin (%)	A1.2 d)	6.72	6.48	24bps

a) Note references for reconciliations refer to the Alternative Performance Measures on pages 210 to 211.

Retail underlying operating profit increased by 7.2 per cent to £1,036 million (2023/24: £966 million) and retail underlying operating margin increased by 16 basis points year-on-year to 3.17 per cent (2023/24: 3.01 per cent). This represents the benefit of sales leverage across our cost base, driven by volume growth in Sainsbury's and cost savings helping offset operating cost inflation, particularly in wages.

Retail underlying EBITDA increased to £2,192 million (2023/24: £2,078 million), with retail underlying EBITDA margin improving 24 basis points to 6.72 per cent (2023/24: 6.48 per cent).

In 2025/26, the Group expects a retail underlying depreciation and amortisation charge of around £1.2 billion (2024/25: £1.2 billion), including £0.5 billion right-of-use asset depreciation.

The Group expects to deliver retail underlying operating profit of around £1 billion in 2025/2026.

Grocery sales increased by 4.5 per cent, reflecting strong volume growth ahead of the market. Customers continue to respond positively to the improvements we have made to the grocery customer proposition in recent years, including the introduction of Nectar Prices, and we are attracting and retaining more big basket primary customers, who do the majority of their shopping with Sainsbury's. General merchandise and clothing sales at Sainsbury's were in line with last year, with higher clothing sales reflecting range and availability improvements and offsetting lower general merchandise sales.

Argos sales reduced by 2.7 per cent, impacted by a subdued and highly competitive general merchandise market. In the first half of the financial year, a significant reduction in online traffic and cooler and wetter summer weather meant Argos sales were behind expectations. Whilst remaining highly promotionally driven, sales strengthened in the second half as the online traffic trend improved and Argos returned to year-on-year growth in the fourth quarter.

Fuel sales decreased by 8.9 per cent as a consequence of both reduced demand and lower forecourt prices driven by falling commodity prices in a highly competitive market.

	52 weeks to 1 March 2025	52 weeks to 2 March 2024
Total sales (including VAT) performance by channel	%	%
Total sales fulfilled by supermarket stores	4.0	10.3
Supermarkets (inc. Argos stores in Sainsbury's)	3.5	11.0
Groceries Online	7.0	5.5
Convenience	3.7	10.3

Sales in our supermarkets were up 4 per cent and we have made excellent progress in the execution of our 'More for More' strategy, with around 90,000 sq ft of space rebalanced into food during the year. In addition, throughout the second half we began implementing changes across several of our food service propositions; moving to a more efficient model, driving improved availability and choice for customers, whilst simultaneously unlocking more space to reinvest into the wider food hall.

Groceries Online sales grew by 7 per cent. This was ahead of the market and driven primarily by an increase in the number of orders per week. Convenience sales also grew ahead of the market and benefited from a large-scale layout alteration across the estate - aimed at ensuring each store has a product range specifically designed to meet its customers' needs.



Financial review continued

Space

During 2024/25, Sainsbury's opened four new supermarkets and closed three, and opened 25 new convenience stores, closing three.

We opened 16 new Argos stores in Sainsbury's and closed ten standalone Argos stores. As at 1 March 2025, Argos had 664 stores, including 461 stores in Sainsbury's, and a total of 1,107 points of presence.

	As at 2 March 2024	Remeasurement ^{a)}	New stores	Disposals/ closures	Reclassifications ^{b)}	As at 1 March 2025
Store numbers and retailing space						
Supermarkets	597	—	4	(3)	1	599
Supermarkets area '000 sq ft	20,801	103	93	(77)	10	20,930
Convenience	834	—	25	(3)	(1)	855
Convenience area '000 sq ft	2,016	1	61	(14)	(10)	2,054
Sainsbury's total store numbers	1,431	—	29	(6)	—	1,454
Argos stores	213	—	—	(10)	—	203
Argos stores in Sainsbury's	446	—	16	(1)	—	461
Argos total store numbers	659	—	16	(11)	—	664
Argos collection points	456	—	25	(38)	—	443

a) Remeasures and smaller projects which took place across a large number of stores.

b) Desborough Harborough was reclassified as a supermarket, previously being a convenience.

During the year we acquired 12 leasehold stores from Homebase and an additional two from Co-op, all of which will be converted to Sainsbury's supermarkets during 2025/26 and 2026/27, alongside our existing organic supermarket growth pipeline. These are not included in the table above as they are not yet trading.

In total for 2025/26, we plan to open 15 new supermarkets and 25 convenience stores and we anticipate a modest number of supermarket and convenience store closures. We expect a net space impact on retail sales growth of around 0.5 per cent in 2025/26.

Financial Services

During the year we announced the sale of our Core Banking services, ATM business and the Argos Financial Services cards portfolio^{a)}. These, along with the previously disposed mortgage operations, have been classified as discontinued operations as they form part of the single co-ordinated plan to move to a distributed financial services model as announced in January 2024.

Financial Services results 12 months to 28 February 2025	2025	2024	Change %
Underlying revenue (£m)	512	637	(19.6)
– Continuing	182	154	18.2
– Discontinued	330	483	(31.7)
Underlying operating profit (£m)	30	29	3.4
– Continuing	(7)	(18)	61.1
– Discontinued	37	47	(21.3)
Total capital ratio (%)	25.3	19.4	590bps

a) The Core Banking business comprising of personal loans, credit cards and retail deposit portfolios are subject to a sale agreement with NatWest Group which is expected to be completed in the first half of 2025/26. The Argos Financial Services card portfolio was sold to NewDay Group Holdings on 28 February 2025. ATM operations will be fully migrated to NoteMachine by May 2025.

Financial Services underlying revenue declined 19.6 per cent driven primarily as a result of the accounting impact of the announced sales of Core Banking portfolios. Certain elements of interest income adjustments for those discontinued operations previously recognised as revenue have now been reclassified as a fair value gain within operating costs. These adjustments have no impact on the overall reported operating profit.

On a continuing basis, revenue has increased 18.2 per cent driven primarily by improved returns on treasury assets that are not deemed directly attributable to the discontinued operations, and strong performance across the remaining commission products.

Underlying operating profit of £30 million increased by £1 million (2023/24: £29 million). During the year, performance benefited both from a reduced depreciation charge following a fixed asset write-off in the prior year and significant actions taken by management to reduce operational costs, with headcount lower by 19 per cent since February 2024. This was partly offset by lower income as balances reduced following the decision to exit Core Banking and the cessation of new lending activity.

Financial Services remains well capitalised, with a total capital ratio of 25.3 per cent, an increase of 590 basis points driven by the sale of Argos Financial Services and the rundown of the credit cards and personal loans books.

Underlying operating losses from continuing operations reduced by £11 million in the 12 months to 28 February 2025, driven by strong performances in travel money and pet insurance.

Underlying profit on discontinued operations includes costs wholly associated with assets which are to be sold, namely, the Argos Financial Services cards portfolio, the Core Banking portfolios and ATMs, together with a proportion of central and cross-product costs. The remainder of our central costs have been allocated to continuing operations, albeit we expect these costs to reduce as we right size our support functions in line with the transition to a distributed model.

In 2025/26, the Group expects Financial Services underlying operating profit on a continuing basis to be around £10 million.

Underlying net finance costs

	52 weeks to 1 March 2025 £m	52 weeks to 2 March 2024 £m	Change %
Underlying net finance costs			
Non-lease interest costs	(76)	(71)	(7.0)
Non-lease interest income	29	28	3.6
Finance costs on lease liabilities	(258)	(251)	(2.8)
Total underlying net finance costs	(305)	(294)	(3.7)

Underlying net finance costs increased by £11 million to £305 million (2023/24: £294 million) driven by non-lease interest. The increase in net non-lease interest was due to the £575 million term loan being fully drawn for the vast majority of 2024/25, whereas in 2023/24 £200 million was drawn in March and the remaining £375 million in July. Net financing costs on lease liabilities increased to £258 million (2023/24: £251 million), due primarily to the increased number of equipment leases added in the year.

In January, the Group issued £550 million of fixed rate bonds split into two tranches; a £250 million five-year tranche and a £300 million ten-year tranche.

The Group expects underlying net finance costs in 2025/26 of between £300 million and £310 million, including around £255 million lease interest costs.



Items excluded from underlying results

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.

Items excluded from underlying results	Note	52 weeks to 1 March 2025 £m	52 weeks to 2 March 2024 £m
Continuing operations:			
Retail restructuring programmes		(128)	(95)
Impairment of non-financial assets		(16)	—
IAS 19 pension income		28	44
Property, finance and acquisition adjustments		30	(86)
Financial Services phased withdrawal		(17)	(28)
Items excluded from underlying results – continuing operations	5	(103)	(165)
Discontinued operations:			
Financial Services loss on disposal ^{a)}	11.4	(141)	(14)
Financial Services phased withdrawal ^{b)}	11.3	(133)	(245)
Items excluded from underlying results – discontinued operations		(274)	(259)
Total items excluded from underlying results		(377)	(424)

a) Post-tax loss on disposal of £106 million post recognition of £35 million income tax credit (2024: £11 million post recognition of £3 million income tax credit).

b) Post-tax phased withdrawal costs directly attributable to the disposal group of £103 million post recognition of £30 million income tax credit (2024: £196 million post recognition of £49 million income tax credit).

Continuing operations

Retail restructuring programme costs of £128 million (2023/24: £95 million) were recognised in the year. Of this, £66 million relates to the multi-year programme announced in November 2020. Cash costs in the period relating to this programme were £40 million (2023/24: £67 million). Most of the 2020 programme has now completed, with costs incurred to date of £907 million, and cash costs to date of £310 million.

Separately, as part of our Next Level Sainsbury's strategy implementation announced in February 2024, we have commenced a three-year restructuring programme which will update our central management structures to support faster decision-making and drive performance at both Sainsbury's and Argos, creating fewer, bigger roles with clearer accountabilities. As part of the strategy, it was also announced in the current year that we will be consulting on the closure of food counters, cafés, and the conversion of remaining scratch bakeries. In the current year, these initiatives resulted in costs of £62 million, with cash costs of £31 million. We expect this programme to incur total cash costs of around £150 million.

Overall retail restructuring programmes cash costs of £71 million were lower than the guidance of £100 million due to a change in phasing of the cash outflows in relation to the newly announced multi-year programmes. The Group expects to incur non-underlying cash costs relating to retail restructuring programmes of around £100 million in 2025/26.

The Group recognised £16 million impairment on non-trading sites, reflecting rent reviews.

IAS 19 pension income decreased to £28 million (2023/24: £44 million). The lower pension income in the current period was primarily driven by the impact of the lower opening surplus at the beginning of the financial year compared to the prior year.

Property, finance and acquisition adjustments of £30 million income (2023/24: £86 million expense) include £57 million of gains relating to property related transactions, predominantly driven by the completion of the Hendon mixed use development site, offset by £17 million of acquisition adjustment costs and £12 million of lease interest costs. The expense in the prior year included £15 million related to property transactions, a £46 million loss on energy derivatives caused by decreases in electricity forward prices in the period (compared to a £2 million gain on energy derivatives in 2024/25), £15 million of acquisition adjustment costs and £10 million of lease interest costs.

Costs associated with the phased withdrawal from Financial Services comprise £8 million of onerous contracts, £8 million of employee costs and £1 million of consultancy costs (2023/24: £22 million of fixed asset impairments, £3 million of consultancy costs and £3 million of employee costs).

Discontinued operations

The loss of £141 million on disposal relates to the sale of Financial Services product portfolios. It is comprised of the difference between the carrying amount of the net assets to be disposed and the agreed selling price and disposal costs including those required to migrate the portfolios to the buyers. During 2023/24, the Group disposed of its mortgage portfolio for proceeds of £446 million, which resulted in a loss on disposal of £14 million.

Costs of £133 million associated with the withdrawal primarily relate to onerous contracts, loss on derivatives no longer classified in an effective hedge relationship and employee costs. In 2023/24, costs of £245 million associated with the withdrawal mainly comprised 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.

Taxation

The income tax expense was £142 million (2023/24: £140 million). The tax charge on continuing operations was £201 million (2023/24: £181 million). The underlying tax rate on continuing operations was 29.8 per cent (2023/24: 26.7 per cent) and the effective tax rate on continuing operations was 32.4 per cent (2023/24: 37.1 per cent).

The effective tax rate on continuing operations of 32.4 per cent for the year was higher than the underlying rate because of a change in estimate with regards to the treatment of dilapidations. It was significantly lower than the prior year which included the release of a deferred tax asset on capital losses as a result of the Highbury and Dragon property transaction in that year.

The Group expects an underlying tax rate in 2025/26 of around 30 per cent.

Earnings per share

Statutory basic EPS increased to 10.4 pence (2023/24: 5.9 pence) due to an increase in statutory earnings. Statutory diluted EPS also increased to 10.2 pence (2023/24: 5.7 pence).

Underlying basic EPS increased to 23.1 pence (2023/24: 22.1 pence), due to an increase in underlying earnings. Underlying diluted EPS increased to 22.7 pence (2023/24: 21.6 pence).

Dividends

The Board has recommended a final dividend of 9.7 pence per share (2023/24: 9.2 pence). This will be paid on 11 July 2025 to shareholders on the Register of Members at the close of business on 6 June 2025. In line with the Group's new policy to pay a progressive dividend, the total full-year dividend was 13.6 pence per share, an increase of 3.8 per cent (2023/24: 13.1 pence).

Sainsbury's has a Dividend Reinvestment Plan (DRIP). This allows shareholders to reinvest their cash dividends in our shares. The last date that shareholders can elect for the DRIP is 20 June 2025.

For the financial year 2025/26, as per our capital allocation policy, we are committed to a progressive dividend policy. Reflecting the strength of our balance sheet, we will buy back at least £200 million of shares in 2025/26. We expect to return bank disposal proceeds of £250 million via special dividend in the second half of the year. The special dividend will be accompanied by a proposed share consolidation. We will continue to review the level of cash return to shareholders through buybacks on an annual basis.



Financial review continued

Net debt and retail cash flows

	Note ^{a)}	52 weeks to 1 March 2025 £m	52 weeks to 2 March 2024 £m
Summary retail cash flow statement			
Retail underlying operating profit	6	1,036	966
Adjustments for:			
Retail underlying depreciation and amortisation		1,156	1,112
Share-based payments and other		67	78
Adjusted retail underlying operating cash flow before changes in working capital		2,259	2,156
Decrease in underlying working capital		98	262
Retail non-underlying operating cash flows (excluding pensions)		(71)	(72)
Pension cash contributions		(45)	(44)
Retail cash generated from operations		2,241	2,302
Interest paid		(347)	(323)
Corporation tax paid		(89)	(58)
Retail net cash generated from operating activities		1,805	1,921
Cash capital expenditure		(825)	(814)
Repayments of lease liabilities		(487)	(505)
Initial direct costs on right-of-use assets		(34)	(6)
Proceeds from disposal of property, plant and equipment		45	16
Interest income		27	27
Retail free cash flow		531	639
Dividends paid on ordinary shares		(308)	(306)
Purchase of own shares – share buyback		(200)	—
Net (repayment)/drawdown of borrowings		(79)	534
Net consideration paid for Highbury and Dragon property transaction		—	(670)
Other share-related transactions		(43)	(3)
Financial Services strategic review		(52)	—
Net (decrease)/increase in cash and cash equivalents		(151)	194
Decrease/(increase) in debt		566	(29)
Highbury and Dragon non-cash lease movements		—	1,042
Other non-cash and net interest movements ^{b)}		(619)	(417)
Movement in net debt	32	(204)	790
Opening net debt	32	(5,554)	(6,344)
Closing net debt	32	(5,758)	(5,554)
Of which:			
Lease liabilities	32	(5,494)	(5,354)
Net debt excluding lease liabilities		(264)	(200)

a) Note references relate to Alternative Performance Measures in notes A2.1 and A2.2 on pages 211 to 213.

b) 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 £103 million year-on-year to £2,259 million (2023/24: £2,156 million), primarily due to an increase in retail underlying operating profit.

Cash inflow from reduced working capital of £98 million (2023/24: £262 million working capital reduction), was driven by an increase in payables while maintaining a flat inventory position. Year-on-year working capital generation reduced by £164 million, primarily due to timing within payables and receivables.

Retail non-underlying operating cash flows of £71 million relate to retail restructuring programme costs, of which £40 million relates to the multi-year programme announced in November 2020 and £31 million relates to the implementation of the Next Level Sainsbury's strategy.

Pension cash contributions of £45 million remained consistent with the prior year as no funding level events occurred. The Group expects pension cash contributions in 2025/26 to be £27 million.

We paid corporation tax of £89 million in the year (2023/24: £58 million). The £31 million increase in tax payable year on year is predominantly attributable to an increase in retail profitability and the annualisation of tax rate changes.

Cash capital expenditure was £825 million (2023/24: £814 million). The year-on-year increase was primarily driven by increased investment in technology, supply chain and logistics. Strategic investment in electric vehicles (EV) charging infrastructure was £25 million (2023/24: £63 million). The Group expects core retail cash capital expenditure (excluding Financial Services) in 2025/26 to be between £800 million to £850 million.

Initial direct costs of right-of-use assets were £34 million (2023/24: £6 million), relating to costs incurred on the acquisition of Homebase stores.

Proceeds from the disposal of property, plant and equipment were £45 million (2023/24: £16 million) of which £22 million was received in relation to the Hendon mixed use development site completion in the year. The remaining proceeds resulted from disposals in line with our property strategy.



Retail free cash flow declined by £108 million year-on-year to £531 million (2023/24: £639 million), driven by the reduction in working capital inflow and higher capital expenditure, but remains in line with our commitment to generate at least £1.6 billion of retail free cash flow over three years to 2026/27. In 2025/26 the Group expects to generate retail free cash flow of more than £500 million.

Dividends of £308 million were paid in the year, covered 1.7 times by free cash flow (2023/24: 2.1 times).

On 26 April 2024 the Group announced the commencement of a £200 million share buyback programme, which was completed on 17 December 2024.

Net drawdown of borrowings includes the repayment in full of the £575 million unsecured term loan facility drawn down in 2023/24 to part fund the Highbury and Dragon property transaction. The Group received £544 million net of fees from the issuance of Investment Grade Corporate Bonds, split into two tranches, a £250 million tranche maturing in June 2030 and a £300 million tranche maturing in January 2035.

As at 1 March 2025, net debt was £5,758 million (2 March 2024: £5,554 million), an increase of £204 million. Excluding the impact of lease liabilities, non-lease net debt increased by £64 million in the year, to £264 million (2 March 2024: £200 million), impacted by increased costs in relation to the Financial Services strategic review and costs incurred in relation to other share-related transactions.

Net debt includes lease liabilities of £5,494 million (2 March 2024: £5,354 million). Lease liabilities increased by £140 million, of which £27 million related to the acquisition of Homebase stores.

For the financial year ending 1 March 2025, the definition of retail free cash flow has changed (as stated on page 52 of the 2024 Annual Report and Financial Statements). This now excludes capital injections to, dividends from, and any other exceptional cash movements with or on behalf of Sainsbury's Bank and its subsidiaries. As at 1 March 2025, there have been £52 million of retail exceptional costs on behalf of Sainsbury's Bank relating to Core Banking withdrawal which have been excluded from retail free cash flow.

Financial ratios

Key financial ratios ^{a)}	As at 1 March 2025	As at 2 March 2024
Return on capital employed	9.0%	8.3%
Net debt to EBITDA	2.6x	2.6x
Fixed charge cover	2.8x	2.7x

a) Reconciliations are set out in notes A4.1, A3.2 and A4.2 of the APMs on pages 213 to 214.

Return on capital employed (ROCE) improved 70 basis points, primarily driven by improved underlying retail operating profit.

Sainsbury's continues to target leverage of 3.0x - 2.4x to deliver a solid investment grade balance sheet. Net debt to EBITDA remains stable within the targeted leverage range. Fixed charge cover is stable.

Defined benefit pensions

At 1 March 2025, the net defined benefit surplus under IAS 19 for the Group was £731 million (excluding deferred tax). This marks an increase of £41 million from the prior year-end date of 2 March 2024. The primary driver of this increase was changes in financial assumptions, specifically an increase in the discount rate from 5.00 per cent per annum to 5.45 per cent per annum, which led to a decrease in scheme liabilities. This decrease in scheme liabilities was broadly offset by a reduction in the value of matching assets used to hedge against movements in gilt yields and inflation.

An updated triennial funding valuation of the Scheme is currently being carried out with an effective date of 30 September 2024.

For 2025/26, the total defined benefit pension scheme contributions are expected to be £26 million (2024/25: £45 million).

	Sainsbury's as at 1 March 2025 £m	Argos as at 1 March 2025 £m	Group as at 1 March 2025 £m	Group as at 2 March 2024 £m
Retirement benefit obligations				
Present value of funded obligations	(4,820)	(755)	(5,575)	(5,988)
Fair value of plan assets	5,418	911	6,329	6,702
Pension surplus	598	156	754	714
Present value of unfunded obligations	(13)	(10)	(23)	(24)
Retirement benefit surplus	585	146	731	690
Deferred income tax liability	(179)	(39)	(218)	(244)
Net retirement benefit surplus	406	107	513	446

Bláthnaid Bergin

Chief Financial Officer

16 April 2025



Principal risks and uncertainties

We are a resilient, values led business and managing risk is both part of how we operate and recognised as key to achieving our ambitions

The Board has conducted a thorough review of the specific risks we face and how we mitigate them. The Board has invested time to ensure that governance, oversight and risk frameworks remain key pillars in delivering the Next Level Sainsbury's strategy.

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

Key activities

1. Risk identification

- Both 'bottom-up' divisional and 'top-down' Operating Board led assessments are used to identify key risks that could prevent us from achieving our strategic objectives
- To drive consistency, we use risk categories to identify and assess completeness:
 - Strategic risks that are born 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 deployment of resources, e.g. funding

2. Risk assessment

- Risks are assessed based on their likelihood and potential operational, reputational and financial impacts
- We evaluate these risks over different time frames and perspectives, using relevant risk metrics aligned with our corporate risk appetite
- This approach allows us to adapt focus and mitigation strategies for current principal risks, respond to business events and uncertainties, and monitor emerging risks

3. Risk response

- Manage risks by implementing mitigation plans and controls aligned with our risk appetite and tolerances
- The implementation of the risk management framework in the business is devolved, ensuring that ownership for managing risks is embedded throughout the organisation
- This approach drives accountability and aligns with our valued behaviours, ensuring integrity and visibility in the risk management process

4. Monitoring and reporting

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

Stakeholder input

- Operating Board
- Governance forums
- Divisional leadership teams
- Audit and Risk team

- Operating Board
- Governance forums
- Divisional leadership teams
- Audit and Risk team

- Operating Board
- Governance forums
- Divisional leadership teams
- Audit and Risk team

- Board
- Audit Committee
- Operating Board
- Business leaders
- Audit and Risk team



The Board has overall responsibility for risk management, the system of internal control and reviewing the effectiveness of these at least annually. As such, it has approved our principal risks disclosure, as set out on pages 58 to 64. Certain responsibilities have been delegated to the Audit Committee, as outlined on page 96.



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 forums covering: safety; data governance; and environment, 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 risks 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.

To ensure a joined-up view of risk from the bottom-up and top-down processes, the risk and internal audit team is involved in each process. It provides the Audit Committee with a risk management update at each meeting to support it to fulfil its risk management objectives. This includes

an overview of changes to the corporate risk map and risk disclosures agreed by the Operating Board for its review and comment, as well as any changes to our risk framework, policies or processes.

Risk and internal audit provide independent assurance to management and the Audit Committee over specific risk areas as part of their annual audit plan. The Board, Audit Committee and Operating Board actively monitor risk throughout the year. They achieve this through routine risk management updates at dedicated sub-committees focused on specific risk domains, as well as updates on key matters through strategic planning and the periodic business performance review processes.

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 time frame and degree of certainty. The risks are reported to the Operating Board and Audit Committee and considered in strategic planning, and relevant actions are agreed. Emerging risk themes continue to relate to:

- Increasing economic and political uncertainty and supply chain insecurity, which can impact our operations, supply chains and customers
- Technology acceleration, which presents both risks and opportunity to our customers, our business operations, our 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

Principal risks and uncertainties continued

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.

The number of principal risks has remained consistent with last year, with changes reported in the net risk position of three risks. The net risk exposure for 'Business continuity, operational resilience and major incident response' has increased compared to last year, as the Incident Response Team convened at various points during the year to manage incidents that disrupted operations and trade. Conversely, the net risk exposure for 'data security' and 'Sainsbury's Bank' has decreased due to enhancements and good progress in withdrawing from Core Banking, respectively.

Our principal risks

The most significant principal risks identified by the Board and the associated mitigations are set out on the following pages. The risks with the potential to significantly impact the business have been included in the risk modelling conducted during the preparation of the viability statement. 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 45 to 26) 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

Mitigations in place, supporting the management of the risk to a net risk position, are also described for each principal risk. Accepting that it is not possible to identify, anticipate or eliminate every risk that may arise, and that risk is an inherent part of doing business, our risk management process aims to provide reasonable assurance that we understand, monitor and manage the main uncertainties that we face in delivering our strategic priorities.

Business continuity, operational resilience and major incident response 	
Risk	Mitigations
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, our broad supplier base and some ageing systems. Business 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 points throughout the year to manage our response to and minimise the impact of: • External events impacting our customers, colleagues and operations, including disorder and severe weather • Technology incidents which disrupted trade and operations in H1 2024/25 • Other operational matters. Direct oversight: Operating Board Link to strategy: All strategic priorities Link to key performance indicators: N/A Movement: 	• The Operating Board sets the operational resilience strategy for the business, ensuring it is targeted on our core operations required to run the business. The Operating Board oversees the delivery of technology improvements which are designed to improve operational resilience going forward • 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

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, 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
- 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 monitors and reviews the in-year implementation of the plans to meet budget targets through the periodic Business Performance Review process and dedicated strategic updates. In addition, each strategic outcome is closely monitored by a dedicated Acceleration Squad chaired by the relevant Operating Board sponsor

Data security

Risk

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.

The risk landscape remains challenging with deliberate acts of cybercrime including ransomware attacks a continued threat, targeting all markets, and there remains a key risk exposure to broader business disruption as well as to data breaches. Our security arrangements continue to evolve in order to protect the business.

Direct oversight: Data Governance Committee

Link to strategy: All strategic priorities

Link to key performance indicators: N/A

Movement:

Mitigations

- 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
- 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
- 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, the Operating Board and the Audit Committee on progress in delivering our information security strategies
- A suite of 17 information security policies is in place, which focuses 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
- 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
- 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
- Reviews of key third parties which hold sensitive customer or colleague data continue to take place and progress of the review and agreed actions is monitored by the DGC
- 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 email phishing exercises, with results reported to the DGC and defined escalations for colleagues who fail



Principal risks and uncertainties continued

Our principal risks continued

Environment and social sustainability

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 Acceleration Squad

Link to strategy: All strategic priorities

Link to key performance indicators: Plan for Better commitments

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 focus on those issues where we believe we can deliver the biggest impact. Our plan has three interlocking pillars: Better for you, Better for the planet and Better for everyone (see page 16 for further detail)
- The Plan for Better Acceleration Squad meets every four weeks and provides regular updates to the Corporate Responsibility and Sustainability Committee and to the Operating Board as required. This Acceleration Squad oversees delivery of the Plan for Better programme
- Progress in achieving our targets is monitored, with the approach being adjusted as needed. Additionally, progress towards achieving all targets within Plan for Better is publicly reported annually to ensure transparency
- In 2024, Sainsbury's became an adopter of the Taskforce on Nature-related Financial Disclosures. The framework, will be utilised to build an understanding of nature-related risks and opportunities, and to further embed them into the strategy and decision-making processes



Further information on our approach to managing climate-related risks and opportunities as well as our high level plan to transition to a low carbon economy can be found on pages 31 to 44.

Financial and treasury

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 continued uncertainty during the last year with high inflation and fluctuations in commodity prices and interest rates.

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

- The Treasury function is responsible for securing access to sufficient core and contingent funding and for managing financial markets and counterparty risk as set out in line with the Treasury policies and overseen by the Treasury Committee
- This year the Group published two investment grade credit ratings to secure access to the deeply liquid investment grade bond markets. Securing access to the bond markets diversifies the Group's sources of funding and allows for the issuance of longer-dated borrowings
- 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 committed 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
- Treasury policies, approved by the Board, are in place to address liquidity, refinancing, financial markets and counterparty credit risks
- Hedging policies, approved by the Chief Finance Officer, are in place to address foreign exchange and energy (electricity, gas and diesel) price risk. Adherence to the hedging policies is overseen by the Energy Price Risk Committee
- Financial and treasury risks in respect of Sainsbury's Bank are detailed separately



Safety and security

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 Board receive regular reporting on safety. An annual Operating Board deep dive on safety and security is conducted with the Director of Occupational Health, Safety and Insurance, the Director of Food Technical and the Head of Crime and Security
- Our approach to both safety and security continues 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

Political and regulatory environment

Risk

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, variable adoption in devolved nations and impact) and enforcement action impacting all areas of our business.

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.

Direct oversight: Operating Board

Link to strategy: All strategic priorities

Link to key performance indicators: N/A

Movement:

Mitigations

- 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, the Digital Markets Competition and Consumer Act (which encompasses pricing and promotional requirements), regulations regarding High Fat, Salt and Sugar products, the Groceries Supply Code of Practice, circular economy reforms (such as Extended Producer Responsibility) and the 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:
 - 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
 - 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 vigorously defend the equal value claims
- 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. For example, our work on the new aggravated offence of assault on a retail worker. Our engagement is transparent and we allow our responses to government consultations to be made public



Principal risks and uncertainties continued

Our principal risks continued

Product safety and sourcing

Risk	Mitigations
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, Plan for Better Acceleration Squad, Corporate Responsibility and Sustainability Committee	• The Group Safety Committee received regular reports on product safety from the Director of Technical - Food, Director of Commercial Operations and Development - General Merchandise and the Director of Occupational Health, 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
Link to strategy: First choice for food, Loyalty everyone loves, More Argos, more often	• The Operating Board and Board receive regular reporting on safety. An annual Operating Board deep dive on safety is conducted with the Director of Food Technical
Link to key performance indicators: N/A	• 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
Movement: 	• 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 audits 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



Sainsbury's Bank

Risk

Sainsbury's Bank is exposed to a number of risks, including those related to operational, regulatory, credit, capital, funding, liquidity and market risks.

Good progress has been made in transitioning Financial Services to a distributed model, with assets and operations being transferred to NatWest, NewDay, and NoteMachine. This transition has reduced the risk profile. The sale of banking operations to NatWest is currently in progress and subject to regulatory approval. Meanwhile, ATM operations are being transitioned to NoteMachine, and in February 2025, NewDay acquired beneficial title to the Argos Financial Services portfolio.

Execution-related risks arise from the consequent technology changes, customer migrations and colleague impacts. Conversely economic risks such as credit, liquidity, and capital adequacy will reduce. The Bank undertakes stress testing to ensure it remains financially resilient over a range of economic outcomes including higher inflation.

Direct oversight: The Boards of J Sainsbury plc and Sainsbury's Bank plc

Link to key performance indicators: N/A

Movement:

Mitigations

- The Bank is managed through defined governance structures that include the Board of Sainsbury's Bank plc, its Risk Committee and its Audit Committee. The Board of Sainsbury's Bank plc is comprised of five Non-Executive Directors, four of whom are independent
- 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 lines 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:
 - 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 Services 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

We operate in a highly competitive market during a time of higher economic uncertainty. The business, across all brands, must continue to ensure we remain competitive and evolve to meet customer expectations.

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.

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.

Direct oversight: Customer, Commercial and Channels Forum, Operating Board

Link to strategy: All strategic priorities

Link to key performance indicators: Food volume growth

Movement:

Mitigations

- 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
- 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 alternative suppliers, rationalising products, forecasting demand and providing logistics support



Principal risks and uncertainties continued

Our principal risks continued

Colleague engagement, retention and capability	
Risk	Mitigations
The business employs over 141,000 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 continuity 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: ➡	• Employment policies and remuneration and benefits packages are regularly reviewed and are designed to be fair, consistent and competitive. This year we have invested further in colleague pay. Our colleagues receive a colleague discount of 10 per cent in Sainsbury's rising to 15 per cent every Friday and Saturday and to 20 per cent on a number of key dates across the year. Additionally, colleague discount at Argos increases to 15 per cent every pay day • Executing against the workforce strategy developed and owned by the Operating Board to identify the key skills and capability shifts needed to help plan for the long term • Leadership Performance Expectations and Accelerators have been introduced and embedded around what's required of all leaders in Sainsbury's. This includes how we hire, onboard and deploy performance management. Aligned 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 • Colleague sentiment and views are sought through regular listening activity. Listening outputs are complemented with Let's Talk, Viva Engage and Make It Better Together forums. We benchmark our engagement against global benchmarks and specific retail benchmarks. In addition, the Operating Board and Non-Executive Directors hold active listening sessions on a regular basis • Specific programmes are in place across operational, early careers, professional and executive hiring including to target hard to recruit areas, presenting a wide range of opportunities for colleagues from across the business, as well as attracting new talent



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 66. The financial position of the Group, its cash flows and liquidity are highlighted in the financial review on pages 47 to 53.

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 approved in January 2025, 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.** We've committed to become the First choice for food by bringing more of Sainsbury's food range to more customers. This will deliver further grocery market volume share gains and profit leverage from sales growth
- **Changes to the Group's Financial Services model.** As we transition Financial Services to a distributed model, assets and operations are being transferred to NatWest, NewDay and NoteMachine. As such, consideration has been given to the credit, liquidity and capital adequacy of the Bank as the phased withdrawal is executed
- **Inflationary pressures.** Sustained levels of high inflation continue to put pressure on the Group's cost base and on consumer spend. External forecasts indicate that this is expected to continue, limiting discretionary spend and putting further competitive pressure on non-discretionary spend as consumers become increasingly price sensitive
- **Climate change considerations.** The Group's most recent corporate planning and budgeting processes include assumed cash flows to address climate change risks. These include costs associated with Plan for Better commitments to reduce environmental impacts and meet customer expectations in this area, notably through sustainability initiatives such as reducing packaging and reducing energy usage across the estate. The impact of new packaging fees regulations has been included in the Group's corporate plan

- **The Group's financial position.** The Group has continued to generate strong free cash flow. 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 2029 and Facility B has a maturity of December 2028. As at 1 March 2025, the Revolving Credit Facility was undrawn. The Group paid in full the £575 million committed term loan facility which had been in place during 2024/25. In January 2025 the Group issued £550 million of Investment Grade Corporate Bonds. The Bonds were split into two tranches, a £250 million tranche maturing in June 2030 and a £300 million tranche maturing in January 2035

2) The assessment period

The Directors have determined that the three years to March 2028 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 54 to 62). 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 54 to 62 has a potential impact and has been considered as part of the assessment, only those that represent severe but plausible scenarios were selected for modelling through the corporate plan.



Statement of viability continued

3) Assessment of viability continued

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. External forecasts indicate that this could continue, impacting consumer confidence and disposable incomes, contributing to a reduction in consumer spend on discretionary items across our general merchandise and clothing business and manifesting via downtrading in food. Assumptions: Sales - volume losses more severe than 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
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 while the transition of Financial Services to a distributed model is executed. Assumptions: - Costs – those associated with restructuring the Financial Services model are significantly in excess of those estimated - Liquidity – ability to withstand unforeseen scenarios such as planned divestments not concluding as expected and cash outflows to third parties being higher than expected as a result of costs being in excess of estimates	Sainsbury's Bank
Scenario 4 – Failure to deliver sustainable cost savings Delays in delivering the Save and to invest to win programme, which would have an impact of c. £100 million in each year of the assessment period, were considered. Assumptions: Costs – additional costs of c. £100 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 breaches 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 2028.	

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 125 to 209.



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
Colleagues	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 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 and have continued to make significant investments in pay.	- Chair's letter on page 4 - Plan for Better report on page 16 - Our people on page 20 - Engaging with our stakeholders and our Section 172 statement on page 25 - Key performance indicators on page 45 - Nomination and Governance Committee report on page 88 - Annual statement from the Remuneration Committee Chair on page 104 - Gender and ethnicity pay reports  Further information can be found at www.about.sainsburys.co.uk/sustainability
Environment	Our sustainability plan, Plan for Better, is integrated across our business to ensure that we support the delivery of 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. 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 the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, are included within our TCFD report.	- Plan for Better report on page 16 - Task Force on Climate-related Financial Disclosures on page 31 - Engaging with our stakeholders and our section 172 statement on page 25 - Corporate Responsibility and Sustainability Committee report on page 92 - Standalone Plan for Better report - SASB disclosure - Policy on ethical sourcing - Key raw material policies: Cocoa, Coffee, Cotton, Feather and Down, Forest Products, Leather, Manmade Cellulosic Fibres, Natural Rubber, Non-Timber Forest Products, Palm Oil, Precious Metals and Minerals, Pulp, Paper and Fibre-based, Soy Feed, Timber, Wool  Further information on these policies and our lists of Tier 1 sites for general merchandise, food, clothing and goods not for resale at www.about.sainsburys.co.uk/sustainability/plan-for-better
Community	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. Alongside our community investment, we make positive economic contributions through our responsible approach to tax. We contributed approximately £2.4 billion in cash taxes borne and collected this year.	- Chair's letter on page 4 - Plan for Better report on page 16 - Engaging with our stakeholders and our section 172 statement on page 25 - Corporate Responsibility and Sustainability Committee report on page 92 - Groceries Supply Code of Practice - Policy on Whistleblowing  Further information can be found at www.about.sainsburys.co.uk/sustainability/better-for-everyone/community-and-partnerships.

Non-financial and sustainability information statement continued

Our commitment	Our approach	Where to find more information and outcomes
Human rights	At Sainsbury's, we set high standards and work collaboratively with our suppliers to ensure these standards are met. We work hard to embed respect for human rights and ethical practices throughout our business. 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. This year, we were acclaimed as 'Leading on human rights innovation' status in the CCLA Modern Slavery UK Benchmark 2024, achieving a top tier score.	- Chair's letter on page 4 - Plan for Better report on page 16 - Engaging with our stakeholders and our section 172 statement on page 25 - Corporate Responsibility and Sustainability Committee report on page 92 - Modern Slavery Statement - Policy on Whistleblowing - Policies on: Ethical Sourcing, Flexible Working, Home Work, Prison Labour  Further information can be found at www.about.sainsburys.co.uk/sustainability/better-for-everyone/human-rights  Further information on these policies and our lists of Tier 1 sites for general merchandise, food, clothing and goods not for resale at www.about.sainsburys.co.uk/sustainability/plan-for-better
Anti-bribery and corruption	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. Our Policy on Anti-Bribery and Corruption provides guidance and expectations on our colleagues' responsibilities and behaviour, including our expectations on colleagues 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. Our Policy on Whistleblowing covers how to report wrongdoing when honesty and integrity are compromised. Our Group Suppliers' Anti-bribery and Corruption Policy provides guidance and expectations for any supplier who supplies goods and services to Sainsbury's Group Companies, including both goods for resale and goods or services that we use within our business.	- Audit Committee report on page 95 - Compliance with the Groceries Supply Code of Practice on page 100 - Policy on Anti-Bribery and Corruption - Policy on Whistleblowing - Group Suppliers' Anti-bribery and Corruption Policy  Further information can be found at www.about.sainsburys.co.uk/sustainability
Other information	Other information to support this statement can be found on the following pages:	- Business model on page 2 - Our strategy on page 10 - Delivering on our outcomes on page 11 - Non-financial KPIs on page 45 - Principal risks and uncertainties on page 54 - Statement of viability on page 63 - Board leadership and Company purpose on page 76 - Audit Committee report on page 96 - Remuneration policy - Health policies: Energy Drinks Sales, Infant Foods, Marketing Communications, Nutrition Labelling, Responsible Retailing of Alcohol  Further information can be found at www.about.sainsburys.co.uk

The strategic report was approved by the Board of Directors and signed on its behalf by:



Bláthnaid Bergin

Chief Financial Officer

16 April 2025



Introduction to the governance report



Dear Shareholder

One year into our Next Level Sainsbury's strategy, we remain focused on delivering for our customers, colleagues, suppliers and shareholders. In February 2024, we shared the key metrics by which we would judge our progress against the strategy and I am pleased to report that our food business is going from strength to strength and we're making the biggest market share gains in more than a decade.

Purpose and culture

Our strong culture and values remain fundamental to the success of the business. Together with the Operating Board, the Board has worked to embed our new strategy and purpose, ensuring that these remain aligned to our culture and values. 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 strategy and priorities can be found on pages 10 to 15

Our purpose articulates the impact we want to create for customers and wider stakeholders and creates multiple opportunities for commercial and social growth. As a Board, we are responsible for ensuring that the business is purpose-led and that 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.

We recognise our role in monitoring, assessing and promoting a positive culture to ensure an inclusive working environment for our colleagues. 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 20 to 23

Stakeholder engagement

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 9.7 pence per share, reflecting our commitment to deliver strong dividends for shareholders. This year we paid ordinary dividends of £308 million and completed our £200 million share buyback programme, delivering enhanced shareholder returns. Reflecting the strength of our balance sheet, we will buy back at least £200 million of shares in 2025/26 and we expect to return bank proceeds of £250 million via special dividend in the second half of the year. The special dividend will be accompanied by a proposed share consolidation.

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 continue to shape the implementation of our Next Level Sainsbury's strategy, including key decisions on price investment to offer customers consistent value and additional investment to bring the best of Sainsbury's to more people in more locations.

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 in January 2025 we announced that we will raise pay for our hourly paid colleagues by five per cent, split into two separate increases to help manage a particularly tough cost inflation environment. We believe in rewarding our colleagues well for delivering leading service and productivity and the increase we announced in January for our hourly paid retail colleagues will represent a 58 per cent increase hourly pay since 2018.

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. Building resilience into our business and supply chains is critical to our long-term success, which is why our Plan for Better sustainability strategy remains at the heart of what we do. Our shift in focus to viewing suppliers as partners has directly enabled the continuous delivery of high quality products and services for our business and customers. We firmly believe that the partnership approach is critical to address and improve the complex environmental and social challenges we face, contributing to a more sustainable food system in the UK.

Diversity, equity and inclusion

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.



Further information on the Group's diversity, equity and inclusion strategy can be found on pages 21 to 22

Plan for Better

Our sustainability strategy is a key priority for the Board and the Corporate Responsibility and Sustainability Committee, whose report is set out on pages 92 to 95. Plan for Better is a core part of our purpose and Next Level strategy and we have continued to support our colleagues, customers and suppliers and have made further investments across the value chain this year. Through Plan for Better, we are taking a leading role in creating a sustainable food system to truly make good food for all of us.



Introduction to the governance report continued

Corporate governance

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 outcomes. 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. During 2024/25, we have reviewed and updated our governance framework to align with the 2024 UK Corporate Governance Code. These changes will be effective from the start of 2025/26.

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 2024/25, which concluded that the Board and each of its Committees continue to be effective. The Board's strengths included a good balance of support and challenge, a complementary set of skills, the constructive relationship between the Board and the Operating Board and an inclusive decision-making process.

 **Our progress against last year's areas of focus**, as well as further information on **this year's evaluation**, can be found on pages 10 to 15

Year ahead

As we go into 2025/26, we remain focused on our bold ambition to become the UK's first choice for food and to bring more of our food offering to more customers.

I would like to take the opportunity to thank all of my Board colleagues for their commitment, support and flexibility over the past year. I will again express my thanks to Brian Cassin for his many years of service and his significant contribution to the Board, particularly as Senior Independent Director. Following a rigorous recruitment process, we welcome Katie Bickerstaffe and Steve Hare to the Board and look forward to their insights and contributions as we continue to drive Sainsbury's forward. Following Brian's retirement from the Board, Adrian Hennah will succeed Brian as Senior Independent Director with effect from 3 July.

An inclusive culture

Our inclusive culture and leadership were recognised at the highest level in our industry, with Sainsbury's taking home two awards at the Diversity in Retail 2024 Inclusion Awards. Our Chief Executive Simon Roberts was named 'Most Inclusive CEO in Retail', and our Chair Martin Scicluna was honoured as 'Most Inclusive Chair in Retail'. At Sainsbury's, inclusion is a fundamental part of who we are. We are committed to embracing diversity and working towards a more inclusive future for everyone.



Martin Scicluna
Chair

Compliance with the Corporate Governance Code 2018 (the 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 76 to 83

Division of responsibilities

 **More information can be found** on page 87

Composition, succession and evaluation

 **More information can be found** on pages 84 to 86

Audit, risk and internal control

 **More information can be found** on pages 54 and 96

Remuneration

 **More information can be found** on pages 104 to 121

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

- Approval of the sale of Sainsbury's Bank plc's Core Banking business to NatWest Group and sales of our Argos Financial Services cards portfolio to NewDay Group and our ATM business to NoteMachine
- The establishment of a £5 billion Euro Medium Term Note Programme and the issuance of £550 million of unsecured fixed income bonds

- The acquisition of 14 new supermarket sites in key target locations from Homebase and Co-op, adding over 300,000 square feet to the Group's supermarket trading space

Highlights

78%

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

 [Read more on pages 20 to 25](#)

Acquisition of 14

new supermarket sites in key target locations

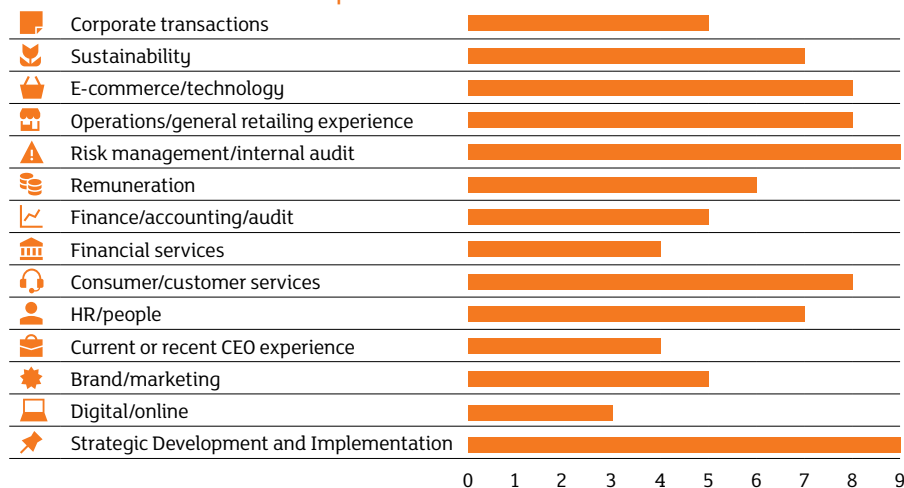
 [Read more on pages 11 and 13](#)

Over 9,000 Nectar Prices

rolled out to customers

 [Read more on page 14](#)

Board skills matrix at 16 April 2025





Governance at a glance continued

Our Board

What we bring to the Board

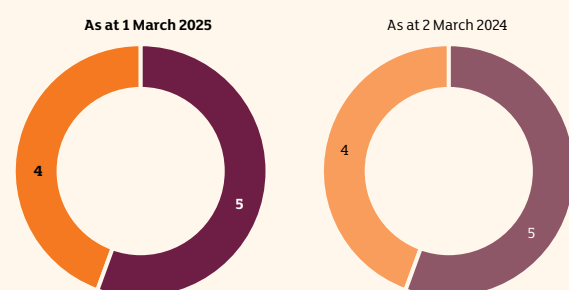
The Board benefits from a wide range of backgrounds and strengths. The diagrams on the previous page and below provide an overview of the Board members' specific skills, experience and diversity.

[Read more on pages 71 to 73](#)

Board composition

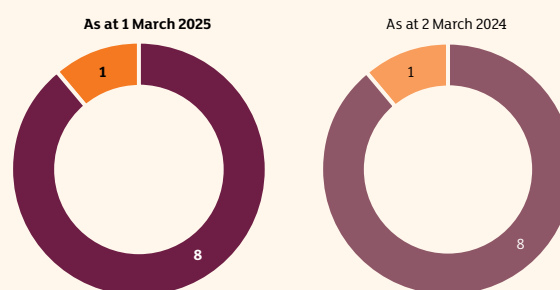
Board gender diversity

- Men
- Women



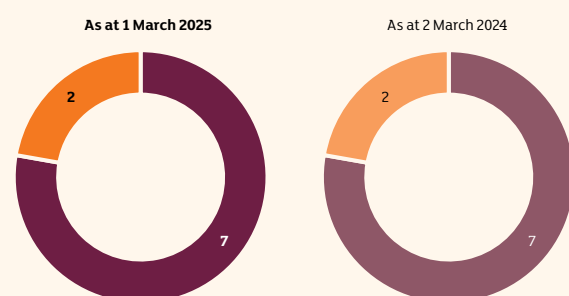
Board ethnic diversity

- White
- Ethnically diverse



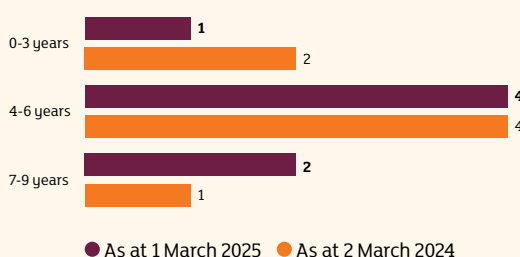
Board balance

- Non-Executive Directors
- Executive Directors



Board tenure

(Non-Executive Directors and Chair)



Board and Committee attendance (scheduled meetings)

	Board	Audit Committee	Corporate Responsibility and Sustainability Committee	Nomination and Governance Committee	Remuneration Committee
Martin Scicluna	9/9	—	3/3	2/2	—
Bláthnaid Bergin	9/9	—	—	—	—
Jo Bertram	9/9	—	3/3	2/2	—
Brian Cassin	8/9 ¹	3/4 ²	—	2/2	—
Jo Harlow	9/9	—	3/3	2/2	4/4
Adrian Hennah	9/9	4/4	—	2/2	4/4
Tanuj Kapilashrami	9/9	—	—	2/2	4/4
Simon Roberts	9/9	—	3/3	—	—
Keith Weed	9/9	3/4 ³	3/3	2/2	—

¹ Brian Cassin was on jury duty and was unable to attend the December Board meeting.

² Brian Cassin was unable to attend due to a family bereavement.

³ Keith Weed was unable to attend due to prior business commitments.



J Sainsbury plc – Board of Directors



Martin Scicluna

Chair



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 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



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 and 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, a Member of the Government's Food Strategy Advisory Board, a 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 Next Level Strategy, driven by our purpose to make good food joyful, accessible and affordable for everyone, every day. 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: Non-Executive Director of Haleon plc.

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 six 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.



Jo Bertram

Non-Executive Director



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 and 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 and 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.

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 continued



Brian Cassin

Non-Executive Director



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



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: Senior Independent Director and Chair of the Remuneration Committee of Halma plc, Senior Independent 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. Jo was previously Chair of the Corporate Responsibility and Sustainability Committee and has helped the business deliver and evolve its sustainability strategy. She also brings current external remuneration committee experience.

Independent: Yes.



Adrian Hennah

Non-Executive Director



Appointed to the Board:
1 April 2021.

Adrian joined the Board on 1 April 2021 and will become Senior Independent Director on 3 July 2025.

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 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



Appointed to the Board:
1 July 2020.

Skills and experience: Tanuj is an international banker with significant experience in strategy, 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 Corporate Strategy, Bank-wide Transformation and Corporate functions (HR, Brand and Marketing, Corporate Affairs, Supply Chain Management and Corporate Real Estate), 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.

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 Vault22, an integrated digital wealth, health and lifestyle solutions start-up. She has also previously served as a Board member of the UK Financial Services Skills Commission Limited.

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.

Key to Committee members

- Audit Committee
- Corporate Responsibility and Sustainability Committee
- Nomination and Governance Committee
- Remuneration Committee
- Denotes Chair of Committee



Keith Weed CBE

Non-Executive Director



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 strategic focus 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



Katie Bickerstaffe

Non-Executive Director



Appointed to the Board:
To be appointed on 3 July 2025.

Skills and experience: Katie is a highly regarded retail and consumer business leader, bringing strong perspectives on digital business models and transformation programmes. She has held numerous leadership positions, including as Co-CEO of M&S, Executive Chair and CEO Designate at SSE and CEO, UK and Ireland at Dixons Carphone. She also held roles at Somerfield Stores group, Dyson, PepsiCo and Unilever.

External appointments:

Non-Executive Director of Aberdeen Group plc and Barratt Redrow plc, Non-Executive Director and Senior Independent Director of Diploma plc.

Specific contributions to the

Company's long-term success: Katie's strong perspectives on digital transformation will greatly contribute to our strategic direction.

Independent: Yes.



Steve Hare

Non-Executive Director



Appointed to the Board:
To be appointed on 3 July 2025.

Skills and experience: Steve is a very experienced leader of digital and tech businesses. He previously worked at Apax Partners as Operating Partner and Co-Head of the Portfolio Support Group. Prior to this, Steve built over 10 years' experience leading the finance function for three listed UK companies, including as CFO of Invensys plc, Group Finance Director for Spectris plc and CFO at Marconi PLC. Steve qualified as a chartered accountant in 1985 with Ernst & Whinney, now part of EY, and holds a bachelor of commerce degree from Liverpool University.

External appointments:

Chief Executive Officer of The Sage Group plc.

Specific contributions to the

Company's long-term success: Steve's expertise in leading tech businesses will greatly contribute to our strategic direction.

Independent: Yes.



Nick Grant

General Counsel and Company Secretary

Appointed to the Board:
4 July 2024.

Nick was appointed to the newly created role of General Counsel and Company Secretary in July 2024.

Skills and experience: Prior to this appointment Nick was for Director of Legal Services at Sainsbury's for eight years, leading a full-service in-house team of 40 legal advisers and advising senior management on corporate transactions, material litigation and reputation management.

External appointments: None.

Specific contributions to the

Company's long-term success: Nick provides legal and corporate governance advice and support to the Board and Committees and oversees secretarial support for all legal entities within the Group.

Independent: No.

Company Secretary changes

Following Tim Fallowfield's retirement from Sainsbury's in July 2024, Nick Grant was appointed as General Counsel and Company Secretary in July 2024, having previously occupied the role of Director of Legal Services at Sainsbury's.

Board changes

Subject to shareholder approval, Katie Bickerstaffe and Steve Hare will be appointed as Non-Executive Directors with effect from 3 July 2025.

Brian Cassin has notified the Board that he will not seek re-election at the Sainsbury's AGM on 3 July 2025, after nine years' service.

The Board has appointed Adrian Hennah, who has been a member of the J Sainsbury plc Board since April 2021, to succeed Brian as Senior Independent Director with effect from 3 July 2025.



J Sainsbury plc – Operating Board



Simon Roberts

Chief Executive



See page 71



Bláthnaid Bergin

Chief Financial Officer



See page 71



Rhian Bartlett

Chief Commercial Officer -
Sainsbury's

Date of appointment:

November 2020.

Skills and experience: Rhian 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.

External appointments: Rhian is a Non-Executive Director of Speedy Hire Plc.



Graham Biggart

Managing Director Argos, and
Chief Strategy and Supply Officer

Date of appointment:

March 2022.

Skills and experience: Graham is accountable for our Argos business, ensuring its continued success as the second largest general merchandise retailer in the UK, and a digital leader with iconic consumer brands such as Habitat, Chad Valley and Bush. Graham also leads our strategy across Sainsbury's, as well as our global Supply Chain, Logistics and Fulfilment teams. He is the Operating Board Sponsor for Ethnicity. Graham joined Sainsbury's in 2015 and has led a number of different areas of the business in that time, across commercial, change, operations and channels, including as Chief Transformation Officer, Chief Commercial Officer, General Merchandise and Clothing, Commercial Director for Fresh Food and Foodservice, and Commercial Operations Director, which included the Sainsbury's Local and Argos Republic of Ireland businesses. Prior to Sainsbury's, Graham worked at McKinsey and Company, and before that at Brunswick Group.

External appointments: Graham is a Non-Executive Director and Chair of the Risk and Audit Committee of GS1 UK.



Patrick Dunne

Chief Property and Procurement
Officer and MD Smart Charge

Date of appointment:

January 2025.

Skills and experience: Patrick joined Sainsbury's in 2017 as Director of Procurement and Cost Transformation, responsible for improving governance and driving greater value for money across our extensive cost base and goods not for resale spend. In 2018 Patrick was asked to lead the group's extensive property portfolio as group property and procurement director. He has over 30 years' experience in global industries, automotive, manufacturing and retail and has held a variety of UK and international senior leadership roles, including Chief Operating Officer, Howdens Manufacturing, MD MFI Asia Limited and Chief Property and Procurement Officer, Walgreens Boots Alliance. Patrick also leads our carbon activities to achieve net zero by 2030 and recently initiated and set up our new electrical vehicle charging venture Smart Charge. He most recently was a Trustee for the University of London and in 2019 was celebrated as global procurement leader of the year for the Chartered Institute of Procurement (CIPS).

External appointments: None.



Mark Given

Chief Marketing, Data and Sustainability Officer

Date of appointment:
June 2020.

Skills and experience: Mark joined the Operating Board in June 2020. He 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 and Loyalty across the Sainsbury's, Argos, Tu clothing and Habitat brands. Mark has also been responsible for the Nectar Loyalty Coalition and the Nectar360 media business since 2018. In 2021, Mark assumed responsibility for all sustainability activity, including delivery of our Plan for Better targets. In 2025 Mark will also be responsible for our business-wide data and analytics capability. Since 2024 Mark has been the Operating Board Sponsor for the LGBT+ inclusion lane. 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 and Gamble UK before working across Europe on a variety of brands.

External appointments: Mark is currently a Council Member of the Incorporated Society of British Advertisers (ISBA) and a Fellow of the Marketing Society.



Prerana Issar

Chief People Officer

Date of appointment:
May 2023.

Skills and experience: Prerana joined the Operating Board in May 2023. 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.

External appointments: 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 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, customer experience and end-to-end technology and platforms. Clodagh's previous roles in Sainsbury's include Retail and Digital Director and Chief Digital Officer. Clodagh is the Operating Board Sponsor for Wellbeing. Clodagh joined Sainsbury's as Head of Strategy, following nine years at Bain and Company and, during her time with us, has had numerous leadership roles across commercial and channels.

External appointments: Clodagh is a Non-Executive Director of Taylor Wimpey plc and sits on their Nomination and Governance and Remuneration Committees.

Operating Board changes

As part of our plan to accelerate into the second year of our three-year Next Level Sainsbury's strategy, we have made changes within our Operating Board to recognise the different needs of the Sainsbury's and Argos businesses and have reorganised across our store support centre teams to reflect the distinction between the two. Rhian Bartlett, Chief Commercial Officer for Sainsbury's, will lead our commercial proposition across grocery, Sainsbury's general merchandise and clothing. To ensure a clear focus on delivering our More Argos, more often plan, Graham Biggart takes on the role of Managing Director for Argos. These changes will drive faster decision-making and improved performance for both Sainsbury's and Argos.

We also brought together all of our expert data and analytics teams from across the business into one new Data and Analytics function, reporting into Mark Given, so that we can improve our capabilities and ways of working in this critical area to stay ahead of competitors, best serve our customers and work more efficiently with all the data and insights we have available. Mark Given continues to sponsor our Plan for Better and will continue to do so through his new role. The Sustainability team will continue to report to Mark, and making Sustainability its own division will ensure continued focus to deliver our ambition.

We welcomed Patrick Dunne, Director of Property and Procurement to our Operating Board as Chief Property and Procurement Officer and Managing Director for Smart Charge.

The Operating Board is supported by the Company Secretary, see page 87 for details.



Board leadership and Company purpose

Our purpose is to make good food joyful, accessible and affordable for everyone, every day. This 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 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 25 to 30**

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 20 to 23**

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 77**

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. During the year, the Operating Board delivered progress against our key performance measures across each of the four strategic outcomes.

 **Each Operating Board Director has a range of responsibilities, as detailed in their biographies on pages 74 to 75**

Sainsbury's Bank Board

Sainsbury's Bank plc board membership comprises an independent Chair, five Non-Executive Directors, four 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 Group 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

Translating the Next Level strategy into delivering the four strategic outcomes required our previous governance framework to evolve and reset. A new decision-making structure, below the Operating Board, has been implemented and was effective for 2024/25. This structure is directly aligned to the strategic outcomes, with clear accountability and ownership of deliverables. An assessment of the effectiveness of the framework was undertaken in late 2024/25 and actions implemented to ensure that it continued to drive clearer accountabilities and improve the speed of decision-making. Further information on our governance framework can be found on page 77.

The Matters Reserved for the Board and the terms of references of each of its key Committees were reviewed and updated in line with the 2024 Corporate Governance Code and will be implemented for 2025/26.



Our purpose shapes both our 'why' and our 'how': why we exist and how we deliver for our customers, colleagues, suppliers and shareholders.

Simon Roberts
Chief Executive



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 the risk management and internal control frameworks
- Approves internal and external audit processes
- Maintains relationship with the external auditor
- Carries out in-depth reviews of specific risks, ensuring that risks are appropriately identified, managed and mitigated



More information can be found on page 96

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 92

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 applicable UK Corporate Governance Code



More information can be found on page 88

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 104



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
- Monitors and reviews key transformation deliverables and programmes
- 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 Chief Information Security Officer and Director of Data Governance, to the Operating Board, Audit Committee and Board

Group Safety Committee

- Reviews the robustness of safety approaches and management systems throughout the business, including food safety, product safety, colleague and customer safety
- 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 Acceleration Squad

- 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



Board leadership and Company purpose continued

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 on pages 24 and 25 to 30

A typical Board meeting will cover 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.

Key to links to strategy

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

Matters considered

Strategy

Outcome

- Discussed progress against the strategic plan and the impact of inflationary pressures and interest rate rises on our customers, colleagues and suppliers
- Monitored progress against culture, behaviours and the diversity, equity and inclusion strategy which supports the long-term planning and future direction of the Group
- Approved key decisions and outcomes required to implement the Next Level Sainsbury's 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, including changes to the central management structure
- Discussed and created relevant action plans for long-term strategic challenges
- Approved the Suppliers as Partners strategy, committing to working with suppliers over the longer term, enabling suppliers to invest in their business and build resilience
- Made considerable progress in the withdrawal from Core Banking, including the sale of the Core Banking products, the ATM business and the Argos Financial Services cards portfolio

 More information can be found on pages 10 to 15

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
- Evaluating and supporting strategic updates, ensuring strategic and financial outcomes will deliver for shareholders
- 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
- Focusing on a multi-year purpose-led organisation will create multiple opportunities for commercial and social growth
- Partnering with our suppliers is critical to address and improve the complex ethical, environmental and social challenges we face, contributing to a more sustainable food system in the UK

Stakeholders considered

- | | |
|---------------|---|
| • Customers | • Communities |
| • Suppliers | • Shareholders |
| • Colleagues | • Government, parliamentarians and regulators |
| • Communities | |

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





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 2024.

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
- Delivery of the four strategic outcomes and short, medium and long-term choices required
- Challenges to achieving the eight strategic commitments and where improvements would need to be made across the business, including key investment and cost-saving priorities
- Cultural change needed for growth

Outcomes

- Agreed the corporate plan and budget for year two of the strategy
- Restructuring of central divisions and management structures to drive Sainsbury's and Argos's performance

Next steps

- The Board will continue to receive regular updates on the strategic outcomes at every Board meeting via the Chief Executive's update, as well as deep dive agenda topics
- Deep dive updates will be presented at the strategy review day in June 2025

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

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
- Suppliers
- Colleagues
- Communities
- Shareholders

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



Did you know...

The first year of our Next Level Sainsbury's strategy has built on the success of our Food First strategy, delivering continuing grocery market share gains and significant operating leverage. This reflects the investments we have made over the last four years to improve our grocery proposition and build sustainable competitive advantage through strengthening the fundamentals of the business across logistics, technology and the way we work with suppliers.





Board leadership and Company purpose continued

Key areas of focus for the Board continued

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
- Cancellation of the capital redemption reserve, increasing distributable reserves by £680 million
- Established a Euro Medium Term Note Programme and refinancing of term loan with newly issued public debt

Benefits and consideration

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

Stakeholders considered

- Customers
- Suppliers
- Colleagues
- Communities
- Shareholders

Link to KPIs

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

Link to strategy



Key to links 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

Benefits and consideration

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

Stakeholders considered

- Customers
- Suppliers
- Colleagues
- Communities
- Shareholders

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



“

More people are choosing Sainsbury’s for their main grocery shop

Simon Roberts
Chief Executive

Matters considered

Culture, diversity and inclusion

Talent, succession and development

Outcome

- Committed to further investment into colleague pay for our retail colleagues
- 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 appointment of Katie Bickerstaffe and Steve Hare to the Board and the appointment of Patrick Dunne to 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 embedding the Group's purpose to enable 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

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



Focusing on culture

Embedding our purpose and culture

A healthy corporate culture is one in which Sainsbury's purpose, values and strategy are respected by its stakeholders and an operating environment that encourages employees to make a positive difference for stakeholders. The Board recognises that, as well as the workforce, its relationships with suppliers and customers can provide valuable insight into our culture.

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, suppliers, 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. Individual Board members visited a range of our stores during the year, either alone or accompanied by a member of our management team, to gain insight into different customer journeys and experiences. In addition, the Board received regular updates on customer satisfaction scores and the outcomes of supplier surveys. Collectively, these updates and metrics provide the Board with broad insights into day-to-day operations, the practical execution of strategy and the culture context in which our colleagues, suppliers and communities operate. The Board also receives updates on supplier surveys, including the GSCOP and the Advantage surveys which provide valuable insights into how Sainsbury's is viewed externally. Supplier events are held throughout the year and the Board engage directly with suppliers via supplier visits.

Our cultural metrics:

78%

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

92%

of colleagues told us their manager is accessible and approachable

84%

of our direct suppliers who responded in the Grocery Code Adjudicator survey agreed that Sainsbury's conducts trading relationships fairly, in good faith and without duress



Further information on our culture can be found on pages 20 to 23



Board leadership and Company purpose continued

Key areas of focus for the Board continued

Matters considered

Oversight of our Plan for Better strategy by the Corporate Responsibility and Sustainability Committee

Outcome

- Reviewed our approach to Scope 1 and 2 decarbonisation and approach to measurement in Scope 3
- Reviewed the future packaging strategy, understanding and reflecting on the implications of Extended Producer Responsibility legislation
- Continued collaboration with suppliers, industry and government to understand and address challenges across the UK food system

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
- Suppliers
- Colleagues
- Communities
- Shareholders
- NGOs

Link to KPIs

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

Link to strategy



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 the implementation of year one of the Next Level Sainsbury's strategy
- Completion of a £200 million share buyback programme, delivering enhanced shareholder returns

Benefits and consideration

- Ensures shareholder sentiment is understood and considered when making decisions

Stakeholders considered

- Shareholders

Link to KPIs

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

Link to strategy



This year we completed a

£200m

share buyback programme

Did you know...

In March we announced a ten-year partnership with Cranswick to set new standards in pig welfare and to provide more stability for the 170 farmers in the Sainsbury's Pork Producer Group as they invest in farms, factories and procedures to build resilience for the future. Together we will invest more than £60 million to implement these new higher standards by 2030, during which time we also aim to offer *Taste the Difference* pork that meets net zero by 2029 and *by* Sainsbury's fresh pork that meets net zero by 2030 – all whilst protecting value for our customers.

Key to links to strategy

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

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
- Updates on food safety, including the impact of macro events on the global food supply chain
- Responded to the ongoing challenges of increasing retail crime, including through improving communication locally in every store, along with enhancing training and development for colleagues

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
- Suppliers
- Colleagues

Link to KPIs

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

Link to strategy



Matters considered

Governance matters

Outcome

- Updates from the Chairs of the Committees
- Review of regulatory reforms and implications for Sainsbury's
- 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.

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

- Suppliers
- Colleagues
- Communities
- Shareholders
- Government, parliamentarians and regulators

Link to KPIs

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

Link to strategy





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.

The induction programme includes a combination of senior management meetings, site visits and a library of documents which is shared with all new Directors. The programme is adapted to reflect changing business priorities, the experience and expertise of the new Director and the role they will perform. For example, an individual to be appointed to the Remuneration Committee would have additional meetings with senior members of the reward team and the remuneration advisers; those joining the Audit Committee would have a more detailed finance and audit programme; and a Non-Executive Director joining the Corporate Responsibility and Sustainability Committee would have additional meetings with the Director of Sustainability and their team. Further details on the induction programme are detailed in the table below.

As part of the induction process for Katie Bickerstaffe and Steve Hare, they will meet with Board members and senior leadership and visit stores, providing them with an excellent opportunity to engage directly with store colleagues. The induction programmes have been tailored to reflect their individual experiences and skills and build an understanding of key business challenges, colleague experience and the culture embedded across the business.

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. External advisers attended Board dinners to provide an outside-in perspective of the Group's strategy and held discussions on data and analytics, the fundamentals of generative artificial intelligence and how technology can be used to improve colleague engagement and productivity. 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 15

Directors are encouraged to visit a wide range of stores, both individually and with members of the management team. This builds the Directors' understanding of the different customer journeys and enables them to interact directly with store colleagues.

The Directors' induction process

Evolving our approach

1 Understanding the business

- 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

2 Understanding the sector and environment

- 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

3 Meeting the Sainsbury's internal team and advisers

- Directors
- Committee Chairs
- General Counsel and Company Secretary
- Members of the Operating Board
- Senior leadership across the business
- Members of the external audit team
- Remuneration consultants
- Brokers
- Other key advisers, dependent on role

4 Visiting Group operations

- Store visits
- Distribution centres
- Store support centres



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 sustainability matters from management. All members of the Corporate Responsibility and Sustainability Committee and each of the Committee Chairs received training on Scope 3 emissions.

More information can be found on pages 92 to 95

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 UK Corporate Governance Code and Directors' responsibilities under Section 172 of the Companies Act. In addition, the Board received updates on the corporate governance reforms and the 2024 UK Corporate Governance Code and training on key topics which are relevant to the implementation of strategy and changing regulation. Directors have access to advice from the General Counsel and Company Secretary and independent professional advice is available at the Company's expense, if necessary, in relation to fulfilling their duties and responsibilities.

2024/25 training and development activities

- Internal Controls programme updates at every Audit Committee meeting
- Updates on the UK Corporate Governance and Audit reforms
- An overview of the NIST Cybersecurity Framework and examples of the Group's compliance with the framework
- Store visits and engagement with key suppliers
- Sustainability updates, including Scope 3 training
- Presentation from external advisers on:
 - Data and analytics strategy
 - Generative artificial intelligence
 - Technology as a tool for enhanced engagement and productivity

Board evaluation



Board evaluation cycle

The Board monitors its performance through an annual assessment to ensure the Board remains effective, which includes an assessment of the performance of the Board, its Committees and Directors. The review is externally facilitated every three years with the last external review undertaken by Clare Chalmers during 2022/23. The next external review will be in respect of the 2025/26 financial year. The outcome of the review is reported to the Board and each individual Director, enabling the Board to strengthen and enhance its performance, skills and experience in alignment with Group strategy.

Progress against actions identified from the 2023/24 internal Board evaluation

Key areas of focus from 2023/24 review

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

Provide greater visibility of 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

Progress and actions implemented during 2024/25

The Board received regular updates on the strategic outcomes as part of the CEO update. Deep dives on specific topics were added to the Board's forward agenda, with deep dives on each of the strategic outcomes provided at the July and October strategy reviews

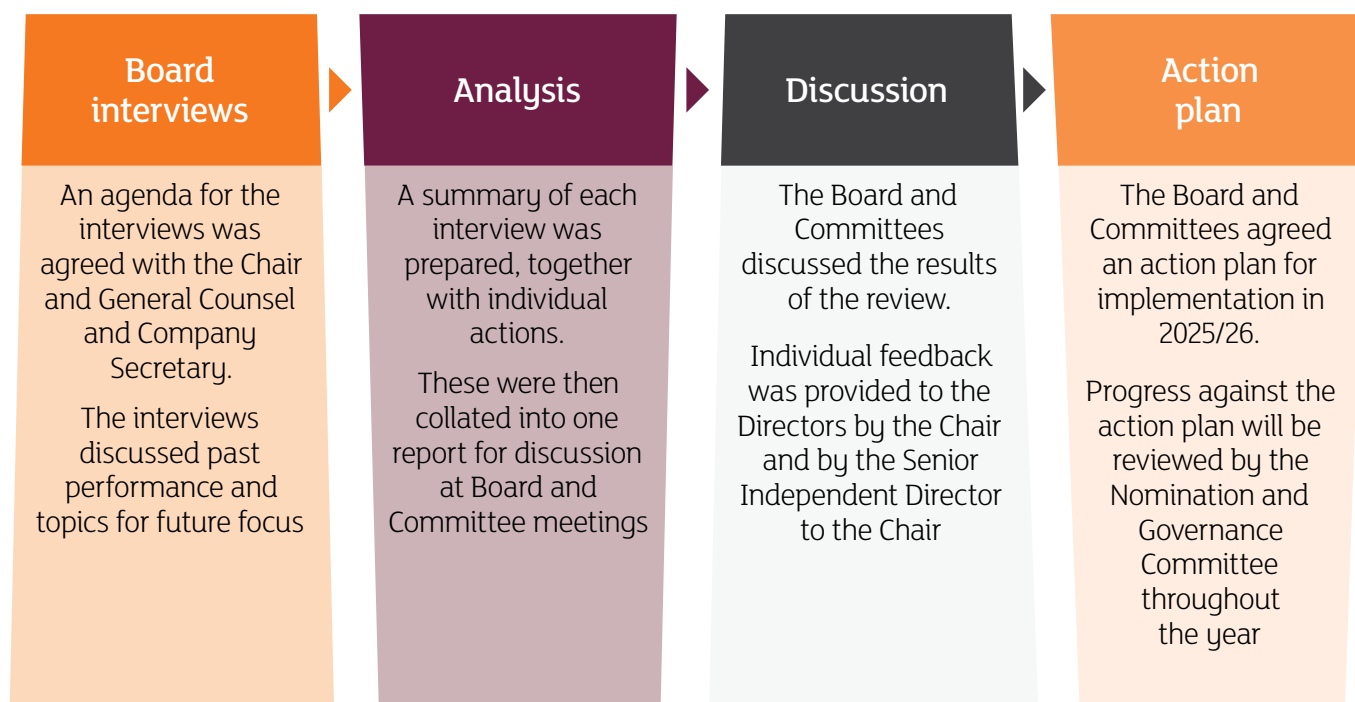
The Board received regular updates from the Operating Board and key members of their teams during the year, some of which took place in stores. This has been identified as an area of continued focus for 2025/26

The skills matrix was reviewed and approved by the Nomination and Governance Committee during the year



Composition, succession and evaluation continued

Internal Board evaluation process for 2024/25



This year's internal evaluation was conducted from December 2024 to February 2025 and was led by the General Counsel and Company Secretary, who met with each Director on an individual basis to carry out the evaluation. The review explored the effectiveness of the Board over the year, themes that arose for action in the 2023/24 internal evaluation and key topics for oversight during 2025/26.

The review was carefully structured to encourage debate on issues that were relevant and 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. Each Director was given the opportunity to raise their own additional points. Their discussions remained confidential and no views were attributed to any individual in the final report.

Following the individual discussions, the General Counsel and Company Secretary 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. In accordance with the 2018 UK 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.

Findings of the 2024/25 review

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

- The Board's dynamic was effective, with a good balance of skills and experience, support and challenge
- The Board continues to operate effectively, with the Chair being praised for running a tight agenda and fostering an inclusive decision-making process
- The Board continues to have a constructive relationship with the Operating Board
- The Chief Executive has an open style which was a key factor in facilitating effective decision-making
- The strategy process was run well and the Board continues to operate in a transparent and open manner

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

- Skills and experience: increase the amount of retail and technology experience on the Board to be increased to provide a broader perspective
- Succession planning: increase the number of Nomination and Governance Committee meetings to enable increased discussion of succession planning and talent development of senior management to feature more often on the agenda
- Colleague engagement: Board members to be matched with rising talent to ensure periodic contact and mentorship
- Customer voice: incorporate broader perspectives into customer insight sessions, expanding on existing updates on customer feedback and consumer sentiment

An action plan for the Board and its Committees has been developed which will be reviewed to track progress throughout the 2025/26 year.



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, and is supported by the Company Secretary. Our Board members' responsibilities are listed below and more information on their specific contributions can be found in their biographies on pages 71 to 75.

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
- Ensuring the performance of the Board, its Committees and individual Directors are reviewed at least once a year, and acting on the results

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, risk management and 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 (retiring with effect from 3 July 2025)

Adrian Hennah (appointed with effect from 3 July 2025)

- 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

Katie Bickerstaffe (with effect from 3 July 2025)

Steve Hare (with effect from 3 July 2025)

- 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

Nick Grant

- 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, Corporate Responsibility and Sustainability, Nomination and Governance, and Remuneration. The Chair of each Committee provided a detailed summary of Committee activities and decisions at the Board meeting following the relevant Committee meeting. Where appropriate, non-Committee members are invited to attend specific Committee meetings to facilitate Board discussion. For example, all members of the Board attended the Nomination and Governance Committee to hear the results of the Board evaluation and all members of the Board attend the Audit Committee ahead of the announcement of the preliminary results.

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 70 shows the attendance of Directors at scheduled Board meetings. The Board held nine 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 2024/25, 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.

Succession planning

It's been a busy year for the Committee, which 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 69 demonstrates the broad diversity and experience of the Board.

Brian Cassin has notified the Board that he will not seek re-election at the Sainsbury's AGM on 3 July after nine years' service. The Board has appointed Adrian Hennah, who has been a member of the J Sainsbury plc Board since April 2021, to succeed Brian as Senior Independent Director with effect from 3 July.

Katie Bickerstaffe and Steve Hare will join the Board on 3 July 2025 and I look forward to the part that they will both play in delivering Next Level Sainsbury's. The Committee recommended the appointment of Katie and Steve to the Board following a rigorous recruitment process which incorporated the work completed during the year to identify the skills and experience required to deliver our strategy.

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.

Diversity, equity and inclusion

The Board continues to make good progress against its diversity, equity and inclusion strategy. The diversity of the Board is detailed on page 70 and I am pleased to report that we continue to be 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.

Board evaluation

I am pleased to confirm that this year's Board evaluation, which was conducted internally, found that the Board and its Committees, including the Nomination and Governance Committee, continued to operate effectively.



Further details can be found on pages 85 and 86

Martin Scicluna

Chair, Nomination and Governance Committee

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 2024/25

- Carried out a robust recruitment process, culminating in the appointment of Katie Bickerstaffe and Steve Hare as Non-Executive Directors
- Reviewed progress against the Board evaluation action plan
- Completed the annual evaluation of the Board and its Committees, identifying actions for implementation in 2025/26
- Approved changes to the Group's governance framework to align with the 2024 UK Corporate Governance Code
- Reviewed and approved the Directors' register of interests
- Recommended to the Board that all of the Directors, other than Brian Cassin, who will be stepping down at the AGM, stand for election and re-election at the AGM
- Reviewed and approved talent and succession planning for the Operating Board and senior management
- Approved the revised Board diversity policy



Priorities for next year

- Continued oversight of the business's diversity, equity and inclusion strategy
- Implementation of actions arising from the Board evaluation in 2024/25
- Review of talent and succession planning for senior management
- Implementation of revised governance framework and ensuring compliance with the 2024 UK Corporate Governance Code

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 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 two scheduled meetings 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 70.

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 the existing Operating Board structure to support faster decision-making and drive performance at both Sainsbury's and Argos. Rhian Bartlett's role was changed to Chief Commercial Officer, Sainsbury's and Graham Biggart became Managing Director Argos and Chief Strategy and Supply Officer. We also announced the appointment of Patrick Dunne to the Operating Board as Chief Property and Procurement Officer and MD for Smart Charge.



Further information on the **changes to the Operating Board** can be found on page 75

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, Patrick Dunne, Mark Given and Clodagh Moriarty, progressing through this route.

Our Leadership Acceleration, 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 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. During the year, the Committee followed this procedure during the search for the new Non-Executive Directors, Katie Bickerstaffe and Steve Hare. Egon Zehnder was engaged by the Committee as the external executive search consultant. They had no connection with the Company prior to appointment as recruitment consultant and had no relevant connection with individual Directors. The Committee briefed the search consultant on our specification, and we considered and interviewed a wide and diverse range of candidates for each role. The Board was unanimous in its decision to appoint Katie and Steve as Non-Executive Directors.

Identify

The Committee discussed the overall skill sets of the Board and agreed a detailed job specification, skill set and preferred attributes for the appointees. A thorough review of potential candidates was undertaken and Egon Zehnder presented a diverse long list of external and internal candidates from a broad range of backgrounds. The Committee shortlisted a number of candidates.

Interview

The Chair and each of the Directors met the shortlisted candidates who confirmed their interest in the role. Following the interviews, the Nomination and Governance Committee members met to discuss feedback.

Select

The Committee discussed and was unanimous in its selection of the final candidates. It recommended to the Board that Katie Bickerstaffe and Steve Hare be appointed as Non-Executive Directors. Their specific contribution to the Company can be found in their biographies on page 73.

Appoint

Katie Bickerstaffe and Steve Hare's appointment as Non-Executive Directors was announced on 3 April 2025 and they will join the Board on 3 July 2025.

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.



Nomination and Governance Committee report continued

Succession planning continued

Board effectiveness and evaluation

The Board and senior management set the tone from the top and lead by example through effective management and good stewardship. Effectiveness of the Board encompasses many aspects of Board governance including: matters reserved for the Board and delegation of authority; review of Board and Committee performance; Board and Committee composition and succession planning; review of skills and expertise; independence; time commitments; conflicts of interest; and Director election and re-election. The Committee undertakes detailed reviews of each of these aspects at least annually and oversees the Board performance evaluation process. The Committee reviewed the progress of the actions identified through the 2023/24 evaluation and discussed whether any further actions were needed. In addition, the Committee reviewed the proposed approach to the internal 2024/25 evaluation of the Board, Committees and Directors, considering the key themes and focus of the review.

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 and 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. Other than Brian Cassin, who will be stepping down at the conclusion of the AGM in July 2025, the Committee concluded that there were no reasons identified to prevent any Director from being recommended for election or re-election at the 2025 AGM.

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 22

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, with good progress being made against these targets.

We have renewed our commitment to increasing gender and ethnic diversity at the senior levels of the organisation with a set of new representation targets for 2024 to 2028. We have set stretching targets to achieve 50 per cent women senior leaders¹, 50 per cent women senior managers, 15 per cent ethnically diverse senior leaders¹ and 15 per cent ethnically diverse senior managers by 2028.

 Further information on our **progress against these targets** can be found on page 23

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.

The Board's diversity policy applies to the Board and its Committees and complements the Group's wider diversity strategy.

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 and personal strengths and backgrounds.

We are keen to ensure that Board and Committee membership reflects diversity in its broadest sense, our colleague base and the communities in which we serve. As at 1 March 2025, the Board met each of the FCA Listing Rules and FTSE Women Leaders Review targets of maintaining a minimum of 40 per cent female representation on the Board, with female representation at 44 per cent. With effect from the conclusion of the AGM in July 2025, this will increase to 50 per cent.

 Further details on the **implementation of the diversity policy** can be found in the table on page 21

As at 1 March 2025, one member of the Board was from an ethnically diverse background, meeting the target set out in the FCA Listing Rules and the Parker Review recommendations.

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 21 to 23

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 and its Committees have 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 the composition of the Board and its Committees, succession planning, talent development and the broader aspects of diversity.

 More information on the **Group's diversity and inclusion strategy** can be found on pages 21 to 23, including diversity information of our senior leadership and management positions



Objective	Implementation	Progress
Maintain a level of at least 40 per cent female representation on the Board and senior management ¹	Regular succession planning sessions are undertaken to review the Board and Committee composition to ensure that the appropriate balance of skills and experience are in place Independent executive search firms are required to ensure any Director searches include a diverse range of candidates	As at 1 March 2025, four of our nine Board Directors are female (44 per cent) With effect from the conclusion of the AGM in July 2025, 50 per cent of the Board will be female
Appoint a female director to at least one of the senior Board positions (Chair, Chief Executive, Senior Independent Director or Chief Financial Officer)	Consideration of this topic is given as part of the succession planning process; as well as the development of our internal talent pipeline Independent executive search firms are required to ensure any Director searches include a diverse range of candidates	Bláthnaid Bergin holds a senior Board position as Chief Financial Officer
Maintain at least one Director who identifies as ethnically diverse	Succession planning considerations ensure the balance of skills and experience on the Board to deliver on long-term strategy Independent executive search firms are required to ensure any Director searches include a diverse range of candidates	One of our Board Directors identifies as ethnically diverse
Assist the development of a pipeline of high calibre candidates by encouraging a diverse range of senior individuals within the business to take on additional responsibilities and roles to gain valuable board experience	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

- ¹ 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 200 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 200 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 1 March 2025 (the reference date), the Company has complied with the Board diversity targets detailed in Listing Rule 6.6.6R(9).

There have been no changes to the Board between the reference date and the date on which this Annual Report was approved. On 3 April 2025, the Company announced that Katie Bickerstaffe and Steve Hare would join the Board on 3 July 2025.

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 ¹	Percentage of executive management
Men	5	56%	3	4	50%
Women	4	44%	1	4	50%

- ¹ 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 ¹	Percentage of executive management
White British (or other White including minority-white groups)	7	77.8%	4	7	87.5%
Mixed/Multiple ethnic groups	0	0%	0	0	0%
Asian/Asian British	1	11.1%	0	1	12.5%
Black/African/Caribbean/Black British	0	0%	0	0	0%
Other ethnic group	0	0%	0	0	0%
Not specified/ prefer not to say	1	11.1%	0	0	0%

- ¹ 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 focus on overseeing the implementation of our Plan for Better strategy across the Group, ensuring it is aligned to our purpose, strategy and valued behaviours.

The retail sector is facing challenging economic headwinds, rising costs and increasing disclosure requirements with the expected adoption of the IFRS general and climate-related standards by the UK Government and a growing need for traceability with legislation such as EU deforestation regulations. Whilst the environment is challenging, our Next Level Sainsbury's strategy enables us to adapt in the face of uncertainty and to invest where it matters the most. We continue to play a leading role in creating a more sustainable food system in the UK to make good food available for everyone.

We launched our sustainability strategy, Plan for Better, in 2021, focusing on three key pillars: Better for you, Better for the planet, and Better for everyone. This strategy, which forms part of the Next Level Sainsbury's strategic commitments, provides the Committee with a clear set of focus areas which we prioritise for action.

Stakeholder engagement

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. The Committee conducted a site visit to G's, one of the Group's fresh produce suppliers, to see first hand the impact that sustainability initiatives have on the growing process, together with future opportunities for change. In October Sainsbury's became the first UK supermarket to introduce conventional mushrooms grown without peat, as a result of close collaboration with our supplier Monaghan, which spent ten years researching peat alternatives.



Further information on our **stakeholder engagement** can be found on pages 25 to 30.

Progress against targets

During the year we reviewed progress against our targets, ensuring that we have robust plans to address the social and environmental challenges facing the world, and made good progress on integrating Plan for Better into our strategic outcomes.

We remain committed in our efforts to reduce greenhouse gas (GHG) emissions across the value chain. In our Scope 1 and 2 we continue to work towards our target to reduce emissions by 68 per cent by 2030 and net zero by 2035. In our operations, we have reduced our absolute greenhouse gas

(GHG) emissions to 448,734 tCO₂e – a reduction of 52.8% from our 2018/19 baseline. Within Scope 3 we have set a target to reduce FLAG emissions by 36.4 per cent and our energy and industrial emissions by 50.4 per cent by 2030, which is aligned with a 1.5°C emission reduction trajectory, the latest and most ambitious SBTi target requirement (further information on our targets can be found in our TCFD report on page 31). Whilst data and measurement continue to be a challenge for Scope 3 reporting, we have engaged with 255 'key carbon suppliers' which account for 80 per cent of our Scope 3 emissions and encouraged them to get approved SBTi targets by the end of 2030. 39.8 per cent of our Scope 3 emissions are now covered by suppliers with either a 1.5 degree net zero target, or any other 1.5 degree target approved by the SBTi, representing a 100 per cent increase year on year in the number of suppliers with such targets. Our environmental progress and transparency has again been recognised by the CDP which awarded us an A rating for climate change disclosures, making us the only UK food retailer to have achieved this for 11 consecutive years.

Plastic reduction is a key sustainability concern for our customers and we have made significant investment in progressing towards our ambition to reduce our plastic packaging use. In 2024, we became the first major retailer to vacuum pack lamb mince, replacing traditional plastic tray packaging, using a minimum of 65 per cent less plastic. We were also the first retailer to introduce pulp trays for fresh salmon and trout, along with cardboard packaging for our fresh breaded chicken and fish products, saving 649 tonnes of plastic a year, and the world's first retailer to introduce plastic-free, oil-resistant, recyclable paper tub through Flora Plant Better. However, the reality is that finding the right alternatives isn't always simple. Some materials, like films and polystyrene don't yet have viable replacements that keep food fresh and safe and the UK's recycling system isn't fully equipped to handle certain materials. The expanded scope of Extended Producer Responsibility (EPR) legislation is starting to drive real action, encouraging us all to rethink packaging all together and focus more on recyclability.

Charitable partnerships

It's now 25 years since we partnered with Comic Relief and three years since we launched our Nourish the Nation community programme together, funding initiatives designed to resolve immediate hunger, tackle food insecurity and improve access to balanced, nutritional and sustainable food. Since its launch in 2022, Nourish the Nation has raised over £21 million for Comic Relief, providing more than 31 million meals for those who need them most.

We continue to work with Neighbourly on our 'Good food for all of us' Community Grant Scheme, with colleagues from our depots and stores nominating a not-for-profit partner to receive a grant of at least £500 to help tackle food poverty. Since 2021, we have donated over £4 million for good causes. This year we supported 605 local initiatives, donating over £1 million to help support our local communities.

Partnering with our suppliers

We're creating a new culture of collaboration and long-term partnership to deliver shared value and build a resilient supply chain, which will enable us to offer good food to our customers now and in the future. In March 2025, we announced a ten-year partnership with Cranswick to set new standards in pig welfare and to provide more stability for the 170 farmers in the Sainsbury's Pork Producer Group as they invest in farms, factories and procedures to build resilience for the future. Together, we will invest more than £60 million to implement these new higher standards by 2030, during which time we also aim to offer *Taste the Difference* pork that meets net zero by 2029 and *by Sainsbury's* fresh pork that meets net zero by 2030 – all whilst protecting value for our customers. Our partnership with Moy Park has set new standards around chicken welfare, reduced carbon emissions and created a new long-term deal for farmers. A large proportion of our fresh products are now on long-term agreements, and we have made good progress across a broad range of product areas.

We've worked hard to incentivise action in carbon hotspots through key supplier groups such as our Sainsbury's Dairy Development Group, where we offer farmers an extra premium for implementing animal welfare and sustainability measures. Marking a significant step, and a UK first, our new Sainsbury's Egg Group aims to provide financial stability, encourage investment, enhance



animal welfare and reduce carbon. We also became the first retailer globally to invest in Vet Vision AI technology to measure and enhance positive animal welfare on dairy farms. 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 pleased with 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 further understanding and prioritising our most material risks and opportunities and continuing our work in collaboration with suppliers, industry and government to understand and address challenges across the UK food system. Not only is this 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

Supplier site visit

In March 2024, the Committee conducted a site visit to G's, a vertically integrated, family owned fresh produce company who has been supplying Sainsbury's with fresh produce for over 60 years. The visit explored how long-term strategic partnership has enabled the G's business and Sainsbury's to drive effective progress towards sustainability performance and resilience. Sustainable agricultural initiatives and innovations were discussed across a range of material topics from soil, peat, carbon, biodiversity, water and labour. G's shared the challenges the UK horticulture sector faces in these areas which led to discussion on the role of business, industry and government in taking collective action to improve the system.

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 integrated into every aspect of our business and overseeing updates and progress against our targets and ambitions
- 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's 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 2024/25

- Approved the year-end results and reporting for 2023/24 including Sustainability Accounting Standards Board (SASB) disclosure
- Reviewed customers' perceptions across the Plan for Better pillars
- Reviewed progress against the communities and partnership strategy in 2023/24 and agreed priorities for 2024/25
- Reviewed the Plan for Better targets, including the key risks and dependencies to deliver. Topic discussions included healthy and sustainable diets, plastic and human rights. Proposals for targets beyond 2025 were reviewed and approved, including potential metrics for the 2025 LTIP
- Discussed the impact of the Extended Producer Responsibility legislation (EPR) for packaging and the Group's future approach to packaging
- Received updates on Scope 1, Scope 2 and Scope 3 carbon emissions and renewable energy
- Renewed our ambition to increasing gender and ethnic diversity at the senior levels of the organisation with a set of new representation targets for 2024 to 2028
- Discussed the Group's performance in the Advantage survey and identified strengths and opportunities for the future
- Received updates on the government relations strategy for 2024/25
- Reviewed the investor Plan for Better communication strategy and approved future investor engagement plans
- Received training on Scope 3 emissions, including the challenges and steps the Group is taking to report on these emissions
- Approved changes to the Committee's terms of reference

Priorities for next year

- Approval of the year-end results and reporting for 2024/25
- Continue to focus on embedding Plan for Better into all aspects of the Next Level Sainsbury's strategy and financial planning
- Assess future reporting regulations and disclosure readiness, including TNFD, UK Sustainability Disclosure Standards and IFRS ISSB
- Refine our Climate Transition Plan including levers and roadmaps for key hotspots
- Evolve our approach in healthy and sustainable diets whilst influencing the system through sector advocacy and collective action
- Deliver our evolved packaging strategy, assessing the impact of legislative change such as Extended Producer Responsibility (EPR) modulated fees and their impact to the strategy
- Oversee progress towards delivery of our deforestation and conversion free target and evolve our future approach to protecting and regenerating nature
- Update our materiality assessment to ensure continued focus on material issues
- Oversee our approach to enhanced human rights due diligence
- Continue to focus on accelerating action to reduce food waste
- Listening and learning from stakeholders, including customers, community, government, investors and suppliers to further enhance our strategy
- Upskilling and training including supplier visits and guest speakers



Corporate Responsibility and Sustainability Committee report continued

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 General Counsel and Company Secretary or his nominee acts as the Secretary of the Committee. Following her appointment to the Board in July 2025, Katie Bickerstaffe will join the Committee.

Other attendees include: Chief Marketing, Data and Sustainability Officer, Director of Corporate Affairs, Director of Sustainability and the Deputy Company Secretary.

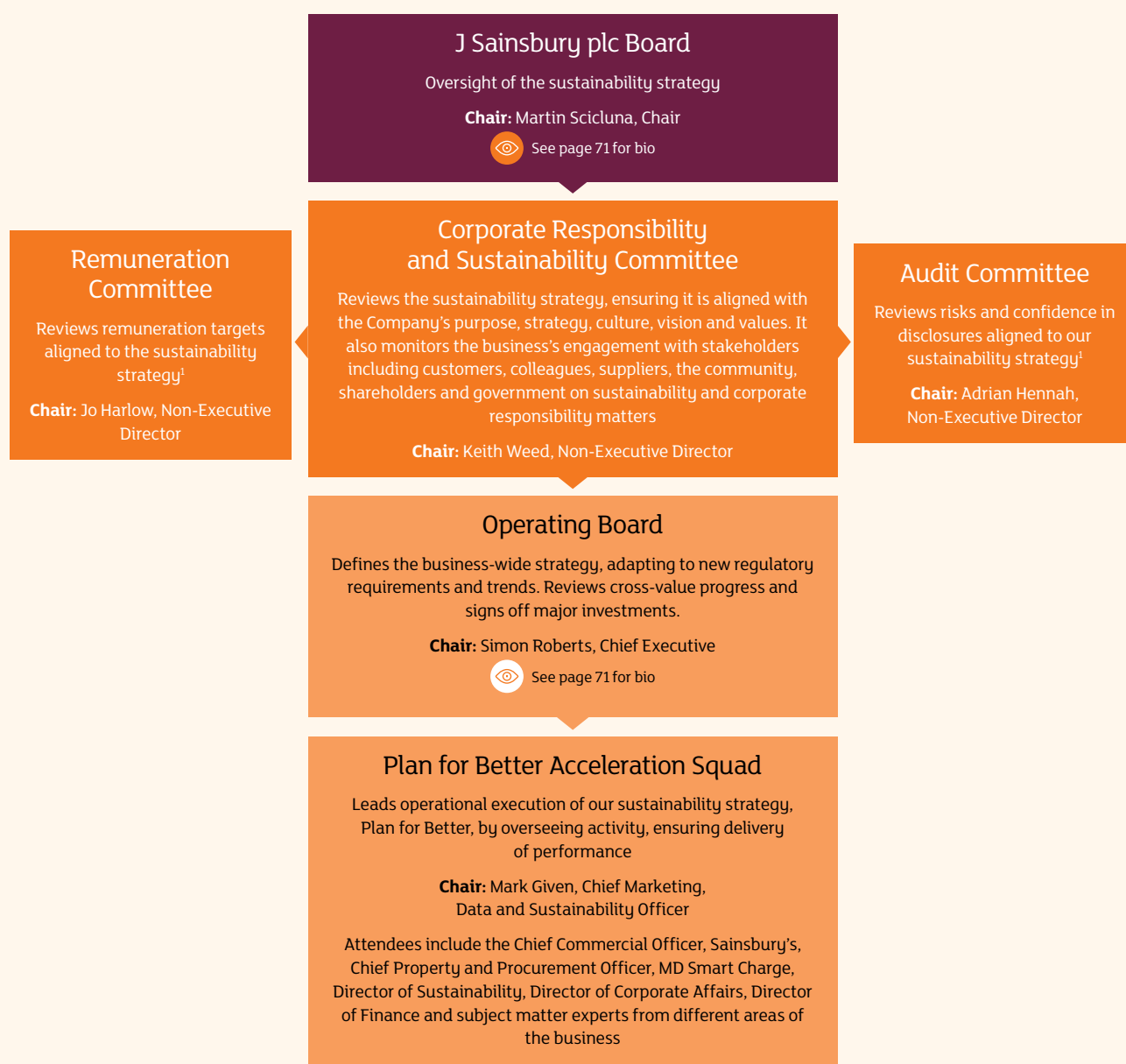
Through the annual Board evaluation process (pages 85 to 86), the Board has confirmed the effectiveness of the Corporate Responsibility and Sustainability Committee.

Complementing the Committee's role, the Audit Committee is responsible for overseeing the assurance of our Plan for Better targets 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 three scheduled meetings in the year. Attendance at the Corporate Responsibility and Sustainability Committee meetings can be found on page 70.



Further information on our the **Group's sustainability agenda** can be found on pages 16 to 19 and in our **Plan for Better report**, available at www.about.sainsburys.co.uk



¹ Remit of Committee in relation to the sustainability strategy. For full details on the Committees, please read the Remuneration Committee report on page 111 and the Audit Committee report on page 96.



Plan for Better

Sustainability underpins our purpose - to make good food joyful, accessible and affordable for everyone, every day – 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 16 to 19.

Packaging

The Committee discussed the changing legislative landscape (Extended Produce Responsibility) and the recommendation to set a target to reach 100 per cent recyclable or reusable packaging, providing challenge for the need to set a time bound targets when appropriate given current legislative uncertainty. The Committee emphasised the role for Sainsbury's engaging government and wider industry bodies to ensure the enabling environment is in place such as appropriate recycling infrastructure and material availability and stressed the need to continue to clearly engage customers on reduction and material changes.

Material sustainability matters

During the year, the Committee received deep dive presentations on a number of key issues:

- Delivery of the Plan for Better targets, including the evolution of the governance framework with a new Acceleration Squad, revised membership and scope to accelerate decision-making and prioritise integration
- Performance against existing and proposals for future sustainability related LTIP targets for recommendation to the Remuneration Committee
- The Group's progress against the community and partnership programme, including the challenges faced by communities, customers and colleagues. The Committee also discussed key priorities including stepping up support for local communities and the launch of the Neighbourly platform to all colleagues
- Reviewed carbon reduction roadmaps in Scope 1 and 2 and two Scope 3 hotspots (fuel and agriculture) including discussion on the future purchasing of REGOs and supplier engagement approach on SBTi targets
- The challenges faced disclosing Scope 3 emissions and action plans to address these and implications for our reporting approach. The Committee also discussed the capital choices over the next ten years to support delivery of net zero
- An overview of the Group's climate transition plan and key actions to drive progress, aligned to the Next Level Sainsbury's strategy
- The Group's progress against our health targets and the wider context, including lack of impact seen by HFSS legislation, 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
- Progress made against the Group's plastic targets with an update on the expansion of our future strategy to include all packaging - with a focus on recyclability – in response to the changes in the legislative context, including EPR
- Insights into consumer knowledge, perceptions and attitudes towards sustainability matters, noting that understanding of issues varies from topic to topic but customers are most concerned about plastic and recycling, food waste, water and carbon emissions
- An update on human rights issues and risks, impact to the Group and key actions taken to mitigate risk

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 engagement across these stakeholder groups, with deep dives of individual groups at each meeting.

The Committee was updated on the latest investor feedback on sustainability themes and the Company's sustainability communication activities and plans for future investor sustainability engagement.

The Committee reviewed our engagement with suppliers, including the Advantage Suppliers Survey which helped determine focus areas for the year ahead. More information on suppliers can be found on page 28.

Updates were provided to the Committee on recent and upcoming political milestones and the government engagement strategy for 2024/25, including key focus areas on health, packaging and engagement with key government figures and departments.



Further information on stakeholder engagement can be found on pages 25 to 30

Decarbonisation roadmaps

The Committee oversaw carbon reduction roadmaps in Scope 1 and 2 and two Scope 3 areas: fuel and agriculture. This included engaging suppliers to set SBTi targets. Key levers and investment needed for Scope 1 and 2 decarbonisation as well as the use of REGOs were discussed, with suggestions provided for refinement before future discussions. The Committee supported the Scope 3 roadmaps, key levers identified and the supplier engagement approach.

Progress on conversion-free soy

We are proud of the progress made across six commodities linked to deforestation (see the standalone Plan for Better Report for more details), but our target of achieving conversion-free soy by 2025 continues to face significant industry-wide challenges. Increasing demand for soy has led to the conversion of millions of hectares of forests, grasslands and savannahs, with production doubling globally over the last two decades. To achieve a reliable and verifiable conversion-free supply chain, we need to work collectively both within the UK and through global initiatives to engage directly with traders.

This year, we made a £300,000 investment in the Produce, Conserve, Inform initiative in Mato Grosso, Brazil. This supports the sustainable development of soy and cattle farming by protecting and restoring forests and natural habitats, improving farming practices, promoting strong local governance and strengthening protections for indigenous peoples. This will support the production of deforestation and conversion-free soy in an important sourcing area and strengthens the resilience of our supply chain with greater traceability.

We are also committed to extending our existing investment in the Responsible Commodities Facility until 2030, giving green loans to soy farmers on the condition of no deforestation or conversion, while providing technical support for agroforestry.



Audit Committee report



Dear Shareholder

I am pleased to present the Committee's report for the year ended 1 March 2025. This report is intended to provide shareholders with an insight into the principal areas considered by the Committee, together with how the Committee has discharged its responsibilities during the year.

The Committee assists the Board 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 matters disclosed and reported upon address the needs of our stakeholders. During the year, the Committee has focused on the continued evolution of the Group's systems of internal control, the quality and effectiveness of the external and internal audit and a number of matters aligned with the Group's principal risks.

Cyber security

Cyber security is an area that requires ongoing attention and vigilance, and the Committee receives regular updates from the Group Chief Information Security Officer and Director of Data Governance. 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 2024/25 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. In 2024, the Group announced an increase in investment in technology as part of its next three-year plan; 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 designing, implementing and operating appropriate security measures. Cyber security will continue to receive attention this year.

Internal controls

Work has continued on the evolution of the Group's internal core financial and operating internal controls. Good progress has been made in further strengthening the Group's internal controls, including improved documentation and testing of our control environment, the strengthening of IT general controls and Internal Controls over Financial Reporting (ICFR). Following publication of the revised 2024 UK Corporate Governance Code, the scope of the internal control programme has expanded to include material operational, compliance and financial and non-financial reporting controls linked to our principal risks.

Sainsbury's Bank

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 is a Non-Executive Director of Sainsbury's Bank and a member of the Bank's Audit and Risk Committees, which provides the Group Audit Committee with another line of sight on activities within the Bank. During the year, the Group concluded the review of the Financial Services business, resulting in the sale of Sainsbury's Bank plc's Core Banking business, constituting personal loan, credit card and retail deposit portfolios, to NatWest Group. We also announced the sales of our Argos Financial Services cards portfolio to NewDay Group and our ATM business to NoteMachine.

External auditor

In last year's report, we reported on the outcome of the external audit tender including the Committee's recommendation to appoint PricewaterhouseCoopers (PwC). 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), which has been the Company's auditor since July 2015, will continue in the role until that time, and has therefore undertaken the Group audit for the year ending 1 March 2025.



Details of the **external audit transition** are set out on page 100.

Committee changes

As announced on 3 April 2025, Brian Cassin will step down from the Board and the Audit Committee at the conclusion of the AGM on 3 July 2025. Following his appointment to the Board in July, I am pleased to announce that Steve Hare will join the Audit Committee on 3 July 2025.

Committee effectiveness

Through the annual Board evaluation process (pages 85 to 86), the Board has confirmed the effectiveness of this Committee in its role of supporting the Board in compliance with its duties. Looking ahead to 2025/26, 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 to 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 the 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 findings of the internal audit function
- Reviewing the Committee's terms of reference, carrying out an annual performance evaluation exercise and acting as appropriate on the findings of the evaluation
- 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.sainsbury.co.uk

Key actions from 2024/25

- Reviewed financial reporting, including the processes in place to ensure the Annual Report and Financial Statements are fair, balanced and understandable
- Reviewed cyber security and the IT control environment, incorporating deep dives on, and continued monitoring of, cyber risk
- Assessed the Plan for Better sustainability metrics, reporting and assurance
- Considered management's assessment of the status of ongoing regulatory investigations and litigations
- Reviewed the continued evolution of our risk management and internal controls framework
- Adopted the Financial Reporting Council's 'Audit Committee and the External Audit: Minimum Standard', noting that the majority of provisions are already met by the Group
- Monitored the transition plan for the external auditor
- Updated the terms of reference of the Committee in line with the 2024 UK Corporate Governance Code

Priorities for next year

- Cyber security
- Internal control evolution and preparation for the new attestation
- Transition of the external auditor
- Implementation of the revised terms of reference

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 Hennah 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 71 to 73.

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, Chief Executive, Chief Financial Officer, Director of Internal Audit, Risk and Resilience, Director of Group Finance, General Counsel and Company Secretary, Deputy Company Secretary, Chief Information Officer, 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 70

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 auditor, 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 separately 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; Plan for Better sustainability 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

Committee governance 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, impairments, non-GAAP metrics (Alternative Performance Measures), and the impact of the Group's strategic review of its Financial Services division.

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.

In January 2025, the Group established a Euro MTN (EMTN) Programme which provided a platform for accessing the public bond markets, and also published two investment grade credit ratings, Moody's Baa3 and S&P BBB. The publication of the investment grade credit ratings facilitated a re-entry into the bond markets with the issuance of £550 million of investment grade public bonds (Bonds) under the EMTN Programme, split between a five-year £250 million tranche and a ten-year £300 million tranche. The proceeds of the Bonds were used to prepay the £575 million term loan.

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 63

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 126) 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 Annual Report and provided feedback on it, highlighting any areas that required further clarity. The draft Annual 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 reviewed 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 54 to 62

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 five Non-Executive Directors, four of which are independent. The Bank Chief Executive Officer and Bank 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, including in particular updates on the withdrawal from the Core Banking business. There is regular communication between Sainsbury's internal audit function and its equivalent within the Bank.

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 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 103

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 and other 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 non-audit work undertaken by EY during 2024/25 related to services provided in relation to the establishment of the Euro MTN ('EMTN') Programme which provided a platform for accessing the public bond markets. The total non-audit fees were £0.1 million. The audit fees for the year in respect of the Group and subsidiaries were £4.3 million. A breakdown of the fees is provided in note 8.4 of the consolidated financial statements on page 160.

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

Audit effectiveness review for 2024/25



The Audit Quality Review team of the Financial Reporting Council (FRC) wrote to the Chair of the Committee setting out the scope of its review into EY's audit of the Group's financial statements for the period ended 2 March 2024, a summary of the key findings, and the actions which EY proposed to take in response. The Committee noted the key findings over deferred revenue relating to Nectar points, in particular the breakage rate used, and over inventory cost testing. The Committee considered this report and discussed the proposed actions with EY, noting in particular the planned enhancement to audit documentation and challenge of management.

In the current year, the Committee specifically reviewed the assumptions applied by management in accounting for the fair value of points awarded under the Nectar programme including the appropriateness of data sources used to estimate the number of points issued that will never be redeemed and therefore subject to uncertainty. The Committee assessed the sensitivity analysis over the impact of a change in breakage estimate on the deferred points liability, which is presented in the financial statements in relation to this significant estimate.

The Committee consider 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 impacts of the phased withdrawal from the Core Banking business. The Committee concluded that EY remained effective, objective and independent in its role as external auditor.

The Committee has confirmed compliance with the provisions of the Statutory Audit Services Order 2014.

Tender of external auditor

In accordance with current regulations that require an audit tender every ten years, in 2023/24 the Committee held a competitive tender process for the statutory audit for the financial year ending 28 February 2026.

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 approval by shareholders at the AGM in July 2025. Going forward, the Committee anticipates that the audit will be put out to tender at least every ten years.



Audit Committee report continued

Committee governance continued

External audit continued

Recommendation of the appointment of PwC as auditor

Following the outcome of the tender process concluded in 2023/24, the Committee has recommended to the Board the appointment of PwC as auditor for the 2025/26 financial year. A resolution to this effect will be tabled at the 2025 AGM. Detail of the transition plan are below.

Transition plan

Up to and including September /October 2024	PwC undertook a detailed assessment of non-audit services and other related independence matters and completed transition away from all non-permissible services
October 2024	Provided the Audit Committee with formal confirmation of independence
November 2024	Attended and performed initial walkthrough meetings Engaged in initial discussions on key judgements and accounting matters
December 2024	Preliminary design of bespoke technology solutions to fit audit approach Performed an early risk assessment and created an outline audit approach to address risks
March/April 2025	Shadowed EY’s year-end audit by attending key clearance meetings and Audit Committee meetings Provided an update on transition and implementation of technology
July 2025	Seek formal appointment as external auditor at the AGM

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, including the 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 85 to 86 for further details. The review found the Committee to be strong, robust and challenging, with good coverage of financial and other skills. 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 whistleblowing matters in the year resulted in a significant incident.

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 apprised 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 has appointed the General Counsel and Company Secretary 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, regular monitoring and reporting of compliance and support to provide all relevant colleagues with day-to-day advice and guidance.

Sainsbury’s Audit Committee Chair and Chief Commercial Officer met the GCA during the financial year. 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 where appropriate. We were also pleased that the GCA attended our Annual Supplier Conference.

In September 2024, we announced that we are partnering with software company SAP to improve our Core Commercial systems and processes. This is a multi-year implementation that will consolidate our current systems into one platform and will reduce complexity, improve how we work with our suppliers and be more agile and responsive for our customers. This is a big programme, and a core element in enabling us to keep growing at pace and deliver on our ambitious Next Level Sainsbury's plan.

As part of this programme implementation and following the GCA's feedback from the supplier deep dive themes, we set up a new Core Commercial Transformation Supplier Working Group in March 2025, consisting of supplier representatives across all our categories. As the programme progresses and we design detailed new ways of working, we will engage additional suppliers in the design and testing of new processes and systems in order to facilitate a smooth implementation across our varied supplier base.

We streamlined our Supplier Communications and Events Engagement Strategy in 2024, adding regular touch points such as newsletters to improve our visibility and relationships with our supplier audiences. We continue to bring all relevant messaging updates to our suppliers virtually in 'free-to-air' virtual events. We have also committed to delivering individual virtual category specific updates across all our categories, so suppliers, no matter their size, can dive further into the details of how we can all reach the Next Level together.

During the reporting year, we have continued to enhance our compliance with GSCOP, taking in any feedback from the suppliers, the GCA and the findings from the GCA Annual Survey.

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 other colleagues who are directly or indirectly involved in decisions that impact GSCOP. As a result, over 1,860 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 Operations teams 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 three times a year on GSCOP matters.

Six potential breaches were reported in 2024/25 (21 in 2023/24). Of the six potential breaches of GSCOP, five were in scope.

Three breaches were raised directly to the CCO and three were raised within our Trading Division and were escalated to the CCO using standard escalation procedures. Five potential breaches reported in the year were resolved in the year, and one potential breach is ongoing at the date of this report. In addition, two potential breaches from the previous year (2023/24) were also resolved in the financial year. The majority of complaints raised directly to the CCO related to delists.

No breaches were pursued as a formal Article 11 Dispute and 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 2025 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
Presentation of financial statements The Group uses Alternative Performance Measures (APMs) and includes additional disclosures, including reconciliations to statutory measures.  See pages 210 to 214  See note 5, non-underlying items, on pages 155 to 157	The Committee considers it important to take account of both the statutory measures and the APMs when reviewing these financial statements. In particular, items excluded from underlying results were reviewed by the Committee and, after challenging management and in consultation with the external auditor, 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 £377 million (2024: net charge of £(424) million). Excluded items are detailed on pages 155 to 157. The most significant items relate to costs relating to the Group's phased withdrawal from the Core Banking business, costs associated with retail restructuring programmes, and the gain on disposal of the Hendon Mixed Use Development site. 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.
Pensions accounting The Group's balance sheet shows a pension surplus of £731 million, which comprises £6,329 million of assets, and £(5,598) million of liabilities. This compares to a net surplus in the prior year of £690 million.  See note 34, retirement benefit obligations, on pages 194 to 199	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. In particular, the Committee reviewed the financial impact of discount, inflation and mortality rates and related sensitivities.



Audit Committee report continued

Committee governance continued

Significant financial reporting matters and judgements continued

Areas of focus	Actions taken
Going concern and viability Going concern and viability projections are produced bi-annually and monitored regularly.  See Statement of viability on page 63	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 2025 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 2025.
Sainsbury's Bank reporting and phased withdrawal from Financial Services As part of the Group's phased withdrawal from Financial Services products, the assets and liabilities of the disposal group have been classified and measured as held for sale, and its results re-presented to classify the operations as discontinued. Furthermore, associated costs have been recognised, financial assets remeasured, and goodwill impaired as part of the phased withdrawal.  See note 11, discontinued operations, on page 163	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. The Committee reviewed key accounting judgements associated with the phased withdrawal, and challenged management on the classification and measurement of assets and liabilities treated as held for sale and the income and costs attributed to operations re-presented as discontinued. The Committee was satisfied with the outcome of the assessment and that the related disclosures presented a clear understanding of the transaction to users of the financial statements. The Committee also reviewed the recognition and measurement of charges attributed to the transaction, including the loss on disposal; migration and exit costs; and redundancy and onerous contract provisions. The Committee was satisfied with the recognition as well as the classification as non-underlying and, where appropriate, discontinued operations. The Committee also reviewed the impact of the phased withdrawal on the Group's going concern and viability assessments and was satisfied that these did not impact the conclusions reached.
Climate change disclosures With the impacts of climate change being felt around the world, we understand the important role we can play, not only in managing the impacts of climate change on our business but also to help reduce the impact of the food system on our environment. Consideration has been given to the impact of both physical and transition climate change risks, and how these impact the financial statements.  See pages 31 to 41 for our TCFD report	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. The Committee is satisfied that appropriate consideration and disclosure has been given to the impacts of climate change on the Group's financial statements.
Contingent liabilities 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.  See note 37, contingent liabilities, on page 201 for further details	The Committee further considered management's assessment of the status of ongoing regulatory investigations and litigation, its classification of this as a contingent liability and the associated disclosure.



Internal controls framework

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.

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.

Our control environment

- 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

Controls embedded in the business

- 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

Monitoring and oversight

- 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
- 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

Our assurance framework

- 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 its 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

The first year of our Next Level strategy has been a year of strong performance, building on the success of our Food First strategy and reflecting the investment we have made to strengthen the fundamentals of our business over the last four years. The Remuneration Committee is focused on ensuring that executive remuneration reflects the level of performance and drives delivery against our strategy.

Giving customers more of what they come to Sainsbury's for – outstanding quality, great value and leading service – is at the core of our Next Level Sainsbury's strategy. During the first year, we have gained grocery volume market share and maintained our leading customer service position, whilst delivering significant operating leverage.

We have set ourselves ambitious financial targets which drive value for our shareholders. In 2024/25 we delivered retail underlying operating profit of £1,036 million, alongside above target retail free cash flow generation of £531 million. The proposed full-year dividend of 13.6 pence adds to the strong returns for shareholders over the past few years. We have committed to a second year of our share buyback programme of £200 million for 2025/26.

Our hourly paid colleagues are critical to giving our customers the best possible offer and experience in order to deliver our Next Level Sainsbury's plans. In a challenging cost inflation environment, we have made balanced decisions around where we should invest, choosing again this year to invest in an above inflation pay increase for hourly paid colleagues. In January 2025 we announced a split pay increase for our retail hourly paid colleagues, bringing the national retail hourly rate to £12.60 from August 2025, the third year that we have paid colleagues the Living Wage. This represents a 58 per cent increase in hourly pay since 2018. To accelerate us into year two of our Next Level Sainsbury's strategy whilst facing into the challenging cost environment, we announced significant changes to our operating model. This included the removal of our food services and café offer and changes to the way we are organised across our store support centre teams.

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, the Committee has carefully considered the external environment, the results delivered and ensured executive pay is aligned with our purpose and appropriate in the context of wider workforce investments.

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

2024/25 remuneration

- Executive Directors received a four per cent pay increase, below the over nine per cent increase that retail hourly paid colleagues received in the year
- Reflecting our strong financial performance despite a tough trading period and strong delivery against strategic scorecard measures, the annual bonus paid out at 91 per cent of maximum for both Simon Roberts and Bláthnaid Bergin
- The 2022 Leaders' Share Award, our Long-Term Incentive Plan, vested in 2025 at 72.5 per cent of maximum as a result of delivery against the eight key performance indicators

2025/26 remuneration

- Continued investment in colleagues – retail hourly paid colleagues across both Sainsbury's and Argos moved from £12 to £12.45 per hour in March 2025, and £13.15 to £13.70 for those based in London, with a further increase to £12.60 per hour in August and £13.85 for those based in London
- Executive Directors receive a three per cent pay increase, below the five per cent increase for retail hourly paid colleagues
- The Committee reviewed the Long-Term Incentive Plan and updated the targets to ensure it remains aligned to our Next Level Sainsbury's strategy
- The 2025 Leaders' Share Award 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)



Colleague engagement and oversight

The Remuneration Committee considers pay and conditions in the wider organisation when making executive pay decisions. Our remit includes oversight of pay arrangements across Sainsbury's and meetings start with an update on recent reward activity and initiatives for our colleagues and an overview of colleague feedback collated from a range of communication channels. Non-Executive Directors spend time in stores and participate in colleague listening events to hear our colleagues' perspective on their pay and life at Sainsbury's at first hand. In addition, the Chair and I meet with colleagues each year to hear their views on executive pay and to give them more insight into the structure of our executive remuneration package.

Continuing our commitment to investing in our colleagues, in March 2024, our national pay rate increased to £12 per hour and our London rate increased to £13.15 per hour. From 2 March 2025, our base rates of pay for our national Sainsbury's and Argos Retail, Travel Money and LFC colleagues increased to £12.45 per hour, and to £13.70 per hour for our London colleagues. From 17 August 2025, our national base rates will increase further to £12.60 per hour and to £13.85 per hour in London, in line with the Living Wage. Front-line managers will receive a three per cent salary increase effective 25 May 2025. We have a comprehensive benefits package, which includes a generous pension, colleague discount, an Employee Assistance Programme, access to a salary advance and savings product supported by financial education, as well as free food and free sanitary products for colleagues in stores, depots, LFCs and Contact Centres.

The Committee recognises the importance of diversity, equity and inclusion at Sainsbury's and reviews the Company's progress in closing its gender and ethnicity pay gaps. We are continuing our journey towards gender balance in our business with improved representation for women at senior leadership level. Our mean gender pay gap is 7.5 per cent (down from 8.4 per cent last year), alongside a decrease to the median pay gap to 6.1 per cent (from 6.7 per cent), both of which remain well below the UK average. Our ethnicity pay gap has further improved, with the mean moving in favour of ethnically diverse colleagues to -3.4 per cent from -2.9 per cent.

Customers and community

Our purpose is to make good food joyful, accessible and affordable for everyone, every day, so delivering outstanding value for our customers remains a major focus and we have invested £1 billion in price over the last four years, prioritising the items that matter most to customers. Our Aldi Price Match covers more products than ever before and we are the first grocer to extend this into convenience stores. Nectar Prices continue to enable customers to access great value, with more than £2 billion of savings delivered to customers over the course of the year. We continue to work to make healthier choices more affordable, with more than 75 per cent of products in Aldi Price Match a Healthy or Better For You choice.

Through our acquisition of 14 new supermarket sites from Homebase and Co-op, along with our organic store opening programme, more than 700,000 more potential customers will be within a ten minute drive of a Sainsbury's supermarket over the next two years. Our 'More for More' plan, through which we are rebalancing space in our stores, will enable us to make more of our food range available to more customers in a simpler shopping environment.

Sainsbury's has a strong community presence across the UK. We continue to work with Neighbourly on our 'Good food for all of us' Community Grant Scheme and we supported 605 local good causes this year, donating over £4 million to initiatives supporting our local communities since 2021. Since its launch in 2022, our Nourish the Nation community programme in partnership with Comic Relief has raised over £21 million to help those experiencing food poverty.

Executive remuneration in 2024/25

The Committee carefully assesses performance to ensure that incentive outcomes are aligned to the underlying performance of the business and the experience of shareholders and other stakeholders.

The Committee is satisfied that the total remuneration for Executive Directors in respect of 2024/25 reflects performance over the period, considering the prevailing market and economic conditions and the progress that has been made in the first year of the Next Level Sainsbury's strategy. Specifically, the Committee considers that bonus outturns over recent years reflect returns to our shareholders, as evidenced through our TSR performance (see graph on page 118).

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. For our Executive Directors, profit is defined as Group underlying profit before tax. The profit element outturn is at maximum, with an above target outturn for retail free cash flow.

The strategic scorecard (30 per cent of the overall bonus) is made up of customer metrics, colleague metrics and individual strategic objectives. The Committee considered performance across all elements to determine the outturn. We have maintained our high customer satisfaction scores year-on-year and delivered significant increases in customer frequency and loyalty. Whilst our colleague engagement score has stepped back, this is against a backdrop of significant change in our operating model. We continue to make progress towards our stretching gender and ethnicity targets. The Committee has agreed that both the customer and colleague elements should pay out at nine 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.

In the first year of the Next Level strategy, Simon Roberts has driven momentum against all eight of our commitments, delivered a record breaking year in grocery and achieved all budgeted financial outcomes despite a challenging GM market. The Committee agreed he had delivered very strongly against his objectives and determined a payout of ten per cent (out of a possible ten per cent) for Simon Roberts.

Bláthnaid Bergin has been pivotal in delivering a stronger than expected financial outcome for Sainsbury's Bank and enabling the execution of our exit from Financial Services. She has partnered with the Operating Board to deliver Next Level financial commitments ahead of target. The Committee agreed she had a very strong year and determined a payout of ten per cent (out of a possible ten per cent) for Bláthnaid Bergin.

This results in an overall bonus of 91 per cent of the maximum for both Simon Roberts and Bláthnaid Bergin, of which 50 per cent will be deferred into shares for two years. Given Simon Roberts' ultimate responsibility for our successful exit from Financial Services, the Committee determined that the cash bonus value attributable to Financial Services profit performance should be deferred into shares to vest at the earlier of the return of bank capital to shareholders or the end of the 2025/26 Financial Year, aligning Simon's interests with those of shareholders.

Long-Term Incentive Plan – 2022 Leaders' Share Award

The 2022 Leaders' Share Award was aligned to the delivery of our Food First strategy and the eight key metrics that we used to track our progress.

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 reduction). The remaining 20 per cent of the plan was subject to key strategic indicators (market share, customer, colleague and Plan for Better). The Committee determined that this award should vest at 72.5 per cent of maximum.



Annual statement from the Remuneration Committee Chair continued

Long-Term Incentive Plan – 2022 Leaders' Share Award continued

This outturn is a result of strong retail free cash flow performance above the stretch target, ROCE between target and stretch, with EPS and cost reduction above target. Grocery market share also outperformed the stretch target, with a strong performance in the customer element and colleague and Plan for Better part way through the performance range. As last year, due to the industry-wide difficulties in measuring Scope 3 emissions, the Committee had to make a performance assessment in respect of Scope 3. The Committee recognised the significant progress made in encouraging suppliers to report their emissions.

 **Further detail** is set out on pages 112 and 113.

Bláthnaid Bergin's 2022 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 77.5 per cent of maximum in line with other participants.

2025/26 remuneration

The Committee again considered the pay of the broader workforce and senior management when determining the pay review for Executive Directors this year. It awarded Simon Roberts and Bláthnaid Bergin a three per cent pay increase effective May 2025, taking their base salaries to £1,008,910 and £696,280 respectively. This is below the five per cent increase awarded to retail hourly paid colleagues and in line with the pay increase awarded to other senior management roles.

A year ago, following the launch of our updated strategy, we launched the 2024 Next Level incentive plan which was linked to the eight key performance indicators that we use to monitor our progress. For Executive Directors, 70 per cent is based on the four financial metrics (EPS, cost savings, retail free cash flow and ROCE), each with a weighting of 17.5 per cent and the remaining 30 per cent is based on the four strategic indicators (volume market share, customer, colleague and Plan for Better), each with a weighting of 7.5 per cent. These metrics will once again be utilised for long-term share awards in 2025. The Committee has reviewed the performance targets to ensure they remain appropriately stretching.

Plan for Better ambitions remain at the core of our new purpose and we remain committed to playing a leading role in creating a sustainable food system to truly make good food for all of us, it is therefore key that it is reflected appropriately in our incentive plans. The Committee has reviewed which Plan for Better objectives should be measured through our incentive arrangements and has determined that carbon Scope 1 and food waste metrics should be included in the Leaders' Share Award 2025.

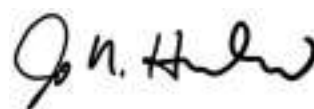
The award level for the Chief Executive in 2025 will remain at 250 per cent of salary and the award for the Chief Financial Officer will remain at 225 per cent of salary.

Closing remarks

Our Remuneration Policy was approved at the 2023 AGM and will be due for renewal at the 2026 AGM. We will be reviewing our policy during the coming year and will engage with stakeholders as appropriate.

Over the next two pages there are summaries of our approach to remuneration in 2024/25 and 2025/26. 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 remains 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 2024/25 remuneration decisions

Pay element	2024/25 decisions
Salary Four per cent increase for Executive Directors (below that of colleagues)	- Chief Executive, Simon Roberts – £979,524 and Chief Financial Officer, Bláthnaid Bergin – £676,000 - A four per cent salary increase was awarded to Simon Roberts and to Bláthnaid Bergin from 26 May 2024, which was below the over nine per cent increase for retail hourly paid colleagues, and in line with the pay review for senior management
Annual bonus Award of 91 per cent of maximum for both CEO and CFO	- The 2024/25 bonus outturn was 91 per cent of the maximum for both Simon Roberts and 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 13 per cent (out of 20 per cent) - The Committee determined an outturn of 9 per cent for both the customer and colleague metrics (each out of ten per cent). Simon Roberts' individual annual objectives paid out at 10 per cent (out of ten per cent), resulting in an overall strategic scorecard outturn of 28 per cent (out of 30 per cent). Bláthnaid Bergin's individual annual objectives paid out at 10 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 111 and 112

CEO bonus outturn



Long-Term Incentive Plan

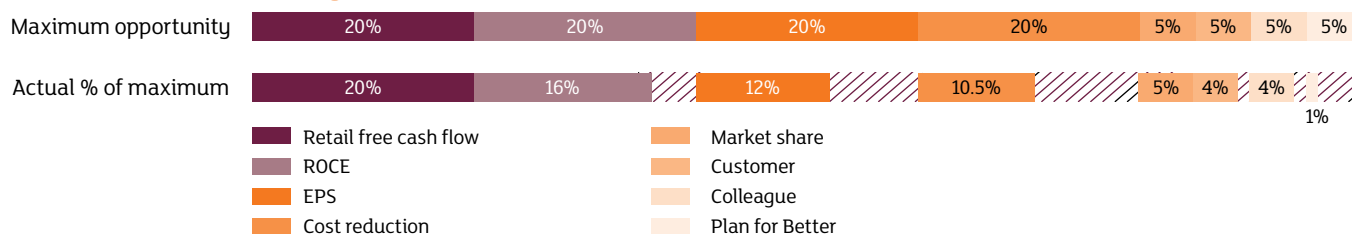
(LTIP): 2022 Leaders' Share Award

Vesting at 72.5 per cent of maximum

- Financial metrics (each with a 20 per cent weighting): maximum payout under the retail free cash flow element, with ROCE between target and stretch and both EPS and cost reduction part way through the range
- Strategic indicators (each with a five per cent weighting): maximum payout under the market share element, with strong customer and colleague performance and Plan for Better paying out partway through the range
- This results in a vesting multiplier of 2.9x (out of a maximum of 4.0) or 72.5 per cent of maximum

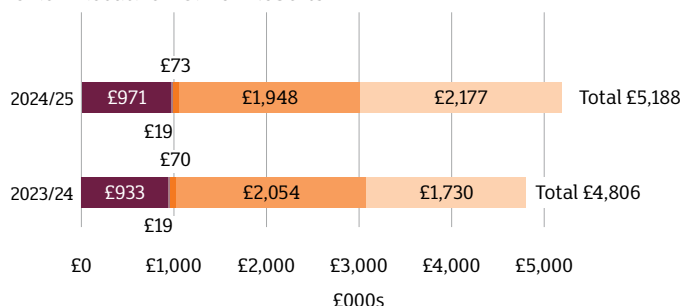


Further details of the **LTIP outturn** can be found on pages 112 and 113

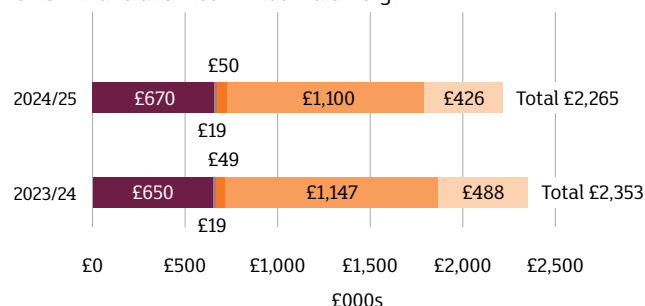


Total remuneration for 2024/25

Chief Executive – Simon Roberts



Chief Financial Officer – Bláthnaid Bergin



Salary Benefits Pension Annual bonus LTIP



Summary of remuneration for 2025/26

Pay element	Executive Directors	Other colleague groups																								
Salary	- Chief Executive, Simon Roberts – £1,008,910 effective 25 May 2025 (three per cent salary increase) - Chief Financial Officer, Bláthnaid Bergin – £696,280 effective 25 May 2025 (three per cent salary increase)	- Five per cent increase for retail hourly paid colleagues - Three per cent for management																								
Benefits	Includes colleague discount, life assurance (six times salary), company car cash allowance (or car), private medical cover and group income protection	- 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	Pension and/or cash supplement totalling 7.5 per cent of salary	- 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	- 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 2025/26: - Simon Roberts – 220 per cent of salary - Bláthnaid Bergin – 180 per cent of salary	- 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, bonus is part paid in cash, and part in shares deferred for two years																								
LTIP: 2025	- 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 - Maximum award of up to 250 per cent of salary per annum - For 2025 awards: - Simon Roberts – 250 per cent of salary - Bláthnaid Bergin – 225 per cent of salary	- Top 195 managers participate in this plan - Maximum award varies by grade																								
Leaders’ Share Award																										
	<table><tr><th>Measure</th><th>Weighting</th><th>Threshold</th><th>Maximum</th></tr><tr><td>Underlying basic EPS^{a)}</td><td>17.5%</td><td>24.0p</td><td>30.0p</td></tr><tr><td>Cumulative cost savings</td><td>17.5%</td><td>£800m</td><td>£1,000m</td></tr><tr><td>Cumulative retail free cash flow^{a)}</td><td>17.5%</td><td>£1,550m</td><td>£1,850m</td></tr><tr><td>ROCE^{a)}</td><td>17.5%</td><td>9.0%</td><td>11.5%</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.</td></tr></table>	Measure	Weighting	Threshold	Maximum	Underlying basic EPS ^{a)}	17.5%	24.0p	30.0p	Cumulative cost savings	17.5%	£800m	£1,000m	Cumulative retail free cash flow ^{a)}	17.5%	£1,550m	£1,850m	ROCE ^{a)}	17.5%	9.0%	11.5%	Strategic indicators	30%	Based on market share, customer satisfaction, colleague engagement and Plan for Better.		
Measure	Weighting	Threshold	Maximum																							
Underlying basic EPS ^{a)}	17.5%	24.0p	30.0p																							
Cumulative cost savings	17.5%	£800m	£1,000m																							
Cumulative retail free cash flow ^{a)}	17.5%	£1,550m	£1,850m																							
ROCE ^{a)}	17.5%	9.0%	11.5%																							
Strategic indicators	30%	Based on market share, customer satisfaction, colleague engagement and Plan for Better.																								
	 Further details set out on pages 115 and 116.																									
a) These measures are defined in the Alternative performance measures section of the Annual Report on pages 210 to 214.																										
Shareholding guidelines	- 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	In-employment guidelines apply to Operating Board Directors only																								
Recovery provisions	The Executive Directors’ incentive arrangements are subject to malus and clawback	Malus provisions apply for all senior leaders who are eligible for our LTIP																								

All payments made in the year and the remuneration planned for 2025/26 are in line with our approved Remuneration Policy, full details of which can be found in the 2023 Annual Report and Accounts on our Company website.



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 and 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 and Leadership Performance Expectations (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 Long-Term Incentive Plan 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 141,000 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.



Remuneration in context continued

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 (c.195 colleagues) also participate in our Long-Term Incentive Plan
- We offer colleague discount in Sainsbury's, Argos, *Tu* and Habitat and during 2024/25 colleagues saved over £77 million – around £425 per colleague on average
- Colleague discount at Sainsbury's is enhanced from ten to 15 per cent every Friday and Saturday, enabling colleagues to plan their spending and access higher discount for their weekly shop. Argos discount increases from ten to 15 per cent every payday

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 2024/25 we issued over 295,000 recognition rewards worth over £3.2 million as well as giving additional gifts of appreciation with a value of over £0.5 million
- We empower the organisation to thrive by building the capabilities of leaders and colleagues to achieve Next Level Performance. In 2024/25 we supported colleague development through interventions including; retail apprenticeships, skills boosts aligned to living our valued behaviours, finance fast start, code first girls, negotiation skills programme and the retail trainee manager programme
- Our Wellbeing agenda is sponsored by Clodagh Moriarty, our Chief Retail and Technology Officer, demonstrating the importance we place on our colleagues' mental, financial and physical wellbeing. We offer a range of support mechanisms, including self-serve wellbeing resources, manager training and 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 UK colleagues have the opportunity to become shareholders in the Company through our all-employee share plans
- Over 20,000 colleagues participate in our Sharesave plans, representing an uptake rate of 16 per cent
- Colleagues can also buy shares through the Sainsbury's Share Purchase Plan (SSPP)

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 they are feeling. Further details are set out on page 26 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 June 2024 and the next one is in June 2025
- Through our two-way discussion forum called Let's Talk, colleagues are able 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 remuneration policy in the same way as other shareholders

CEO pay ratios

- Our CEO median pay ratio is 195:1. 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 2024 mean gender pay gap is 7.5 per cent (reduced from 8.4 per cent in 2023). Our median gender pay gap has also decreased from 6.7 per cent to 6.1 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 2024 mean ethnicity pay gap is negative and has changed to -3.4 per cent from -2.9 per cent and our median ethnicity pay gap to -5.8 per cent from -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 and we continue to track our progress against stretching aspirational targets. We have achieved a 50/50 gender split on our Operating Board and have maintained our progress within our senior leadership population, of whom over 46 per cent are women (including Sainsbury's Bank and Asia based colleagues)
- For the third year running, we featured on the Times Top 50 list for gender equality



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 1 March 2025, together with comparative figures for the 52 weeks to 2 March 2024.

	Notes	Simon Roberts £000		Bláthnaid Bergin £000	
		2024/25	2023/24	2024/25	2023/24
Base salary		971	933	670	650
Benefits	a)	19	19	19	19
Pension		73	70	50	49
Total fixed pay		1,063	1,022	739	718
Annual bonus	b)	1,948	2,054	1,100	1,147
Long-Term Incentive Plan	c)	2,177	1,730	426	488
Total variable pay		4,125	3,784	1,526	1,635
Total		5,188	4,806	2,265	2,353

- 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. 50 per cent is paid in cash and 50 per cent in bonus shares which vest after two years. In addition, £170,866 of Simon Roberts' cash bonus will be deferred into shares to vest on the earlier of the return of bank capital to shareholders or the end of the 2025/26 Financial Year.
- 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 2024/25 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 2024/25 values are based on the average share price over the fourth quarter for 2024/25 of £2.637. The 2024/25 values shown above include the share price growth since grant +£238k for Simon Roberts and +£47k for Bláthnaid Bergin. The 2023/24 LTIP figure has also been updated from the fourth quarter average share price to the actual share price on the vesting date of 29 April 2024 (£2.624).

Base salary (audited information)

	2024 Base salary
Simon Roberts (effective 26 May 2024)	£979,524
Bláthnaid Bergin (effective from 26 May 2024)	£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 of salary. This is in line with the majority of the wider workforce.

Benefits

For 2024/25, benefits for Executive Directors included the provision of company car benefits, private medical cover, group income protection insurance, life assurance and colleague discount.

Annual bonus for 2024/25 (audited information)

For 2024/25 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. 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 2024/25 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. In addition to the 50 per cent of bonus that is normally deferred into shares for two years, the Committee determined that £170,866 of Simon Roberts' cash bonus will be deferred into shares to vest on the earlier of the return of bank capital to shareholders or the end of the 2025/26 Financial Year. 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	Outcome (% of overall maximum)	Bláthnaid Bergin £000
Profit	50%	1,068	50%	603
Retail free cash flow	13%	282	13%	159
Strategic scorecard	28%	598	28%	338
Total	91%	1,948	91%	1,100

Profit performance

The table below sets out the threshold, target and stretch profit targets and the actual profit outcome.

	Threshold (0% payable) £m	Target (50% payable) £m	Stretch (100% payable) £m	Outcome £m
Profit ^{a)}	650	722	750	761

- a) Underlying profit before tax. This measure is defined in the Alternative performance measures section of the Annual Report on pages 210 to 214.



Annual report on remuneration continued

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)}	N/a ^{b)}	500	600	531

a) These measures are defined in the Alternative performance measures section of the Annual Report on pages 210 to 214.

b) For 2024/25 there was no payout for retail free cash flow performance below target.

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 28 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	Maintained customer satisfaction vs. the high 2023/24 base, with year-on-year growth in several key touch points. Delivered significant increases in customer frequency and loyalty, with primary customer numbers 18 per cent higher than four years ago. Volume has grown across all channels, with stronger food availability and customers increasingly trading up, now with 1 in 3 baskets containing a <i>Taste the Difference</i> product Continued focus on delivering value for our customers, investing £150 million in 2024/25. Aldi Price Match covers more products than ever before and we were the first grocer to extend this into convenience stores. Nectar Prices remain a key driver of our improved value perception, with more than £2 billion of savings delivered to customers over the course of the year	9% (out of 10%)
Colleague	Inclusion and diversity remain central to our purpose and strategy. We have an Operating Board with 50/50 gender representation and we are one of the top ranked companies in the FTSE Women Leaders Report, maintaining our high proportion of women in our most senior roles During the year, Simon Roberts was awarded Most Inclusive CEO in Retail by Diversity in Retail and sits on their Advisory Board. Bláthnaid Bergin is our Executive sponsor for the Disability Business Resource Group Colleague engagement remains high despite the backdrop of change activity impacting colleagues We have continued to prioritise investment in colleagues and for the third year in a row, we were the first UK supermarket to announce a pay increase above or in line with inflation for hourly colleagues	9% (out of 10%)
Director-specific	Simon Roberts	Bláthnaid Bergin
	Significant strategic momentum against our Next Level plan and all eight of our commitments. Built on the success of Food First delivering both market share improvement and significant operating leverage, as well as strong progress towards our cost savings ambition, saving £349 million in the year Delivered a record breaking year in grocery and achieved all financial outcomes in line with plan despite a challenging general merchandise market Reorganised to ensure Sainsbury's and Argos have the necessary leadership focus and capabilities to deliver further strategic and performance improvements Transactions agreed during the year to facilitate a clear exit of Financial Services, delivered effectively and at pace	Delivered a stronger than expected financial outcome from the Bank in FY25. Enabled three strategic transactions which are pivotal to the execution of the Financial Services exit and agreed future FS strategy and associated operating model Worked in partnership with Operating Board to deliver Next Level financial commitments ahead of target. Smoothly executed buyback of £200 million shares and launched a £550 million bond returning Sainsbury's to the credit market after 21 years Delivered finance restructuring in line with cost savings commitments, with significant reduction in Cost to Serve Significant progress made in preparation for the introduction of the new Corporate Governance Code Simon Roberts: 10% (out of 10%) Bláthnaid Bergin: 10% (out of 10%)

2022 Leaders' Share Award (2022/23 to 2024/25 performance period) (audited information)

The 2022 Long-Term Incentive Plan is known as the 2022 Leaders' Share Award.

Awards were granted under the Long-Term Incentive Plan approved by shareholders in 2016. A core award of shares was 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 2022 Leaders' Share Award was subject to the eight key performance indicators that we use to measure our success against our Food First strategy.

For Executive Directors, the four financial metrics (retail free cash flow, ROCE, EPS and cost reduction), 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, retail free cash flow performance is above the stretch target, strong ROCE performance between target and stretch, with EPS part way through the performance range. Whilst the cost reduction result is only part way through the range, with the target having been set as a percentage of sales, the Committee noted that significant progress has been made in removing cost from the business. Market share also outperformed the stretch target, alongside strong customer performance.

For the colleague metric, the Committee reviewed the colleague engagement score (which had increased over the three years) and the overall improvement in representation against the stretching aspirational targets that we set ourselves in 2021 (see table below). The Committee determined an overall colleague outcome of 70 per cent of max or 0.14x of the total multiplier.

For Plan for Better, the Scope 1, Scope 3 and plastics elements are each weighted at 1.67 per cent of the total award (a combined total of five per cent).

Our carbon Scope 1 result is below threshold (a zero per cent outturn) but our ambition to achieve net zero by 2035 remains and we are ahead of our SBTi glidepath on our combined Scope 1 and 2 reductions. Whilst we have continued to make progress in Scope 1 emissions reduction, our overall result has been impacted by a rephrasing of capital allocation.

With the ongoing challenges across the market to get an agreed methodology to measure Scope 3 emissions, the Committee considered a number of factors and data points to determine an appropriate outturn. One key consideration was our work to engage our suppliers to set targets, 11.6 per cent of our emissions now come from suppliers that have approved SBTi 1.5°C net zero targets. 39.8% of emissions are covered by suppliers who have had any 1.5 degree target approved. 53.2 per cent of emissions are covered by suppliers that have either committed to a 1.5 degree net zero target or have had any target approved by the SBTi. This represents a 119 per cent increase year on year in the number of suppliers who have any science based target approved or a commitment to have a 1.5°C net zero target. This is good progress, but there is more to do and so the Committee determined an outcome of 50 per cent of max.

For the plastic element, the Committee assessed performance against the own brand reduction targets across food and general merchandise and determined an outturn of 29 per cent of max.

This results in an overall outturn under the Plan for Better element of 26 per cent of max or 0.05x of the total multiplier.

Taking account of all eight metrics, this results in a performance multiplier of 2.9x (out of a possible 4.0) i.e. 72.5 per cent of the maximum for the 2022 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%		£1,250m	£1,650m	£1,815m	0.80
ROCE ^{a)}	20%		6.75%	9.75%	9.00%	0.65
EPS ^{a)}	20%		19.8p	26.5p	23.1p	0.50
Cost reduction	20%		80bps	280bps	153bps	0.42
Market share	5%		11.69%	12.11%	12.8%	0.20
Customer	5%	Sainsbury's	0bps	200bps	310bps	0.17
		Argos	300bps	500bps	300bps	
Colleague	5%	Engagement	Maintain eSAT score		Met	0.14
		Representation	See below		Partially met	
Plan for Better	5%		See below		Partially met	0.05
Performance gateway		The Remuneration Committee must be satisfied that the Company's underlying performance over the period justifies the level of vesting				Achieved
Total 2.9x (out of a maximum of 4.0x)						

a) These measures are defined in the Alternative performance measures section of the Annual Report on pages 210 to 214.

Colleague representation targets

	Target – senior leadership positions (top 230 leaders)	Outcome ^{a)}	Target – senior management positions (1,200 leaders beneath senior leadership)	Outcome ^{a)}
Female	50%	46.3%	43%	41.1%
Ethnically diverse	12%	8.3%	12%	11.3%
Black	3%	2.3%	3%	1.2%

a) Includes Sainsbury's Bank and Asia colleagues

Plan for Better targets

	Threshold	Stretch	Outcome
Scope 1 – GHG emissions	382,403 tCO ₂ e	345,258 tCO ₂ e	448,734 tCO ₂ e
Scope 3 – GHG emissions	23,783,081 tCO ₂ e	23,108,004 tCO ₂ e	See text above
Own brand plastic packaging reduction	55,871 tonnes	41,903 tonnes	55,154 tonnes

The 2022 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 3.1x (out of a possible 4.0) i.e. 77.5 per cent of maximum and will be released in April 2025 consistent with the other below Board participants.



Annual report on remuneration continued

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.

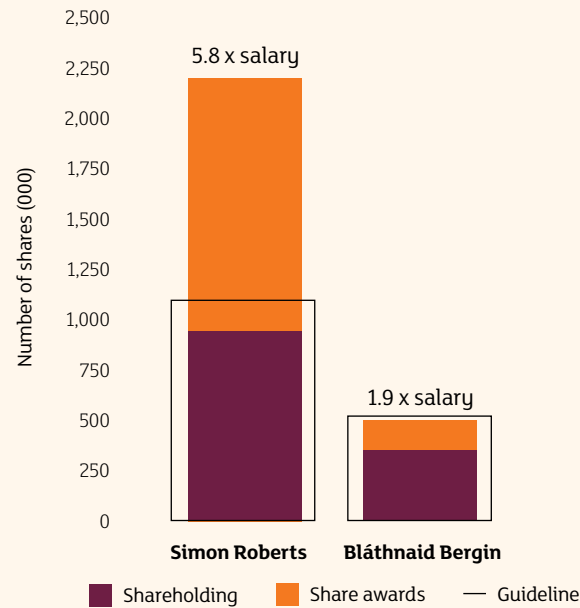
The guidelines in the 2023 Directors' Remuneration Policy require the Chief Executive to have a holding of three times salary and other Executive Directors to hold shares with a value of two times salary.

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 1.9x salary, as at the end of the 2024/25 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



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 misstatement 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.

Remuneration in 2025/26

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 2025/26 Simon Roberts and Bláthnaid Bergin will receive a three per cent salary increase. This is below the five per cent award agreed for retail hourly-paid colleagues and in line with senior management.

	2025 Base salary (effective 25 May 2025)
Simon Roberts	£1,008,910
Bláthnaid Bergin	£696,280

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 2025/26 are unchanged and will include the provision of company car benefits, private medical cover, group income protection insurance, life assurance and colleague discount.

Annual bonus

The annual bonus for 2025/26 will operate on the same basis as 2024/25.

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 approved 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.



2025 Leaders' Share Award

During the year, we reviewed our incentive arrangements and determined the current Long-Term Incentive Plan structure supports the delivery of our strategy. In line with last year, our 2025 Leaders' Share Award will vest subject to the eight metrics that align to our performance commitments used to measure our progress. Awards will be granted under the Long-Term Incentive Plan approved by shareholders in 2024.

The four financial metrics (EPS, cost savings, retail free cash flow and ROCE) will each have a weighting of 17.5 per cent, a total of 70 per cent overall. The total weighting on the strategic indicators (market share, customer satisfaction, colleague engagement and Plan for Better) is 30 per cent and each element has a weighting of 7.5 per cent. The Committee has set stretching targets against these measures for the 2025 awards as shown below.

The Committee has reviewed which Plan for Better objectives should be measured through our incentive arrangements and has determined that Scope 1 emissions and food waste should be included. 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. Whilst significant work has been done to improve food waste data accuracy, the Committee acknowledges the challenges involved in measurement and has agreed a target range with scope for judgement to be applied. The overall outcome will be determined against the combined performance on Scope 1 and food waste. As with any new incentive measure, the Committee will keep the food waste metric under review to ensure that it continues to appropriately capture performance in line with our strategic goals.

Simon Roberts will receive a maximum award of 250 per cent of salary and Bláthnaid Bergin will receive a maximum award of 225 per cent of salary.

The Leaders' Share Award 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%	24.0p	30.0p
Cumulative cost savings	17.5%	£800m	£1,000m
Cumulative retail free cash flow ^{a)}	17.5%	£1,550m	£1,850m
ROCE ^{a)}	17.5%	9.0%	11.5%
<i>Strategic indicators</i>			
Market share	7.5%	Targets are commercially sensitive and will be disclosed at the end of the performance period	
Customer satisfaction	7.5%	0bps improvement against Company CSAT score	150bps improvement against Company CSAT score
Colleague engagement	7.5%	-3 vs 2024 score	+2 vs 2024 score
Plan for Better	7.5%		
Scope 1		453,000 tCO ₂ e absolute GHG emissions	370,000 tCO ₂ e absolute GHG emissions
Food waste		6% above Food Waste target	6% below Food Waste target

a) These measures are defined in the Alternative performance measures section of the Annual Report on pages 210 to 214.

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.



Annual report on remuneration continued

2025 Leaders' Share Award performance measures

(definitions for previous 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 and including payments of lease obligations, and cash flows from joint ventures and associates. Excludes capital injections to, dividends from, and any other exceptional cash movements with or on behalf of Sainsbury's Bank and its subsidiaries. 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
- Food waste sent to anaerobic digestion as a percentage of total tonnes handled (%)



More information can be found in the **Alternative performance measures** section of the Annual Report on pages 210 to 214.

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 1 March 2025 for each Non-Executive Director, together with comparative figures for the 52 weeks to 2 March 2024.

	2024/25			2023/24		
	Fees ^{a)} £000	Benefits ^{b)} £000	Total £000	Fees ^{a)} £000	Benefits ^{b)} £000	Total £000
Martin Scicluna	533	0	533	512	1	513
Jo Bertram	76	0	76	73	0	73
Brian Cassin	97	0	97	93	0	93
Jo Harlow	97	0	97	93	1	94
Adrian Henna	97	0	97	93	0	93
Tanuj Kapilashrami	76	0	76	73	0	73
Keith Weed ^{c)}	97	7	104	93	13	106

a) Paid in relation to the year. Fees were set 28 May 2023 and 26 May 2024.

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) Keith Weed's 2023/24 expenses relate to a four-year period.

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 Chair fee increased to £537,591 and the base fee for Non-Executive Directors increased to £76,405. Senior Independent Director and Committee Chair fees increased from £20,280 to £21,091. The new fee levels were effective from 26 May 2024.

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 2025/26

In 2025 the Chair and Non-Executive Directors' fees were reviewed and an increase of three per cent was approved in line with senior management colleagues. The following table sets out the fee levels which are effective from 25 May 2025.

	Fees effective from 25 May 2025
Chair	£553,719
Base fee	£78,697
Senior Independent Director fee (additional)	£21,724
Chair of Remuneration Committee fee (additional)	£21,724
Chair of Audit Committee fee (additional)	£21,724
Chair of Corporate Responsibility and Sustainability Committee fee (additional)	£21,724

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)}		
	3 March 2024	1 March 2025	16 April 2025
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 111 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 colleagues earning additional premiums such as unsociable hours premium and drivers' 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
2024/25	Option B ^{a)}	217:1	195:1	194:1

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 2024 gender pay gap data. In line with the regulations, our 2024 gender pay gap data identifies employees using a snapshot date of 5 April 2024. 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.

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)
2024/25	Base salary	£971,000	£22,932	£25,480	£25,799
	Total remuneration	£5,188,000	£23,934	£26,552	£26,722

The Remuneration Committee considers pay ratios as one of many reference points when reviewing executive remuneration and considers that the median pay ratio for 2024/25 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.



Annual report on remuneration continued

Pay in the wider organisation continued

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 five 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			Percentage change in remuneration from 2023/24 - 2024/25		
	Salary % change	Benefits % change	Bonus % change	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%	4.0%	1.3%	-5.2%
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	3.1%	-0.7%	-4.1%
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	4.0%	-100%	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	4.0%	0.0%	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	4.0%	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	4.0%	-100%	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	4.0%	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	4.0%	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	4.0%	-43.4%	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%	13.3%	1.6%	-14.6%

a) Bláthnaid Bergin was appointed to the Board on 5 March 2023 so there is no year-on-year comparison in 2023/24.

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.

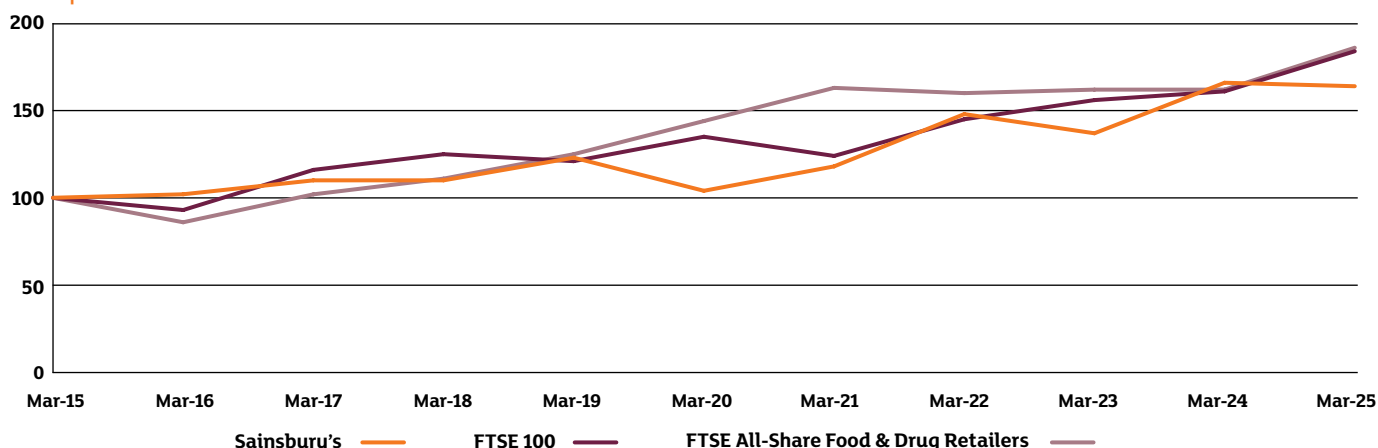
Relative importance of spend on pay

The table below illustrates the year-on-year change in total colleague pay (being the aggregate staff costs as set out in note 8.2 to the financial statements) and distributions to shareholders (declared dividends and share buy back).

Colleague pay			Distribution to shareholders		
2023/24 £m	2024/25 £m	% change	2023/24 £m	2024/25 £m	% change
3,879	4,091	5.5%	306	508 ^{a)}	66.0%

a) The percentage change in the declared dividend excluding share buy back is 0.7 per cent

TSR performance since March 2015





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.

Chief Executive		2015/16	2016/17	2017/18	2018/19	2019/20	2020/21 ^{a)}	2021/22	2022/23	2023/24	2024/25
Single figure remuneration (£000)	S Roberts	—	—	—	—	—	1,325	3,599	5,217	4,806	5,188
	M Coupe	2,802	2,354	3,630	3,569	2,999	1,447	—	—	—	—
Bonus/Bonus Shares/Deferred Share Award award as a percentage of maximum	S Roberts	—	—	—	—	—	0%	87%	86%	100%	91%
	M Coupe	78%	35%	57%	56%	22%	0%	—	—	—	—
LTIP vesting percentage of maximum	S Roberts	—	—	—	—	—	60%	70%	77.5%	70%	72.5%
	M Coupe	0%	22.5%	42.5%	55%	65%	60%	—	—	—	—

a) 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 Hennah. All members of the Committee are independent Non-Executive Directors.

Nick Grant, General Counsel and Company Secretary, acts as secretary to the Committee (previously Tim Fallowfield, Company Secretary and Corporate Services Director, fulfilled this role until his retirement in July 2024). Martin Scicluna, Simon Roberts, Prerana Issar (Chief People Officer), 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. The Committee complies with relevant regulations and considers the Code and best practice when determining pay and policy.

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 £102,150 (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 at the 2024 AGM and on 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 (2024 vote)	98.60% 1,724 million	1.40% 24 million	— 22 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.



Annual report on remuneration continued

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 2024/25 financial year. Further details of the movements of the Executive Directors' share awards are set out on page 121.

	Ordinary shares ^{a)}			Bonus Share Awards ^{c)}	Scheme interests ^{b)}		SAVE
	3 March 2024	1 March 2025	16 April 2025		LTIP awards with performance period completed ^{d)}	LTIP awards with performance period outstanding ^{e)}	
Simon Roberts	726,455	941,338	941,338	681,133	1,683,010	2,727,410	0
Bláthnaid Bergin	160,370	348,397	348,397	286,161	0	1,324,048	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 2023 and 2024 Bonus Share Awards.

d) Relates to 2020 Future Builder awards and 2021 Win in Food award. Notional dividends are added for LTIP awards where the performance period has ended.

e) Relates to 2022 Leaders' Share Award, 2023 Leaders' Share Award and Next Level incentive plan (all expressed at the maximum) where the performance period has not ended. As noted above, following the year-end, the 2022 Leaders' Share Award will vest at 72.5 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 39.3 million shares (2024: 30.1 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	2024 Leaders' Share Award ^{a)}	250% of salary	£2,448,810	25% of each element	881,818	28 February 2027
	Bonus Share Award ^{b)} 50% of bonus award		£1,026,837	N/A	369,765	N/A
Bláthnaid Bergin	2024 Leaders' Share Award ^{a)}	250% of salary	£1,690,000	25% of each element	608,570	28 February 2027
	Bonus Share Award ^{b)} 50% of bonus award		£573,298	N/A	206,445	N/A

a) The performance conditions applying to the 2024 Next Level incentive plan are set out later in this section. The basis of award shows the maximum value. The award was made on 31 May 2024 and the number of shares has been calculated using the average share price between 23 May and 30 May 2024 of £2.777. Subject to performance, the award will vest in May 2027 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 31 May 2024 based on performance over the 2023/24 financial year. Simon Roberts received a bonus of 100 per cent of the maximum level (maximum of 220 per cent of salary), of which 50 per cent was awarded in shares. Bláthnaid Bergin received a bonus of 98 per cent of the maximum level (maximum 180 per cent of salary), of which 50 per cent was awarded in shares. The number of shares has been calculated using the average share price between 23 May and 30 May 2024 of £2.777. No further performance conditions apply. The Bonus Share Awards will be released in March/April 2026.

Unvested Long-Term Incentive Plan awards

The targets for Long-Term Incentive Plan awards granted in 2023 and 2024 are set out in the tables over the next two pages.

2023 Leaders' Share Award

(2023/24 to 2025/26 performance period)	Weighting	Threshold (25% of element vests)	Maximum (100% of element vests)
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	20% (equally weighted)	- Market share^{b)} – 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 210 to 214.

b) From 2024/25 the Group's provider of market share data changed from Nielsen to Kantar. This has been 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.

Plan for Better targets	Baseline	Threshold	Stretch
Scope 1 – GHG emissions	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 22/23 FY	50%	80%
Plastic – own brand food, general merchandise and clothing – tonnes of plastic packaging	69,839 own brand food 2018 CY/ GM&C 2020 CY	52,379	34,920



2024 Next Level incentive plan

(2024/25 to 2026/27 performance period)	Weighting	Threshold (25% of element vests)	Maximum (100% of element vest)
<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	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	7.5%	-200 bps vs strong 2023 score	+300 bps vs strong 2023 score
Plan for Better-Scope 1	7.5%	433,733 tCO ₂ e absolute GHG emissions	354,872 tCO ₂ e absolute GHG emissions

a) These measures are defined in the Alternative performance measures section of the Annual Report on pages 210-214.

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)}	07/05/2020 (Part 1)	1.991	512,580	115,331	397,249	100,078	0	497,327	—	—	—
		07/05/2020 (Part 2)	1.991	512,584	115,332	397,252	100,079	0	497,331	—	—	—
		04/06/2021	2.670	819,288	245,787	573,501	114,851	0	688,352	—	—	—
		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	—	—	—
		31/05/2024	2.777	881,818	0	881,818	0	0	881,818	—	—	—
	Bonus Share Award ^{b)}	01/06/2022	2.303	363,601	0	363,601	39,097	402,698	0	2.632	02/05/2024	1,060
		02/06/2023	2.730	311,368	0	311,368	0	0	311,368	—	—	—
		31/05/2024	2.777	369,765	0	369,765	0	0	369,765			
	Sharesave ^{c)}	14/12/2020	N/A	1,833	—	1,833	—	1,833	0	2.614	26/04/2024	2
Total				5,618,429	476,450	5,141,979	354,105	404,531	5,091,553	1,062		
Bláthnaid Bergin	Long-Term Incentive Plan ^{a)}	07/05/2020 (Part 2)	1.991	85,052	19,137	65,915	13,240	79,155	0	2.632	02/05/2024	208
		04/06/2021	2.670	215,640	53,910	161,730	24,142	185,872	0	2.632	02/05/2024	489
		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	—	—	—
		31/05/2024	2.777	608,570	0	608,570	0	0	608,570	—	—	—
	Bonus Share Award ^{b)}	01/06/2022	2.303	81,601	0	81,601	8,773	90,374	0	2.632	02/05/2024	238
		02/06/2023	2.730	79,716	0	79,716	0	0	79,716	—	—	—
		31/05/2024	2.777	206,445	0	206,445	0	0	206,445	—	—	—
Total				1,992,502	73,047	1,919,455	46,155	355,401	1,610,209	935		

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.

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 £1.610 (2020).

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.



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 117 and 120. During the year, no Director had any material interest in any contract of significance to the Group's business.
Directors' indemnities	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. 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.
Research and development	In the ordinary course of business, the Company regularly develops new products and services. See page 9 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 20 to 23.
Health and safety	The health and safety of our colleagues and customers is an essential part of our business operations. See pages 20 to 21 for more information.
Colleague engagement	Details on how we engage with our colleagues can be found on page 26.
Political donations	The Company made no political donations in 2024/25 (2023/24: £nil).
Post balance sheet events	On 15 April 2025, the High Court approved the transfer of the personal loans, credit cards and retail deposit portfolios to NatWest Group concluding the Part VII process. Following this approval, the transaction is expected to complete in May 2025 at which point legal title of these portfolios will transfer from Sainsbury's Bank to NatWest Group.
Financial risk management and financial instruments	Notes 28 and 29 on pages 176 to 186 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 126.
Dividends	Details of the payment of the final dividend can be found on page 165.
Ordinary shares	Details of the changes to the ordinary issued share capital during the year are shown on page 174. As at 15 April 2025, 2,344,162,374 ordinary shares of 28 4/7 pence have been issued, are fully paid up and are listed on the London Stock Exchange.
Share capital	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. 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 £3,887,810.62. Some of the Company's employee share plans include restrictions on the transfer of shares while the shares are held within the plan. At the Annual General Meeting held in July 2024, the Company was authorised by shareholders to purchase its own shares within certain limits and as permitted by the Articles of Association. On 26 April 2024, the Company announced the commencement of a share buyback programme of up to £200 million, to be completed by the end of 2024/25 (the Programme). The Programme completed on 17 December 2024 and took place using the authority to purchase its own shares as approved by shareholders. Further information can be found in note 26 on page 174.
Change of control	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. 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.



Major interests in shares

As at 1 March 2025, 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 ¹
Qatar Holdings LLC	11 October 2024	239,446,132	10.14
VESA Equity Investment S.à r.l.	7 November 2024	235,773,510	10.00
BlackRock, Inc.	7 January 2025	161,783,256	6.89
Schroders plc	31 March 2021	116,161,658	5.22
Bestway Group UK Limited	2 August 2024	118,273,900	5.01
Pzena Investment Management, Inc	7 January 2025	118,145,905	5.05

1 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 15 April 2025, 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:

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Bestway Group UK Limited	2 August 2024	118,273,900	5.01
Pzena Investment Management, Inc	7 January 2025	118,145,905	5.05

1 Percentages shown are as a percentage of the Company's issued share capital when the Company was notified of the change in holding.

Information requirement	Location within Annual Report
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 6.6.1 are not applicable to the Company.

Updated Streamlined Energy and Carbon Reporting – 2024/25 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 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 2024, IEA 2024 and Association of Issuing Bodies (AIB) 2024. 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 2024/25, 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. During the 2024/25 reporting year, the latest global warming potential (GWP) emission factors from the IPCC's Sixth Assessment Report (AR6) have been used where available. Where AR6 factors were not available, emission factors from the Fifth Assessment Report (AR5) have been applied.

In 2024/25, 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).

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 2024/25 and 2023/24.

Sainsbury's Group Total Carbon Figures and Intensities

GHG emissions (tCO ₂ e) – location-based emission source	2024/25	2023/24
Scope 1	448,734	458,973
Scope 2	248,452	247,143
Total (tCO₂e)^{a)}	697,187	706,115
S1 and 2 Intensity measurement (tCO ₂ e/000 sq. ft.)	26	25
GHG emissions (tCO ₂ e) – market-based emission source	2024/25	2023/24
Scope 1	448,734	458,973
Scope 2	0	0
Total (tCO₂e)^{a)}	448,734	458,973
S1 and 2 Intensity measurement (tCO ₂ e/000 sq. ft.)	17	16

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.

The table on the following page represents Sainsbury's energy use and associated GHG emissions from electricity and fuel in the UK for the reporting years 2024/25 and 2023/24, in line with UK Government Streamlined Energy and Carbon Reporting requirements.



Additional statutory information continued

Sainsbury's breakdown

UK locations

Emission source	Energy consumption kWh		Location-based (tCO ₂ e)		Market-based (tCO ₂ e)	
	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25
Combustion of fuel and operation of facilities (Scope 1)	1,377,579,245	1,354,032,684	403,057	396,566	403,057	396,566
Electricity, heat, steam and cooling purchased for own use (Scope 2)	1,156,234,413	1,182,621,736	233,869	239,230	—	—
Total	2,533,813,658	2,536,654,419	636,927	635,795	403,057	396,566

Argos and Habitat Breakdown

UK locations

Emission source	Energy consumption kWh		Location-based (tCO ₂ e)		Market-based (tCO ₂ e)	
	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25
Combustion of fuel and operation of facilities (Scope 1)	238,394,880	222,984,795	55,848	52,162	55,848	52,162
Electricity, heat, steam and cooling purchased for own use (Scope 2)	60,767,536	44,516,788	12,583	9,190	—	—
Total	299,162,416	267,501,583	68,431	61,352	55,848	52,162

Global locations (excludes UK)

Emission source	Energy consumption kWh		Location-based (tCO ₂ e)		Market-based (tCO ₂ e)	
	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25
Combustion of fuel and operation of facilities (Scope 1)	371,070	37,760	68	7	68	7
Electricity, heat, steam and cooling purchased for own use (Scope 2)	2,176,895	112,892	690	33	—	—
Total	2,547,965	150,652	757	40	68	7

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 2024 for all sources.

Scope 2: All Scope 2 Location based emissions have been calculated using UK Government's GHG Conversion Factors for Company Reporting 2024, IEA 2024 and Association of Issuing Bodies (AIB) 2024. 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 2024/25, 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 14th 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.
- A number of energy efficiency projects have taken place including:
 - Heating and ventilation optimisation
 - 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.

Logistics

We invested across ten of our depots this year, installing electric plug points for our Rigid fleet enabling our full fleet of 450 rigids to charge their refrigeration units via 100 per cent renewable electricity whilst stationary at our depots.

Nick Grant

General Counsel and Company Secretary
16 April 2025

Financial statements

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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

Nick Grant

General Counsel and Company Secretary
16 April 2025



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 1 March 2025 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 1 March 2025 which comprise:

Group	Parent company
Consolidated balance sheet as at 1 March 2025	Balance sheet as at 1 March 2025
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 40 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 16 April 2026 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, including that of the £550m unsecured bonds issued in the year and the extension of the revolving credit facility, 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, and we reviewed the going concern assessment prepared at a Sainsbury's Bank level to understand whether there were any potential liquidity requirements from J Sainsbury plc during the going concern period.
- 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.



Independent auditor’s report continued

to the members of J Sainsbury plc

Basis for opinion continued

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 16 April 2026.

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	• We performed an audit of the complete financial information of 15 components and audit procedures on specific balances for a further 9 components. • The components where we performed full or specific audit procedures accounted for 96% of profit before tax, 100% of Revenue and 99% of Total assets.
Key audit matters	• Accounting and reporting for the group’s phased withdrawal from the Core Banking business • Supplier arrangements • Aspects of revenue recognition • Valuation of defined benefit pension scheme assets • IT environment
Materiality	• Overall Group materiality of £36 million which represents 5% of Profit before tax, adjusted for non-recurring items.

An overview of the scope of the Parent Company and Group audits

Tailoring the scope

In the current year our audit scoping has been updated to reflect the new requirements of ISA (UK) 600 (Revised). We have followed a risk-based approach when developing our audit approach to obtain sufficient appropriate audit evidence on which to base our audit opinion. We performed risk assessment procedures, with input from our component auditors, to identify and assess risks of material misstatement of the Group financial statements and identified significant accounts and disclosures.

When identifying components at which audit work needed to be performed to respond to the identified risks of material misstatement of the Group financial statements, we considered our understanding of the Group and its business environment, the potential impact of climate change, the applicable financial framework, the Group’s system of internal control at the entity level, the existence of centralised processes, applications and any relevant internal audit results.

We determined that centralised audit procedures would be performed on goodwill, share-based payments, equity and retirement benefits.

We identified 24 components as individually relevant to the Group due to the identified risks of material misstatement to the Group financial statements identified within the component, materiality, or financial size of the component relative to the Group financial statements. These individually relevant components included twelve Group related components, nine Retail related components and three Financial Services related components.

All Group and Retail components were audited directly by the primary audit team. The Financial Services related components were audited by an EV component team based in Edinburgh.

For those 24 individually relevant components, we identified the significant accounts where audit work needed to be performed at these components by applying professional judgement, having considered the Group significant accounts on which centralised procedures will be performed, the reasons for identifying the financial reporting component as an individually relevant component and the size of the component’s account balance relative to the Group significant financial statement account balance.

We then considered whether the remaining Group significant account balances not yet subject to audit procedures, in aggregate, could give rise to a risk of material misstatement of the Group financial statements. No additional components were required to be included in our audit scope to address these risks.

Having identified the components for which work will be performed, we determined the scope to assign to each component.

Of the 24 components selected, we designed and performed audit procedures on the entire financial information of 15 components (“full scope components”). For nine components, we designed and performed audit procedures on specific significant financial statement account balances or disclosures of the financial information of the component (“specific scope components”).

These 24 individually relevant components contributed 100% of Group Revenue, 96% of Group Profit before tax (as measured on an absolute basis) and 99% of Total assets (2023/24: 100% of Group Revenue, 96% of Group Profit before tax measured on an absolute basis and 96% of Group Total assets).

Our scoping to address the risk of material misstatement for each key audit matter is set out in the Key Audit Matters section of our report.



Basis for opinion continued

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 operating under our instruction.

Of the 24 individually relevant components, audit procedures were performed on all 21 Group and Retail components directly by the Primary audit team and on three Financial Services components by an EY component audit team in Edinburgh.

The Primary audit team continued to follow a programme of planned visits that has been designed to ensure that the Senior Statutory Auditor visited the EY component team in Edinburgh throughout the year. These visits involved discussing the audit approach with the component team and any issues arising from their work and meeting with local management. Virtual visits were also performed including attending planning and closing meetings and reviewing relevant audit working papers on risk areas. The Primary audit team interacted regularly with the component team where appropriate during various stages of the audit, reviewed relevant working papers and were responsible for the scope and direction of the audit process. Where relevant, the section on Key Audit Matters details the level of involvement we had with component auditors to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

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 31 to 44 in the required Task Force On Climate Related Financial Disclosures and on pages 54 to 62 in the principal risks and uncertainties. The Group has also explained their climate commitments as part of the Plan for Better strategy on pages 16 to 19. 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.

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 32 and 33 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 cash flow 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.



Independent auditor's report continued

to the members of J Sainsbury plc

Basis for opinion continued

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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 96), notes 5 (page 155), 11 (page 163), 22 (page 172), 25 (page 174) and 28 (page 176) of the Consolidated Financial Statements

In January 2024, the Group announced a phased withdrawal from the Core Banking business. Subsequently, agreements have been reached to sell the Core Banking portfolios as follows:

- In June 2024, an agreement was reached for the sale of the personal loan, credit card and retail deposit portfolios to NatWest Group, which is expected to be finalised in May 2025.
- In September 2024, an agreement was reached to sell the ATM estate to NoteMachine, with the transfer of assets expected to be completed by May 2025.
- In October 2024, an agreement was reached to sell the Argos store card portfolio to NewDay Group which completed in the financial year.

As a result, a number of accounting estimates are required to be made to reflect the transactions, which includes providing for restructuring costs, migration costs, onerous contracts, as well as determining the overall loss on the disposal of the portfolios.

We have therefore identified risks in the following areas, driven by the complexity and level of management judgement involved in determining the appropriate accounting treatment:

- Appropriateness and completeness of provisions relating to onerous contracts (£93 million), restructuring programmes (£32 million)
- Classification and valuation of assets (£2,512 million) and liabilities (£3,136 million) held for sale, including estimation of costs of disposal (£27 million) in accordance with IFRS 5;
- Classification of discontinued operations in accordance with IFRS 5; and
- Timing of derecognition and ongoing valuation of financial assets and liabilities under IFRS 9 and related fair value disclosures required under IFRS 7.

This risk has been updated in the year to reflect that the sale agreements above had been reached in the current financial year.

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 phased withdrawal from Core Banking.
- We determined the appropriateness and completeness of provisions for onerous contracts, employee costs and costs of disposal by:
 - Challenging the calculation methodology, input data and key assumptions used;
 - Undertaking completeness checks to validate that all significant contracts were considered within the onerous contract assessment;
 - Validating the accuracy of the provisions made through vouching of terms and values to a sample of contracts, including contracts that were excluded from the provision;
 - Validating that provisions reflected communications made by the Group, and agreements entered into with third parties; and
 - Performing substantive testing over data points used in the calculations.
- We evaluated the classification of assets and liabilities as 'held for sale' in the consolidated balance sheet by inspecting signed contracts and reviewing internal papers and expected timelines for key milestones of the transactions and the specific circumstances at the balance sheet date.
- We evaluated the classification of discontinued operations within the consolidated income statement by testing that costs and income within discontinued operations were directly attributable to those assets and liabilities that were being sold.
- With respect to the derecognition of the Argos store card portfolio, we inspected the sales agreement and other supporting documentation, agreed the cash proceeds received to bank statements, and tested that the appropriate criteria had been met for derecognition in accordance with IFRS 9.
- Fair value disclosures were assessed against the contractual sale terms, which reflect the value at which the portfolios are expected to transfer to third parties.
- We assessed the classification, measurement principles and disclosures required under IFRS 5, IFRS 7, and IFRS 9 through inspection of management's accounting documents, enquiries of management and engaging EY IFRS specialists in this process.

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.

How we scoped our audit to respond to the risk

We performed audit procedures in relation to this risk over two Financial Services related components, one of which was full scope, one specific scope.

The Primary audit team issued Group audit instructions to the EY component team based in Edinburgh which included specific substantive procedures to address the risk of material misstatement in relation to the Group's withdrawal from the Core Banking business. The primary audit team, visited the component audit team, discussed the key audit matter directly with component management, and reviewed the component audit team's key workpapers which were executed in line with the Group audit instructions.



Basis for opinion continued

Key audit matters continued

Risk

Supplier arrangements

Refer to the accounting policy in note 3.2 (page 146) and disclosure within note 7 (page 159) 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 1 March 2025 were £525 million (2023/2024: £481 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 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.

How we scoped our audit to respond to the risk

We performed procedures over supplier arrangements at two individually relevant, full scope, Retail components. All audit work performed to address this risk was undertaken by the Primary audit team.



Independent auditor’s report continued

to the members of J Sainsbury plc

Basis for opinion continued

Key audit matters continued

Risk	Our response to the risk
Aspects of revenue recognition <i>Refer to the accounting policy in note 3.1 (page 145), and note 6 (page 157) of the Consolidated Financial Statements</i> Revenue recognised, including the effects of manual adjustments, for the period ended 1 March 2025 totalled £32,807 million (2023/2024: £32,700 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 and accounting for coupons and vouchers. There is a risk that these adjustments are not complete and accurate for the period ended 1 March 2025 and that accounting judgements taken are inappropriate. The opportunity exists through management override of controls, such as the posting of manual journals, to misstate revenue in the period. The risk has been refined in the year, to remove the aspects of deferred revenue that are not subject to higher risk of material misstatement.	• 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. • 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.	
How we scoped our audit to respond to the risk We performed procedures over adjustments to revenue at the two individually relevant, full scope, Retail components. All audit work performed to address this risk was undertaken by the Primary audit team.	



Basis for opinion continued

Key audit matters continued

Risk

Valuation of the defined benefit pension scheme assets

Refer to the Audit Committee Report (page 96); Accounting policy in note 3.19 (page 152); and notes 4.2 (page 154) and 34 (page 194) of the Consolidated Financial Statements

Retirement benefit surplus (2024/2025: £731 million; 2023/2024: £690 million)

Fair value of plan assets (2024/2025: £6,329 million; 2023/2024: £6,702 million)

Present value of funded and unfunded obligations (2024/2025: £5,598 million; 2023/2024: £6,012 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:

- (a) Discount rate;
- (b) Inflation;
- (c) Future pension increases; and
- (d) 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 (2024/2025: £2,727 million; 2023/2024: £2,876 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

- 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.

How we scoped our audit to respond to the risk

Our audit procedures covered the Sainsbury's Pension Scheme which has two sections: the Sainsbury's Section and the Argos Section. All audit work performed to address this risk was undertaken by the Primary audit team and supported by EY professionals with specialist skills.



Independent auditor’s report continued

to the members of J Sainsbury plc

Basis for opinion continued

Key audit matters continued

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.

How we scoped our audit to respond to the risk

Our audit procedures covered the Group and Retail related components. All audit work performed to address this risk was undertaken by the Primary audit team.

In the prior year, our auditor’s report included a key audit matter in relation to Measurement of provision for impairment of loans and advances to financial services customers. In the current year, this was not a key audit matter given that the assets were recorded at fair value in accordance with IFRS 9 at the balance sheet date and the assessment of this valuation is included within the ‘Accounting and reporting for the Group’s phased withdrawal from the Core Banking business’ key audit matter above.

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 £36 million (2023/2024: £35 million), which is 5% (2023/2024: 5%) 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 £112 million (2023/2024: £136 million), which is 2% (2023/2024: 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	Profit before tax – continuing operations: £625 million
Adjustments	- Adjust for non-recurring items: £101 million, comprising - Restructuring and impairment: £158m (Note 5.1) - Property related profits: £(57m) (Note 5.3)
Materiality	- Total £726 million materiality basis - Materiality of £36m (5% of materiality basis)

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.



Our application of materiality continued

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% (2023/2024: 50%) of our planning materiality, rounded to £18 million (2023/2024: £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 £3.6 million to £16.2 million (2023/2024: £3.4 million to £15.3 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 £1.8 million (2023/2024: £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 124 and pages 210 to 220, 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 64;
- 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 63;
- 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 64;
- Directors' statement on fair, balanced and understandable set out on page 126;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 54;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 54; and;
- The section describing the work of the Audit Committee set out on page 96.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 126, 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.



Independent auditor's report continued

to the members of J Sainsbury plc

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 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 centres 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 10 years, covering the years ending 12 March 2016 to 1 March 2025.
- 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

16 April 2025



Consolidated income statement

		52 weeks to 1 March 2025			52 weeks to 2 March 2024 (restated*)		
	Note	Underlying items £m	Non- underlying items (note 5) £m	Total £m	Underlying items £m	Non- underlying items (note 5) £m	Total £m
Continuing operations							
Revenue	6	32,812	—	32,812	32,238	—	32,238
Cost of sales		(30,513)	(78)	(30,591)	(30,009)	(139)	(30,148)
Gross profit/(loss)		2,299	(78)	2,221	2,229	(139)	2,090
Administrative expenses		(1,325)	(100)	(1,425)	(1,333)	(71)	(1,404)
Other income		55	53	108	52	6	58
Operating profit/(loss)		1,029	(125)	904	948	(204)	744
Finance income	9	31	36	67	30	51	81
Finance costs	9	(336)	(14)	(350)	(324)	(12)	(336)
Profit/(loss) before tax – continuing operations		724	(103)	621	654	(165)	489
Income tax (expense)/credit	10	(216)	15	(201)	(174)	(7)	(181)
Profit/(loss) after tax – continuing operations		508	(88)	420	480	(172)	308
Profit/(loss) after tax – discontinued operations	11	31	(209)	(178)	36	(207)	(171)
Profit/(loss) for the financial period		539	(297)	242	516	(379)	137
		pence		pence	pence		pence
Total earnings per share	12						
Basic – total		23.1		10.4	22.1		5.9
Diluted – total		22.7		10.2	21.6		5.7
Earnings per share – from continuing operations	12						
Basic – continuing				18.0			13.2
Diluted – continuing				17.7			12.9

* Comparative periods have been re-presented to separately disclose discontinued operations. Refer to note 11 for further details.

The notes on pages 142 to 204 form an integral part of these financial statements.



Consolidated statement of comprehensive income/(loss)

	Note	52 weeks to 1 March 2025 £m	52 weeks to 2 March 2024 (restated*) £m
Profit for the financial year		242	137
Items that will not be subsequently reclassified to the income statement			
Remeasurement on defined benefit pension schemes	34	(33)	(389)
Movements on financial assets at fair value through other comprehensive income		—	1
Cash flow hedges fair value movements – inventory hedges	30	1	(67)
Current tax relating to items not reclassified		(1)	10
Deferred tax relating to items not reclassified	10	9	177
		(24)	(268)
Items that may be subsequently reclassified to the income statement			
Currency translation differences		—	(3)
Movements on financial assets at fair value through other comprehensive income		1	—
Cash flow hedges fair value movements – non-inventory hedges	30	13	(82)
Items reclassified from cash flow hedge reserve	30	2	4
Deferred tax on items that may be reclassified	10	(4)	17
		12	(64)
Total other comprehensive loss for the year (net of tax)		(12)	(332)
Total comprehensive income/(loss) for the year		230	(195)
Continuing operations		408	(24)
Discontinued operations	11	(178)	(171)
Total comprehensive income/(loss) for the year		230	(195)

* Comparative periods have been re-presented to separately disclose discontinued operations. Refer to note 11 for further details.

The notes on pages 142 to 204 form an integral part of these financial statements.



Consolidated balance sheet

	Note	1 March 2025 £m	2 March 2024 £m
Non-current assets			
Property, plant and equipment	14	9,358	9,282
Right-of-use assets	15	4,455	4,296
Intangible assets	16	807	806
Investments in joint ventures and associates		2	2
Other financial assets	18	769	761
Trade and other receivables	20	42	108
Amounts due from Financial Services customers and other banks	21	—	1,467
Derivative financial assets	30	35	68
Net retirement benefit surplus	34	731	690
		16,199	17,480
Current assets			
Inventories	19	1,946	1,927
Trade and other receivables	20	572	582
Amounts due from Financial Services customers and other banks	21	—	3,050
Other financial assets	18	612	17
Derivative financial assets	30	15	8
Cash and cash equivalents	31	2,777	1,987
		5,922	7,571
Assets of disposal group and non-current assets held for sale	22	2,527	10
		8,449	7,581
Total assets		24,648	25,061
Current liabilities			
Trade and other payables	23	(5,278)	(5,091)
Amounts due to Financial Services customers and other deposits	24	(1,955)	(5,515)
Borrowings	33	(72)	(65)
Lease liabilities	15	(590)	(515)
Derivative financial liabilities	30	(15)	(28)
Taxes payable		(141)	(125)
Provisions	25	(230)	(113)
		(8,281)	(11,452)
Liabilities of disposal group held for sale	22	(3,136)	—
		(11,417)	(11,452)
Net current liabilities		(2,968)	(3,871)
Non-current liabilities			
Trade and other payables	23	(24)	(11)
Amounts due to Financial Services customers and other deposits	24	(13)	(206)
Borrowings	33	(1,042)	(1,130)
Lease liabilities	15	(4,904)	(4,839)
Derivative financial liabilities	30	(11)	(59)
Deferred income tax liability	10	(429)	(329)
Provisions	25	(157)	(167)
		(6,580)	(6,741)
Total liabilities		(17,997)	(18,193)
Net assets		6,651	6,868
Equity			
Called up share capital	26	669	678
Share premium		1,448	1,430
Merger reserve	26	173	568
Capital redemption and other reserves	27	(54)	955
Retained earnings		4,415	3,237
Total equity shareholders' funds		6,651	6,868

The notes on pages 142 to 204 form an integral part of these financial statements.
Approved by the Board of Directors on 16 April 2025, 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 3 March 2024		678	1,430	568	955	3,237	6,868
Profit for the financial year		—	—	—	—	242	242
Other comprehensive income/(loss)	27	—	—	—	17	(33)	(16)
Tax relating to other comprehensive income/(loss)		—	—	—	(4)	8	4
Total comprehensive income		—	—	—	13	217	230
Cash flow hedges losses transferred to inventory	27, 30	—	—	—	18	—	18
Transactions with owners:							
Transfer between reserves	26, 27	—	—	(395)	(1,035)	1,430	—
Dividends	13	—	—	—	—	(308)	(308)
Share-based payment	35	—	—	—	—	80	80
Purchase of own shares for share schemes	27	—	—	—	(63)	—	(63)
Allotted in respect of share schemes	26, 27	12	18	—	37	(44)	23
Purchase of own shares for cancellation	27	—	—	—	(200)	—	(200)
Cancellation of own shares	26, 27	(21)	—	—	221	(200)	—
Tax on items charged to equity		—	—	—	—	3	3
At 1 March 2025		669	1,448	173	(54)	4,415	6,651
	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 period		—	—	—	—	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 for share schemes	27	—	—	—	(18)	—	(18)
Allotted in respect of share schemes	26, 27	6	12	—	35	(38)	15
At 2 March 2024		678	1,430	568	955	3,237	6,868

The notes on pages 142 to 204 form an integral part of these financial statements.



Consolidated cash flow statement

	Note	52 weeks to 1 March 2025 £m	52 weeks to 2 March 2024 (restated*) £m
Cash flows from operating activities			
Cash generated from operations - continuing operations	31	1,776	2,510
Interest paid		(359)	(336)
Corporation tax paid		(53)	(61)
Net cash generated from operating activities - continuing operations		1,364	2,113
Cash flows from investing activities			
Purchase of property, plant and equipment		(617)	(1,381)
Initial direct costs on new leases		(34)	(6)
Purchase of intangible assets		(208)	(178)
Proceeds from disposal of property, plant and equipment		45	77
Interest received		27	27
Net cash used in investing activities - continuing operations		(787)	(1,461)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		20	15
Proceeds from borrowings	33	544	575
Repayment of borrowings	33	(623)	(41)
Purchase of own shares for share schemes	27	(63)	(18)
Purchase of own shares for cancellation	27	(200)	—
Capital repayment of lease obligations		(487)	(507)
Dividends paid on ordinary shares	13	(308)	(306)
Net cash used in financing activities - continuing operations		(1,117)	(282)
Net increase in cash and cash equivalents			
Continuing operations		(540)	370
Discontinued operations		1,329	298
Total increase in cash and cash equivalents		789	668
Opening cash and cash equivalents		1,987	1,319
Closing cash and cash equivalents	31	2,776	1,987

* Comparative periods have been re-presented to separately disclose discontinued operations. Refer to note 11 for further details.

The notes on pages 142 to 204 form an integral part of these financial statements.



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 1 March 2025 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, '2025' refers to the 52 weeks to 1 March 2025, or as at 1 March 2025; and '2024' refers to the 52 weeks to 2 March 2024, or as at 2 March 2024.

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 certain financial instruments, defined benefit pension scheme assets and share-based payments.

Sainsbury's Bank plc and its subsidiaries have been consolidated for the twelve months to 28 February 2025 being the Bank's year-end date (2024: 29 February 2024). Adjustments are made for the effects of significant transactions or events that occur 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.

Discontinued operations

A discontinued operation is a component of the Group which represents a separate major line of business which has been disposed of or is classified as held for sale. Such classification assumes the expectation that the sale will complete within twelve months of the assessment date.

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through such sale transactions. Assets and liabilities held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Where the carrying amount of a non-current asset or disposal group held for sale exceeds its fair value less costs to sell, a loss is recognised. This is allocated firstly against any goodwill attributable to the disposal group, and then to other non-current assets in the disposal group that are in scope of IFRS 5 'Non-current assets held for sale and discontinued operations' measurement requirements. Any excess loss remaining is recognised against the remaining assets of the disposal group as a whole.

A component of the Group that is held for sale or disposed of is presented as a discontinued operation either when it is a subsidiary acquired exclusively with a view to resale or it represents, or is part of a coordinated plan to dispose of, a separate major line of business.

Operations classified as discontinued are disclosed further in note 11.

Following the announcement on 20 June 2024 that the Group had entered into an agreement for the sale of Sainsbury's Bank plc's personal loan, credit card and retail deposit portfolios (together, the Core Banking Business) to NatWest Group (NatWest), the agreement triggered a change in business model as the objective is now to sell financial assets and no longer to hold for the collection of contractual cash flows. The underlying portfolios have therefore been reclassified from being measured at amortised cost to being measured at fair value through profit and loss by reference to the pricing mechanism within the sale agreement and reflects the market conditions prevailing at the balance sheet date. Provisions for expected credit loss and effective interest rate adjustments have been derecognised as a result. The adjustment has been made prospectively from 15 September 2024, being the first day of the reporting period following the change in business model. Prior to the reclassification, the financial assets were classified and subsequently measured at amortised cost using the effective interest method, net of any loss allowance.

Amounts have been recognised within discontinued operations.

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 31, 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 Basis of preparation and consolidation continued

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 16 April 2026.

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, for example through the Investment Grade Corporate Bond markets and structuring core borrowings with phased maturities to manage refinancing risk, evidenced by the issuance in January 2025 of £550 million of Investment Grade Corporate Bonds, split into two tranches, a £250 million tranche maturing in June 2030 and a £300 million tranche maturing in January 2035. In addition, the Group has in place an inflation-linked amortising loan with a principal of £438 million outstanding at the reporting date. As at 1 March 2025, both facilities were fully drawn.

The Group also seeks to minimise liquidity risk and maintain sufficient levels of standby liquidity and a suitable level of undrawn additional funding capacity via the Revolving Credit Facility. 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. This is the second extension resulting in revised maturity dates of December 2029 for Facility A and December 2028 for Facility B. As at 1 March 2025, the Revolving Credit Facility was undrawn. No additional forms of financing are assumed in the assessment of the Group as a going concern.

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 64 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 suspending dividend payments.

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 which include reducing environmental impacts and meeting customer expectations in this area, notably through sustainability initiatives such as 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 phased withdrawal from Financial Services as we transition to a distributed model, with assets and operations being transferred to NatWest, NewDay, and NoteMachine. 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 to a third-party distributed model. 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 phased withdrawal and the risks arising thereon. The evaluation has included costs to exit being higher than planned and the ability to withstand unforeseen scenarios such as planned divestments not concluding as expected. 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 phased withdrawal, prior to any additional mitigating actions being taken. 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 28 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 28 February and the Group's balance sheet date.



Notes to the consolidated financial statements continued

2 Basis of preparation and consolidation continued

2.3 Basis of consolidation continued

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 assets and liabilities of foreign operations are translated into pound sterling using the exchange rates prevailing at the balance sheet date. The results of foreign operations are translated using the average rates of exchange for the year. Exchange differences are recognised in the Group statement of comprehensive income/(loss) and included within 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.

2.4 New standards, interpretations and amendments adopted by the Group

a) New accounting standards adopted by the Group

The Group has applied the following new standards and interpretations which became effective in the 52 weeks to 1 March 2025:

- Amendments to IFRS 16: Lease liability in a sale and leaseback
- Amendments to IAS 1: Classification of liabilities as current or non-current and non-current liabilities with covenants
- Amendments to IAS 7 and IFRS 7: Supplier finance arrangements

The new accounting standards, interpretations and amendments to standards and IFRIC interpretations which became applicable during the year were either not relevant or had no impact, or no material impact, on the Group's results or net assets. Therefore, the adoption of the new standards and interpretations listed above did not require any changes to be made to the Group accounting policies and the policies have remained unchanged from those disclosed in the Annual Report for the financial year ended 2 March 2024.

b) New accounting standards in issue but not yet effective

The following standards and interpretations were in issue at the date of approval of these financial statements but not yet effective and therefore have not been applied for the 52 weeks to 1 March 2025:

- Amendments to IAS 21: Lack of exchangeability
- Amendments to IFRS 9 and IFRS 7: Classification and measurement of financial instruments
- IFRS 18: Presentation and disclosure in financial statements
- IFRS 19: Subsidiaries without public accountability
- Amendments to IFRS 9 and IFRS 7: Contracts Referencing Nature-dependent Electricity
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The adoption of the above standards and interpretations, with the exception of the adoption of IFRS 18, is not expected to lead to any changes to the Group's accounting policies nor to have any impact, or any material impact, on the Group's results or net assets.

The impact of IFRS 18 'Presentation and disclosure in financial statements', which will become effective in the consolidated Group financial statements for the financial year ending 26 February 2028, subject to UK endorsement, is still under assessment.

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.



2 Basis of preparation and consolidation continued

2.5 Alternative Performance Measures (APMs) continued

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 reflects how the business measures performance internally. These adjusted measures exclude items recognised in reported profit or loss before tax which, if included, could distort comparability between periods. Underlying profit is not an IFRS measure and therefore not directly comparable to other companies.

Reconciliations to IFRS measures

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 includes further information on the definition, purpose and reconciliation to the closest IFRS measure.

Changes to APMs

Following the Group's announcement over phased withdrawal from Financial Services, the definition of the Group's retail free cash flow APM has been updated during the period to now exclude capital injections to, dividends from, and any other exceptional cash movements with or on behalf of Sainsbury's Bank and its subsidiaries. This change results in more relevant information as retail free cash flow will now solely present retail cash flows without any impacts of the phased withdrawal from Financial Services, and enables management to assess solely the cash flows associated with its core retail operations. No comparatives have been restated as exceptional cash movements with Sainsbury's Bank in the prior year were immaterial.

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 within trade and other payables.

Other revenue items

Other revenue items comprise income from commissions.

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.

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.



Notes to the consolidated financial statements continued

3 Material accounting policies continued

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.

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 or a transaction that gives rise to an equal and deductible temporary difference 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.

3.5 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. 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.



3 Material accounting policies continued

3.5 Property, plant and equipment continued

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.

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.



Notes to the consolidated financial statements continued

3 Material accounting policies continued

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.

3.8 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.



3 Material accounting policies continued

3.8 Impairment continued

a) Non-financial assets continued

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 measured at amortised cost 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 (FVPL), 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 Amounts due 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.

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.



Notes to the consolidated financial statements continued

3 Material accounting policies continued

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.

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 FVPL.

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
- Financial assets at FVPL

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 (FVPL) or a combination thereof (FVOCI).

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.



3 Material accounting policies continued

3.15 Financial instruments continued

a) Financial assets continued

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. On initial recognition, financial assets at FVOCI are measured at fair value plus transaction costs and subsequently recorded at fair value at each period end with the movements recognised in other comprehensive income until derecognised 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. Cumulative gains and losses on equity instruments are never recycled to the income statement, but are transferred from financial asset reserve to retained earnings within equity. 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

Financial assets that do not meet the classification criteria to be measured at amortised cost or at FVOCI are measured at FVPL. Financial assets measured at FVPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement. Interest on debt instruments is recognised using the effective interest method.

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 FVPL. 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 and other taxes and social security costs payable
- 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.

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 applies 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 adopted IAS 39 for its macro portfolio fair value hedges of fixed rate personal loans up to the point of announced disposal in June 2024, and for Mortgages in the comparative year up until the point of disposal in August 2023.

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.



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 continued

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

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.

The Group used portfolio fair value hedging as a risk management tool for hedging interest rate risk on the personal loans portfolio up to the point of announced disposal in June 2024, and for mortgages in the comparative year up until the point of disposal in August 2023. Following the announced exit of personal loans, the related derivatives classified in a hedge relationship were deemed ineffective with changes in fair value recognised immediately in the income statement from this date.

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.

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.



3 Material accounting policies continued

3.19 Retirement benefit obligations continued

b) Defined benefit pension scheme (Sainsbury's Pension Scheme) continued

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 accounting for the phased withdrawal from Financial Services. Key judgements have included the classification of costs as non-underlying items (note 4.1 a)), the timing of recognition of provisions, the classification of amounts within discontinued operations, and the timing and quantum of assets held for sale and loss on disposal recognition. Key estimates have included the measurement of onerous contracts and restructuring provisions.

The following judgements, which were disclosed as significant judgements in the prior year financial statements, are no longer deemed to be significant judgements:

- **Classification of cash flows as part of asset acquisition** - As part of the asset acquisition in the prior year, 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. This acquisition was completed in the prior year and as there have been no asset acquisitions in 52 weeks ended 1 March 2025, this has been removed as a significant judgement

The following estimates, which were disclosed as significant estimates in the prior year financial statements, are no longer deemed to be significant estimates:

- **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. However, any reasonably possible changes in the estimates applied in calculating these provisions would not have a material impact on the provisions recognised. Therefore, provisioning is no longer deemed to be a significant estimate
- **Impairment of financial assets** - This estimate related to the Expected Credit Loss (ECL) approach on the Bank's financial assets. Following the transfer of the Core Banking portfolios to assets of the disposal group held for sale, and the derecognition of AFS cards, financial assets are no longer material and therefore a significant estimate over their impairment no longer exists



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.

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, and is calculated with reference to lifetime actual breakage and lifetime issuance. A sensitivity analysis, showing the impact of a change in breakage estimate on the deferred points liability, is set out in note 23.1.

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 measurement 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) Impairment of 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 and 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

d) 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.

d) Post-employment benefits continued

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

Note	2025				2024 (restated*)			
	Restructuring and impairment 5.1 £m	Pensions 5.2 £m	Other 5.3 £m	Total £m	Restructuring and impairment 5.1 £m	Pensions 5.2 £m	Other 5.3 £m	Total £m
Cost of sales	(80)	—	2	(78)	(73)	—	(66)	(139)
Administrative expenses	(75)	(8)	(17)	(100)	(49)	(7)	(15)	(71)
Other income	(4)	—	57	53	—	—	6	6
Affecting operating profit	(159)	(8)	42	(125)	(122)	(7)	(75)	(204)
Net finance (costs)/income	(2)	36	(12)	22	(1)	51	(11)	39
Affecting profit before tax								
– continuing operations	(161)	28	30	(103)	(123)	44	(86)	(165)
Income tax credit/(charge)	10			15				(7)
Affecting profit after tax								
– continuing operations				(88)				(172)
Loss on disposal after tax								
– discontinued operations	11.4			(106)				(11)
Restructuring and impairment costs after tax								
– discontinued operations	11.3			(103)				(196)
Affecting profit after tax								
– discontinued operations				(209)				(207)
Affecting profit for the financial period				(297)				(379)

* Comparative periods have been re-presented to separately disclose discontinued operations. Refer to note 11 for further details.

The impact of non-underlying items on Retail cash generated from operations is presented in note A2.2.

5.1 Restructuring and impairment

a) Restructuring

Financial Services model

As part of the phased withdrawal from Financial Services, costs incurred associated with the exit that are directly attributable to the disposal group have been classified as discontinued operations as set out in note 11.

Costs which are not directly attributable to the disposal group, but have specifically been incurred as part of the phased withdrawal, have been recognised within non-underlying items within continuing operations.



Notes to the consolidated financial statements continued

5 Non-underlying items continued

5.1 Restructuring and impairment continued

a) Restructuring continued

Retail restructuring programmes

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, and further rationalise/repurpose the Group's supermarkets and convenience estate. The programme also considered the Group's Store Support Centre ways of working.

Separately, as part of our Next Level Sainsbury's strategy implementation, launched in the current year, we have commenced a multi-year restructuring programme which will update our central management structures to support faster decision-making and drive performance at both Sainsbury's and Argos, creating fewer, bigger roles with clearer accountabilities. In addition, it was announced in the current year that we will be closing food counters, converting cafes to expert partners, and converting remaining scratch bakeries.

As the costs incurred facilitate future underlying cost savings, it was considered whether it was appropriate to report these costs within underlying profit. Whilst they arise from changes in the Group's underlying operations, they can be separately identified, are material in size and do not relate to ordinary in-year trading activity. In addition, the areas being closed or restructured no longer relate to the Group's remaining underlying operations and their exclusion provides meaningful comparison between financial years.

b) Non-restructuring items

Impairments of non-financial assets

Separate from restructuring initiatives, the Group has recognised £16 million of impairment (2024: £nil) in relation to non-trading sites, reflecting rent reviews.

Analysis of restructuring and non-restructuring impairment items

		2025				2024 (restated*)		
	Note	Financial Services model £m	Retail restructuring programmes £m	Impairment of non-financial assets £m	Total £m	Financial Services model £m	Retail restructuring programmes £m	Total £m
Non-financial asset impairments								
Property, plant and equipment	17	—	(4)	—	(4)	(3)	(1)	(4)
Right-of-use assets	17	—	—	(16)	(16)	(3)	(3)	(6)
Intangible assets	17	—	—	—	—	(16)	—	(16)
		—	(4)	(16)	(20)	(22)	(4)	(26)
Accelerated depreciation of assets	a)	—	(42)	—	(42)	—	(19)	(19)
Employee costs	b)	(8)	(43)	—	(51)	(3)	(33)	(36)
Onerous contracts	c)	(8)	—	—	(8)	—	—	—
Property closure provisions	d)	—	(12)	—	(12)	—	(33)	(33)
Other costs	e)	(1)	(27)	—	(28)	(3)	(6)	(9)
		(17)	(128)	(16)	(161)	(28)	(95)	(123)

* Comparative periods have been re-presented to separately disclose discontinued operations. Refer to note 11 for further details.

- 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 incremental project-related employee costs.
- 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. 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) Other costs comprise predominantly consultancy costs.

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 Non-underlying items continued

5.3 Other

		2025 £m	2024 (restated*) £m
Property related transactions	a)	57	(15)
Non-underlying finance and fair value movements	b)	(10)	(56)
Acquisition adjustments	c)	(17)	(15)
		30	(86)

* Comparative periods have been re-presented to separately disclose discontinued operations. Refer to note 11 for further details.

- a) Predominantly relates to the profit on completion of the disposal of land associated with the Hendon Mixed Used Development Scheme, which included the closure of the existing supermarket and the recognition of a new supermarket asset within property, plant and equipment (2024: an impairment charge of £19 million of property, plant and equipment was recognised in cost of sales as part of the asset acquisition of 21 stores, 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).
- b) Comprises £12 million (2024: £10 million) finance costs relating to lease interest paid on impaired non-trading sites, and £2 million gain (2024: £46 million loss) within cost of sales relating to favourable (2024: 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.
- c) Comprises the unwind of non-cash fair value adjustments arising from the Home Retail Group. Classification as non-underlying is because these assets would not normally be recognised outside of a business combination.

6 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.

In determining the Group's reportable segments, management have considered the economic characteristics, in particular average gross margin, similarity of products, production processes, customers, sales methods and the regulatory environment of its two Retail operating segments. In doing so it has been concluded that they should be aggregated into one 'Retail' reportable 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.

The Group's reportable operating segments have therefore been identified as follows:

- 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, 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, include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment assets and liabilities, including investments in associates and joint ventures, are not disclosed because they are not reported to, or reviewed by, the CODM.

In presenting discontinued operations, income and costs directly attributable to the discontinued operations are presented separately. A high proportion of central and multi-product costs continue to be recognised within continuing operations as they are not deemed to be directly attributable to the discontinued operation.

6.1 Income statement

		2025				
	Note	Retail £m	Financial Services £m	Group – Continuing operations £m	Group – Discontinued operations (Note 11) £m	Group Total £m
Revenue						
Grocery, general merchandise and clothing		28,762	—	28,762	—	28,762
Fuel		3,868	—	3,868	—	3,868
Interest receivable		—	103	103	273	376
Fees and commission		—	79	79	57	136
		32,630	182	32,812	330	33,142
Underlying operating profit/(loss)						
Underlying operating profit/(loss)		1,036	(7)	1,029	37	1,066
Underlying finance income		31	—	31	—	31
Underlying finance costs		(336)	—	(336)	—	(336)
Underlying profit/(loss) before tax		731	(7)	724	37	761
Non-underlying items	5			(103)	(274)	(377)
Profit/(loss) before tax				621	(237)	384
Income tax (expense)/credit	10			(201)	59	(142)
Profit/(loss) for the financial year				420	(178)	242



Notes to the consolidated financial statements continued

6 Segment reporting continued

6.1 Income statement continued

	2024					
	Note	Retail £m	Financial Services (restated*) £m	Group – Continuing operations (restated*) £m	Group – Discontinued operations (restated*) (Note 11) £m	Group Total £m
Revenue						
Grocery, general merchandise and clothing		27,830	—	27,830	—	27,830
Fuel		4,254	—	4,254	—	4,254
Interest receivable		—	79	79	414	493
Fees and commission		—	75	75	69	144
		32,084	154	32,238	483	32,721
Underlying operating profit/(loss)						
Underlying operating profit/(loss)		966	(18)	948	47	995
Underlying finance income		30	—	30	—	30
Underlying finance costs		(324)	—	(324)	—	(324)
Underlying profit/(loss) before tax		672	(18)	654	47	701
Non-underlying items	5			(165)	(259)	(424)
Profit/(loss) before tax				489	(212)	277
Income tax (expense)/credit	10			(181)	41	(140)
Profit/(loss) for the financial year				308	(171)	137

* Comparative periods have been re-presented to separately disclose discontinued operations. Refer to note 11 for further details.

6.2 Balance sheet

	2025			2024		
	Retail £m	Financial Services £m	Group £m	Retail £m	Financial Services £m	Group £m
Assets	18,423	6,223	24,646	18,288	6,771	25,059
Investments in joint ventures and associates	2	—	2	2	—	2
Segment assets	18,425	6,223	24,648	18,290	6,771	25,061
Segment liabilities	(12,446)	(5,551)	(17,997)	(12,171)	(6,022)	(18,193)

6.3 Other segment items

		2025				
	Note	Retail £m	Financial Services £m	Group – Continuing operations £m	Group – Discontinued operations £m	Group £m
Depreciation expense						
Property, plant and equipment	14	532	—	532	—	532
Right-of-use assets	15	501	—	501	—	501
Amortisation expense						
Intangible assets	16	182	—	182	—	182
Impairment of non-financial assets	17	22	—	22	—	22
Impairment loss on financial assets		—	2	2	61	63
Share based payments	35	71	4	75	5	80

		2024				
	Note	Retail £m	Financial Services (restated*) £m	Group – Continuing operations (restated*) £m	Group – Discontinued operations (restated*) £m	Group £m
Depreciation expense						
Property, plant and equipment	14	538	—	538	1	539
Right-of-use assets	15	449	1	450	—	450
Amortisation expense						
Intangible assets	16	159	13	172	17	189
Impairment of non-financial assets	17	23	22	45	152	197
Impairment of goodwill	17	—	—	—	38	38
Impairment loss/(reversal) on financial assets		(4)	2	(2)	100	98
Share based payments	35	83	2	85	4	89

* Comparative periods have been re-presented to separately disclose discontinued operations. Refer to note 11 for further details.



6 Segment reporting continued

6.3 Other segment items continued

	Note	2025			2024		
		Retail £m	Financial Services £m	Group £m	Retail £m	Financial Services £m	Group £m
Additions to non-current assets							
Property, plant and equipment	14	629	—	629	1,654	1	1,655
Intangible assets	16	208	—	208	165	13	178
Right-of-use assets	15	676	—	676	435	3	438

6.4 Geographical segments

In the current year, the Group traded in the UK and consequently the majority of revenues, capital expenditure and segment net assets arise there. The assets of the businesses in the Republic of Ireland and Asia, where the Group does not trade but maintains an operational presence, are not material.

7 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

	2025 £m	2024 £m
Fixed amounts	293	271
Supplier rebates	40	76
Marketing and advertising income	174	134
	507	481

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

	2025 £m	2024 £m
Within inventory	(2)	(3)
Within current trade receivables		
Supplier arrangements due	54	47
Accrued supplier arrangements	65	48
Within current trade payables		
Supplier arrangements due	37	39
Accrued supplier arrangements	—	1
Total supplier arrangements	154	132

Additionally, £18 million (2024: £nil) of supplier arrangements contractually agreed but not yet earned is held on the balance sheet within deferred income.



Notes to the consolidated financial statements continued

8 Operating profit

8.1 Operating profit is stated after charging/(crediting):

Continuing operations	Note	2025 £m	2024 (restated*) £m
Employee costs	8.2	3,983	3,803
Inventories recognised as an expense within cost of sales		26,557	26,087
Write-down of inventories		721	672
Depreciation			
– Property, plant and equipment	a) 14	532	538
– Right-of-use assets	15	501	450
Amortisation			
– Intangible assets	a) 16	182	172
Impairment of non-financial assets	17	22	44
Short-term lease expense		30	30
Sublet income		(47)	(46)
Profit on disposal		(53)	(5)
– Property, plant and equipment			
– Lease terminations		(9)	(11)
Foreign exchange (gain)/loss		(1)	12

* Comparative periods have been re-presented to separately disclose discontinued operations. Refer to note 11 for further details.

a) Includes the unwind of acquisition adjustments as set out in note 5.3.

8.2 Employee costs

	2025 £m	2024 £m
Wages and salaries, including bonus and termination benefits	3,532	3,348
Social security costs	275	254
Pension costs – defined contribution schemes	204	188
Share-based payments expense	80	89
	4,091	3,879
Discontinued operations	108	76
Continuing operations	3,983	3,803

8.3 Employee numbers

Average number of employees, including Directors and discontinued operations:	2025 '000	2024 '000
Full-time	53	57
Part-time	92	95
	145	152
Full-time equivalent	95	100

Details of key management compensation can be found in note 38.1 and within the Directors' remuneration report on pages 104 to 121.

8.4 Auditor's remuneration

	2025 £m	2024 £m
Audit of the parent company and consolidated financial statements	1.5	1.2
Audit of the Company's subsidiaries	2.7	2.4
Audit-related assurance services, including half-year review	0.1	0.1
	4.3	3.7
Non-audit services	0.1	—
Total fees	4.4	3.7

Non-audit services relate to services provided by the Group's auditor in relation to the establishment of the Euro MTN (EMTN) Programme which provided a platform for accessing the public bond markets.



9 Finance income and finance costs

	2025			2024		
	Underlying £m	Non- underlying £m	Total £m	Underlying £m	Non- underlying £m	Total £m
Continuing operations						
Interest on bank deposits and other financial assets	29	—	29	28	—	28
IAS 19 pension financing income	—	36	36	—	51	51
Finance income on net investment in leases	2	—	2	2	—	2
Finance income	31	36	67	30	51	81
Secured borrowings	(35)	—	(35)	(38)	—	(38)
Unsecured borrowings	(41)	—	(41)	(33)	—	(33)
Lease liabilities	(260)	(12)	(272)	(253)	(11)	(264)
Provisions – amortisation of discount	—	(2)	(2)	—	(1)	(1)
Finance costs	(336)	(14)	(350)	(324)	(12)	(336)

10 Taxation

10.1 Income statement

	2025 £m	2024 (restated*) £m
Continuing operations		
Current tax		
Corporation tax	124	129
Over provision in prior years	(34)	(4)
	90	125
Deferred tax		
Origination and reversal of temporary differences	61	36
Under/(over) provision in prior years	54	(19)
Adjustment from change in applicable rate of deferred tax	—	(1)
(Recognition)/derecognition of capital losses	(4)	40
	111	56
Total income tax expense	201	181
Analysed as:		
Underlying tax	216	174
Non-underlying tax	(15)	7
Total income tax expense	201	181
Underlying tax rate	29.8%	26.7%
Effective tax rate	32.4%	37.1%

* Comparative periods have been re-presented to separately disclose discontinued operations. Tax associated with discontinued operations is presented in note 11.

The effective tax rate of 32.4 per cent (2024: 37.1 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:

		2025			2024 (restated*)		
		Underlying £m	Non- underlying £m	Total £m	Underlying £m	Non- underlying £m	Total £m
Continuing operations							
Profit before tax		724	(103)	621	654	(165)	489
Income tax at UK corporation tax rate of 25% (2024: 24.6%):	a)	181	(26)	155	161	(41)	120
Disallowed depreciation on UK properties		37	1	38	39	—	39
(Gain)/loss on disposal of properties		—	(6)	(6)	—	3	3
Restructuring programmes		—	—	—	—	3	3
Other		(2)	—	(2)	(3)	3	—
Under/(over) provision in prior years		—	20	20	(23)	—	(23)
(Recognition)/derecognition of capital losses		—	(4)	(4)	—	39	39
		216	(15)	201	174	7	181

* Comparative periods have been re-presented to separately disclose discontinued operations. Tax associated with discontinued operations is presented in note 11.

a) In the prior year, a blended rate of 24.6% was used in the reconciliation above to reflect the increase in UK corporation tax from 19% to 25% which was effective from 1 April 2024.



Notes to the consolidated financial statements continued

10 Taxation continued

10.1 Income statement continued

The Group is within the scope of global minimum tax (GMT) under the OECD Pillar Two rules (Pillar Two). Pillar Two reporting requirements were enacted for the UK on 18 July 2023 and apply to the Group from the period ended 1 March 2025. Under these requirements, the Group is liable to pay a top up tax for any deficit between the minimum tax rate of 15 per cent and the effective tax rate per jurisdiction. As a primarily UK focused Group, we do not anticipate the impact of any GMT being material, and anticipate being able to benefit from the transitional safe harbour rules for the majority of the Group's overseas subsidiaries.

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.

10.2 Income tax charged or (credited) to equity and/or other comprehensive income

	2025			2024		
	Current tax £m	Deferred tax £m	Total £m	Current tax £m	Deferred tax £m	Total £m
Share based payment reserve	(3)	—	(3)	(3)	3	—
Actuarial reserve	—	(8)	(8)	(8)	(97)	(105)
Financial asset reserve	1	(1)	—	(2)	(80)	(82)
Cash flow hedge	—	4	4	—	(17)	(17)
	(2)	(5)	(7)	(13)	(191)	(204)

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.

10.3 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
3 March 2024	(134)	44	(1)	(92)	(244)	35	81	(18)	(329)
(Charge)/credit to income statement									
– continuing operations	(75)	(5)	(8)	—	18	(3)	(18)	(24)	(115)
Credit to income statement – discontinued operations	—	—	—	—	—	—	—	6	6
(Charge)/credit to equity or other comprehensive income	—	—	(3)	—	8	—	—	—	5
Recognition of deferred tax asset	—	4	—	—	—	—	—	—	4
1 March 2025	(209)	43	(12)	(92)	(218)	32	63	(36)	(429)
5 March 2023	(166)	87	(102)	(93)	(330)	32	109	(13)	(476)
Credit/(charge) to income statement – continuing	22	(3)	4	1	(11)	6	(29)	(5)	(15)
Credit to income statement – discontinued	10	—	—	—	—	—	—	—	10
Credit 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)
								2025 £m	2024 £m
Total deferred tax liabilities								(567)	(489)
Total deferred tax assets								138	160
Net deferred income tax liability recognised in non-current liabilities								(429)	(329)

Deferred tax assets have not been recognised in respect of capital losses of £399 million (2024: £355 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.



11 Discontinued operations

In January 2024 the Group announced it had completed its strategic review of the Financial Services division, culminating in a single co-ordinated plan to move to a third-party distributed model. Owing to the complex nature of assets and liabilities that make up the separate major line of business, this will result in a phased withdrawal with components completing at various stages.

Following the announcement on 20 June 2024 that the Group had entered into an agreement for the sale of Sainsbury's Bank plc's personal loan, credit card and retail deposit portfolios (together, the Core Banking Business) to NatWest Group (NatWest), the associated assets and liabilities of the disposal group were classified as held for sale. The sale is expected to complete in the first half of calendar year 2025. The announced agreement subsequently triggered a change in business model in accordance with IFRS 9 'Financial Instruments' as the objective is to sell financial assets and no longer to hold for the collection of contractual cash flows. The underlying portfolios within the disposal group have therefore been reclassified from being measured at amortised cost to being measured at fair value through profit and loss by reference to the pricing mechanism within the sale agreement and reflects the market conditions prevailing at the balance sheet date. The adjustment has been made prospectively from 15 September, being the first day of the reporting period following the change in business mode. Prior to the reclassification the financial assets were classified and subsequently measured at amortised cost using the effective interest method, net of any loss allowance, whilst the disposal group was measured at fair value less costs to sell in accordance with IFRS 5 'Non-current assets held for sale and discontinued operations'.

On 25 September 2024, the Group announced the sale of its ATM estate to NoteMachine, with transfer of assets expected to be completed by May 2025. Following the transfer, the Group will cease manufactured ATM operations. At the balance sheet date, remaining ATM assets are classified as held for sale. Following the classification of the Core Banking Business and ATMs as held for sale, and both components forming part of the single co-ordinated plan to move to a third-party distributed model, results have also been re-presented to classify the operations as discontinued.

On 31 October 2024 the Group announced it had entered into an agreement for the sale of AFS cards to NewDay Group representing the next phase of the single co-ordinated plan to move to a third-party distributed model. As a result, results have been re-presented to classify the operations as discontinued. The sale subsequently completed on 28 February 2025 with associated assets being derecognised as a result.

In August 2023, the Group disposed of its mortgage portfolio which in isolation was not sufficiently material to be classified as a discontinued operation at that time but did form part of the move to a third-party distributed model in prior periods and accordingly has now been reclassified as a discontinued operation for the 52 week period to 2 March 2024.

The loss for these operations is set out in note 11.2 with associated non-underlying items previously included in continuing operations set out in note 11.3. Further costs associated with this restructuring will be incurred in future years as further detailed plans to execute these changes are formulated and communicated. Loss on disposal is measured by reference to the fair value of portfolios at the balance sheet date, or in the case of AFS cards, by reference to the fair value of consideration received, as set out in note 11.4.

11.1 Discontinued operations total loss after tax

	Note	2025 £m	2024 £m
Loss after tax	11.2	(72)	(160)
Net loss arising from disposals	11.4	(106)	(11)
Loss after tax		(178)	(171)
Of which:			
Underlying items		31	36
Non-underlying items	11.3, 11.4	(209)	(207)
Loss after tax		(178)	(171)

11.2 Discontinued operations loss after tax excluding net loss arising from disposals

	Note	2025 £m	2024 £m
Revenue			
Interest receivable		273	414
Fees and commission income		57	69
		330	483
Operating costs		(293)	(436)
Operating profit, excluding non-underlying restructuring costs		37	47
Non-underlying restructuring and impairment costs	a) 11.3	(133)	(245)
Loss before tax		(96)	(198)
Income tax credit		24	38
Loss after tax		(72)	(160)

a) Amounts for 2025 have been recognised in administrative expenses (2024: £21 million effective interest rate adjustment to financial assets was recognised in revenue, with the remaining £224 million recognised in administrative expenses).



Notes to the consolidated financial statements continued

11 Discontinued operations continued

11.3 Non-underlying restructuring and impairment costs included in discontinued operations

		2025 £m	2024 £m
Impairment charges	a)	—	(190)
Employee costs	b)	(43)	(6)
Onerous contracts	c)	(75)	(17)
Effective interest rate adjustment to financial assets	d)	—	(21)
Other costs	e)	(15)	(11)
		(133)	(245)
Income tax credit		30	49
		(103)	(196)

a) 2024: comprises impairment charges of property, plant and equipment and intangible assets including goodwill.

b) Comprises severance costs and incremental employee costs.

c) Comprises long-dated IT contracts where early termination will result in incremental costs to exit. Costs represent the lower of the costs of fulfilling contracts and the costs of terminating.

d) 2024: The withdrawal from Core Banking operations has a commercial impact upon future management initiatives and potential impact on customer behaviours. This required refreshed assumptions in the calculation of the effective interest rate, reducing the amortised cost of financial assets with the impacts being recognised in revenue.

e) Comprises loss on derivatives no longer classified in an effective hedge relationship, and consultancy costs (2024: comprises consultancy costs).

11.4 Discontinued operations net loss arising from disposals

		2025 £m	2024 £m
Fair value of consideration received/(payable)	a)	149	446
Fair value of net assets disposed	b)	(218)	(457)
Write down of net liabilities/loss on net assets disposed	c)	(69)	(11)
Costs of disposal	d)	(72)	(3)
Loss on disposal before tax		(141)	(14)
Income tax credit		35	3
Loss on disposal after tax		(106)	(11)

a) Comprises amounts payable in relation to the Core Banking activities with net liabilities inclusive of a £132 million discount on gross assets based on pricing mechanisms set out in the sale agreement but measured at the reporting date. The discount at expected point of completion in 2025 is £125 million (2024: comprises proceeds in respect of the sale of the mortgage portfolio). Amounts are offset by £749 million related to AFS cards and the debt instrument notes derecognised, and £2 million related to the ATM assets.

b) Comprises the fair value of assets and liabilities of the Core Banking portfolios held for sale, AFS cards assets disposed inclusive of £24 million goodwill previously allocated to the Home Retail Group CGU, and ATM related assets (2024: Comprises the fair value of the assets and liabilities of the mortgage portfolio inclusive of £7 million goodwill).

c) By the point of completion of the Core Banking sale in the first half of calendar year 2025, the write down of net assets disposed is expected to be up to £7 million lower than the amount recognised as at 1 March 2025. Furthermore, the total loss on disposal by this point will also include further incremental legal and consultancy costs to be incurred.

d) Relates to disposal costs comprising legal, consultancy and migration costs directly associated with the sale.

11.5 Assets and liabilities of disposal group and non-current assets classified as held for sale

	Note	2025 £m
Non-current assets classified as held for sale		
ATM assets		1
Assets of disposal group classified as held for sale		
Unsecured balances		2,512
Intangible assets	a)	—
		2,512
Total assets of disposal group and non-current assets classified as held for sale	22	2,513
Liabilities of disposal group classified as held for sale		
Customer deposits		(3,109)
Provisions for costs of disposal		(27)
Total liabilities of disposal group classified as held for sale		(3,136)
Net liabilities held for sale associated with discontinued operations		(623)

a) Represents the cost and associated accumulated amortisation and impairment of £38 million for goodwill and £39 million for acquired intangibles deemed directly attributable to the disposal group.

11.6 Discontinued operations cash flow statement

		2025 £m	2024 £m
Net cash flows from:			
Operating activities		579	(148)
Investing activities	a)	750	446
		1,329	298

a) Net cash flows generated from investing activities primarily relate to proceeds received from the disposal of AFS cards and cash receipts from the sale of a debt instrument that formed part consideration under the arrangement. Inflows of £446 million in 2024 relate to the disposal of the mortgage portfolio.



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 total profit after tax attributable to shareholders before non-underlying items which are set out in note 5.

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	2025 million	2024 (restated*) million
Weighted average number of shares in issue for calculating basic earnings per share		2,330.6	2,334.8
Weighted average number of dilutive share options		43.5	59.2
Weighted average number of shares in issue for calculating diluted earnings per share		2,374.1	2,394.0
		£m	£m
Underlying profit after tax attributable to ordinary shareholders of the parent		539	516
Adjustment for non-underlying items net of tax	5	(297)	(379)
Profit after tax attributable to ordinary shareholders of the parent – continuing operations		420	308
Loss after tax from discontinued operations	11	(178)	(171)
Profit after tax attributable to ordinary shareholders of the parent		242	137
		Pence per share	Pence per share (restated*)
Earnings per share			
Basic		10.4	5.9
Diluted		10.2	5.7
Basic – discontinued operations		(7.6)	(7.3)
Diluted – discontinued operations		(7.5)	(7.2)
Basic – continuing operations		18.0	13.2
Diluted – continuing operations		17.7	12.9
Basic - underlying		23.1	22.1
Diluted - underlying		22.7	21.6

* Comparative periods have been re-presented to separately disclose discontinued operations. Refer to note 11 for further details.

13 Dividends

	2025 pence per share	2024 pence per share	2025 £m	2024 £m
Amounts recognised as distributions to ordinary shareholders				
Final dividend for financial year ended 4 March 2023	—	9.2	—	215
Interim dividend for financial year ended 2 March 2024	—	3.9	—	91
Final dividend for financial year ended 2 March 2024	9.2	—	217	—
Interim dividend for financial year ended 1 March 2025	3.9	—	91	—
	13.1	13.1	308	306
Proposed final dividend at financial year-end	9.7		223	

The proposed final dividend was approved by the Board on 16 April 2025 and is subject to shareholders' approval at the Annual General Meeting. If approved, it will be paid on 11 July 2025 to shareholders on the register as at 6 June 2025. No amount for the proposed final dividend has been recognised at the balance sheet date.



Notes to the consolidated financial statements continued

14 Property, plant and equipment

		2025			2024		
		Land and buildings £m	Fixtures and equipment £m	Total £m	Land and buildings £m	Fixtures and equipment £m	Total £m
	Note						
Cost							
At beginning of financial year		11,154	4,919	16,073	9,865	5,029	14,894
Acquisition		—	—	—	1,021	—	1,021
Additions		280	349	629	274	360	634
Disposals		(26)	(730)	(756)	(1)	(470)	(471)
Transfer to assets held for sale	22	(27)	(33)	(60)	(5)	—	(5)
At end of financial year		11,381	4,505	15,886	11,154	4,919	16,073
Accumulated depreciation and impairment							
At beginning of financial year		3,347	3,444	6,791	3,153	3,540	6,693
Depreciation expense		203	329	532	186	353	539
Impairment loss	17	1	5	6	8	21	29
Disposals		(22)	(727)	(749)	—	(470)	(470)
Transfer to assets held for sale	22	(21)	(31)	(52)	—	—	—
At end of financial year		3,508	3,020	6,528	3,347	3,444	6,791
Net book value		7,873	1,485	9,358	7,807	1,475	9,282
Capital work-in-progress included above		202	56	258	115	56	171

Transfers to assets held from sale in the year relate to Retail non-current assets held for sale and do not form part of the disposal group.

14.1 Security

	2025		2024	
	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	51	1.2
Other	—	—	6	0.1
	99	2.1	105	2.2

15 Leases

15.1 Group as a lessee

a) Right-of-use assets

		2025			2024		
		Land and buildings £m	Equipment £m	Total £m	Land and buildings £m	Equipment £m	Total £m
Net book value	Note						
At beginning of financial year		3,976	320	4,296	5,032	313	5,345
New leases and modifications		487	189	676	334	104	438
Impairment loss	17	(16)	—	(16)	(6)	—	(6)
Depreciation expense		(392)	(109)	(501)	(353)	(97)	(450)
Derecognised as part of asset acquisition		—	—	—	(1,031)	—	(1,031)
At end of financial year		4,055	400	4,455	3,976	320	4,296

b) Lease liabilities

	Note	2025 £m	2024 £m
At beginning of financial year		5,354	6,489
New leases and modifications		627	414
Derecognised as part of asset acquisition		—	(1,042)
Interest expense	9	272	264
Payments		(759)	(771)
At end of financial year		5,494	5,354



15 Leases continued

15.1 Group as a lessee continued

c) Maturity analysis

	2025 £m	2024 £m
Contractual undiscounted cash flows		
Less than 1 year	758	703
1 to 2 years	721	660
2 to 3 years	657	619
3 to 4 years	620	562
4 to 5 years	598	534
Total less than 5 years	3,354	3,078
5 to 10 years	2,665	2,467
10 to 15 years	1,688	1,779
More than 15 years	2,654	2,770
Total undiscounted lease liability	10,361	10,094
Lease liability in the balance sheet	5,494	5,354
Analysed as:		
Current	590	515
Non-current	4,904	4,839

d) Undiscounted future rental payments not currently included within the reported lease liability

	2025 £m	2024 £m
Extension options expected to not be exercised	4,591	4,498
Lease breaks expected to be exercised	341	400

e) Sensitivity to changes in discount rate

	2025 Increase/(decrease) in lease liability additions/modifications £m
Increase in IBR of 3pts	(80)
Decrease in IBR of 3pts	79

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)

	2025 £m	2024 £m
Inflation-linked rentals	2,913	2,862
Subject to rent reviews	207	225

g) Lease cash flows

	2025 £m	2024 £m
Total cash outflow for leases (excludes sublet income)	(791)	(803)

15.2 Group as lessor

a) Maturity analysis of lease receivables classified as finance leases

	2025 £m	2024 £m
Contractual undiscounted cash flows		
Less than 1 year	11	10
1 to 5 years	12	21
More than 5 years	7	10
	30	41
Lease receivable included in the balance sheet		
Current	9	9
Non-current	15	24
	24	33



Notes to the consolidated financial statements continued

15 Leases continued

15.2 Group as lessor continued

b) Maturity analysis of lease receivables classified as operating leases

	2025 £m	2024 £m
Less than 1 year	17	20
1 to 2 years	15	17
2 to 3 years	13	15
3 to 4 years	12	12
4 to 5 years	10	11
5 to 10 years	32	37
10 to 15 years	7	7
More than 15 years	20	11
Total undiscounted lease payments receivable	126	130

16 Intangible assets

	Note	Goodwill £m	Computer software £m	Acquired brands £m	Customer relationships £m	Total £m
Cost						
At 3 March 2024		384	1,235	229	32	1,880
Additions		—	208	—	—	208
Disposals		(24)	(93)	—	—	(117)
Transfer to assets held for sale	22	(38)	—	(39)	—	(77)
At 1 March 2025		322	1,350	190	32	1,894
Accumulated amortisation and impairment						
At 3 March 2024		77	780	185	32	1,074
Amortisation expense		—	164	18	—	182
Disposals		—	(92)	—	—	(92)
Transfer to assets held for sale	22	(38)	—	(39)	—	(77)
At 1 March 2025		39	852	164	32	1,087
Net book value at 1 March 2025		283	498	26	—	807
Capital work-in-progress included above						
		—	63	—	—	63
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

Following the agreement to sell Core Banking portfolios announced during the year, the cost and associated accumulated amortisation and impairment of £38 million for goodwill and £39 million for acquired brands has been transferred to the disposal group classified as held for sale. A further £24 million of goodwill previously allocated to the Home Retail Group CGU has been derecognised following the disposal of AFS cards.

Disposal of goodwill in the prior year relates to the disposal of the mortgage book.

16.1 Analysis of goodwill balances by CGU

	2025 £m	2024 £m
Jacksons Stores Limited	18	18
Home Retail Group	95	119
Nectar	147	147
Bells Stores Limited	5	5
Other	18	18
	283	307



17 Impairment of non-financial assets

17.1 Impairment testing

Cash Generating Units

For the purpose of impairment testing, cash generating units are determined by reference to the smallest identifiable group of assets that generates cash flows independent from other assets or group of assets. These have been assessed as:

- **Individual assets**
- **Individual stores** representing the collective assets directly attributable to each respective store
- **Group of stores** representing local fulfilment centres and hub-stores within Argos where each site serves a defined set of hub-stores
- **Corporate level** covering the principal brands of the Group: Sainsbury's, Argos, Nectar and Sainsbury's Bank

Central assets and associated cash flows are allocated to the respective corporate level CGU to which they relate and are attributed to the lowest level CGU to the extent that they are reasonably and consistently allocable, estimated by reference to store sales.

For the purpose of impairment, goodwill acquired is allocated to the CGU that is expected to benefit from the synergies of the combination.

Recoverable amount

The recoverable amount of individual assets, stores and group of store CGUs is measured as the higher of fair value less cost to dispose and the value-in-use of cash flows expected to be independently generated. The recoverable amount for corporate level CGUs is measured as the value-in-use.

In measuring the value-in-use, cash flow projections are based on the latest management approved forecast covering a four-year period, and beyond four years the final year forecast is extrapolated based on the estimated average long-term growth rate. Long-term sales and cost projections consider the outlook for addressable markets, competitor behaviour, estimation on inflation and market rates, the prevailing macro and microeconomic climate and committed initiatives. In forming these projections, management draws on past experience as a basis of forecasting future performance. Cash flows are then adjusted to remove the impact of estimated future cash flows expected to arise from strategic capital expenditure not yet incurred. For the purpose of store-level and group of store-level CGUs, base cash flows are derived from the relative current year performance and extrapolated by reference to the adjusted operating profit growth approved by management.

Climate change considerations

The Group's scenario analysis performed as part of the Task Force on Climate-related Financial Disclosures (TCFD) report (page 31) 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 £400 million to £500 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.

Key assumptions

- Long-term growth rate: measured by reference to average historical GDP growth
- Discount rates: Representing the weighted average cost of capital (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
- Cash flow length: where the useful economic life exceeds management's cash flow projects, the final year is extrapolated out to the sooner of perpetuity using a terminal value and contractually committed tenure. Properties identified for closure will be assessed by reference to the committed exit date

The value attributed to each assumption in measuring the recoverable amount of components with attributed goodwill are as follows:

	2025			2024		
	Pre-tax discount rate	Post-tax discount rate	Long-term growth rate	Pre-tax discount rate	Post-tax discount rate	Long-term growth rate
Home Retail Group	11.0%	8.3%	2%	8.9%	6.6%	2%
Nectar UK	9.1%	6.8%	2%	8.9%	6.6%	2%
Jacksons Stores Limited	9.1%	6.8%	2%	8.9%	6.6%	2%
Bells Stores Limited	9.1%	6.8%	2%	8.9%	6.6%	2%
Other	9.1%	6.8%	2%	8.9%	6.6%	2%
Sainsbury's Bank	a)	—	—	14.7%	11.0%	2%

- a) Following the announced restructuring of the Financial Services business in January 2024, a full impairment review was undertaken in the prior year resulting in a £212 million impairment being recognised over non-financial assets, inclusive of £38 million goodwill as further disclosed in note 11. For Financial Services products not directly impacted by the phased withdrawal, the assumed growth rate of 2% was applied to extrapolate future cash flows beyond management's four-year forecast.



Notes to the consolidated financial statements continued

17 Impairment of non-financial assets continued

17.2 Non-financial assets

a) Impairment charges

In line with the assumptions noted above, the Group assessed whether an indicator of impairment existed at the reporting date. Given Argos trading performance was below expectations, it was determined that an indicator of impairment existed over the Group's Argos assets and therefore a full impairment review was undertaken. £2 million of impairment was recognised as a result of this review.

Separate to the indicator of impairment assessment, the Group recognised £4 million of impairment as part of retail restructuring programmes, and £16 million of impairment in relation to non-trading sites reflecting rent reviews.

		2025			2024		
	Note	Retail £m	Financial Services £m	Total £m	Retail £m	Financial Services £m	Total £m
Balance sheet							
Property, plant and equipment		6	—	6	20	9	29
Right-of-use assets		16	—	16	3	3	6
Intangible assets		—	—	—	—	200	200
Total impairment loss		22	—	22	23	212	235
Income statement							
Comprising							
Within non-underlying items							
Restructuring programmes	5.1	4	—	4	4	212	216
Non-restructuring programmes	5.1	16	—	16	19	—	19
Within underlying items							
Argos store assets		2	—	2	—	—	—
Total impairment loss		22	—	22	23	212	235
Discontinued operations		—	—	—	—	190	190
Continuing operations		22	—	22	23	22	45

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

Following the disposal of AFS cards (refer to note 11 for more details), goodwill of £24 million was reallocated from the Home Retail Group CGU and subsequently derecognised on disposal. The remaining £95 million of goodwill continues to be attributed to the Home Retail Group that comprises operations related to the Argos brand. There was no impairment of the remaining goodwill associated with Home Retail Group.

a) Impairment charges

The following impairment charges are included within the intangible assets impairment presented in note 17.2.

	2025 £m	2024 £m
Sainsbury's Bank plc	—	38

Value-in-use calculations used to derive the recoverable amount of the CGU to which the respective goodwill has been allocated are measured as outlined above with discount rate and cash flow projections representing the key measurement assumptions.

b) Sensitivities

Sensitivity analysis on the impairment tests for each group of CGUs to which goodwill has been allocated has been performed.

		Headroom £m	Headroom			
			Discount rate		Cash flows	
			-2pts £m	+2pts £m	-25% £m	+25% £m
Home Retail Group	a)	22	132	(51)	(57)	100
Nectar UK	a)	1,534	2,203	1,160	1,109	1,959
Jacksons Stores Limited	b)	79	98	66	51	107
Bells Stores Limited	b)	29	33	27	18	39
Other		49	79	32	25	74

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% as a corporate level CGU.

b) Goodwill balances are allocated to individual store CGUs to which they relate.



18 Other financial assets

	2025			2024		
	Non-current £m	Current £m	Total £m	Non-current £m	Current £m	Total £m
At fair value through other comprehensive income						
Equity: other financial assets	—	—	—	17	—	17
Debt: other financial assets	757	612	1,369	744	17	761
At fair value through profit and loss						
Debt: other financial assets	12	—	12	—	—	—
	769	612	1,381	761	17	778

19 Inventories

	2025 £m	2024 £m
Gross finished goods	2,039	2,039
Inventory provision	(93)	(112)
	1,946	1,927

20 Trade and other receivables

20.1 Trade and other receivables

	2025			2024		
	Non-current £m	Current £m	Total £m	Non-current £m	Current £m	Total £m
Trade receivables	—	158	158	—	126	126
Other receivables	27	192	219	65	253	318
Accrued income	—	29	29	—	13	13
Prepayments	15	193	208	43	190	233
	42	572	614	108	582	690

Trade and other receivables include £119 million (2024: £95 million) relating to supplier arrangements where there is no right of offset. In addition, current other receivables include £85 million (2024: £160 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.

	2025				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	133	27	—	1	161
Other receivables	224	1	2	9	236
Gross carrying amount – Trade and other receivables	357	28	2	10	397
Allowance for expected credit losses	(7)	(2)	(2)	(9)	(20)
Net carrying amount	350	26	—	1	377

	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



Notes to the consolidated financial statements continued

21 Amounts due from Financial Services customers and other banks

	2025			2024		
	Non-current £m	Current £m	Total £m	Non-current £m	Current £m	Total £m
Loans and advances to customers	—	—	—	1,525	3,227	4,752
Allowance for expected credit losses	—	—	—	(58)	(177)	(235)
	—	—	—	1,467	3,050	4,517

Following the announced withdrawal from Financial Services, amounts in relation to AFS cards have been derecognised following its sale and amounts related to the Core Banking portfolios have been transferred to assets held for sale. Please refer to note 11 for further details.

22 Assets and liabilities of disposal group and non-current assets held for sale

As described in note 11, in the period the Group announced the sale of its Core Banking Business and ATM estate, which are due to complete in the first half of the calendar year 2025. Consequently, assets and liabilities of £2,512 million and £3,136 million, of the core banking disposal group are classified as held for sale and measured at fair value through profit and loss by reference to the pricing mechanism within sale agreement and reflects the market conditions prevailing at the balance sheet date. As such, amounts classified as held for sale for the core banking disposal group during the period are reported net of any portfolio unwind and fair value movements between the point of initial classification and the reporting date.

Non-current assets of £15 million comprise £1 million of ATM assets and £14 million of retail related assets. Proceeds from disposals of non-current assets held for sale for continuing operations have been presented within proceeds from disposal of property, plant and equipment in the Group cash flow statement.

22.1 Assets of disposal group and non-current assets held for sale

	2025 £m	2024 £m
Opening balance	10	8
Acquisitions	—	63
Classified as held for sale in the year	2,521	15
No longer classified as held for sale	—	(10)
Sold in the year	(4)	(66)
Closing balance	2,527	10
Of which		
Assets of disposal group held for sale	2,512	—
Non-current assets classified as held for sale	15	10
	2,527	10

22.2 Liabilities of disposal group held for sale

	2025 £m	2024 £m
Opening balance	—	—
Classified as held for sale in the period	(3,136)	—
Closing balance	(3,136)	—

As disclosed in note 3.12, assets held for sale are stated at the lower of the carrying amount and fair value less costs to dispose. The fair value of non-current assets held for sale are based on independent market valuations of the assets and the fair value of assets of disposal group held for sale are based on contractually committed pricing mechanisms.

Acquisitions in the prior year relate to the asset acquisition of four properties, which were sold to a third party for £61 million. The fifth and final property acquired as part of the asset acquisition was sold to a third party in the 52 weeks ended 1 March 2025.

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

	2025			2024		
	Non-current £m	Current £m	Total £m	Non-current £m	Current £m	Total £m
Trade payables	—	3,903	3,903	2	3,764	3,766
Other payables	—	533	533	2	538	540
Accruals	8	501	509	6	456	462
Deferred income	16	341	357	1	333	334
	24	5,278	5,302	11	5,091	5,102

	2025 £m	2024 £m
Analysis of deferred income		
Opening balance	334	342
Revenue deferred	323	289
Revenue recognised which has previously been deferred	(300)	(297)
Closing balance	357	334

£299 million (2024: £303 million) of deferred income relates to deferred Nectar points.

23.1 Sensitivity of deferred income in respect of Nectar points to breakage estimates

Key assumption	Sensitivity	(Increase)/decrease in deferred points liability £m
Breakage estimate	1pts	53
	(1)pts	(53)

23.2 Foreign currency risk

The Group has net euro-denominated trade payables of £93 million (2024: £98 million) and US dollar-denominated trade payables of £140 million (2024: £136 million).

23.3 Supplier financing arrangements

The Group has supply chain finance programmes in place for a total of £1,135 million (2024: £1,053 million). The programmes are funded by seven of the Group's relationship banking partners.

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 between the Group and 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.

a) Carrying amount of liabilities

	2025 £m	2024 £m
Presented within trade and other payables	1,230	1,168
– of which is drawn under the supply chain finance programmes	693	547

b) Range of payment due dates

	2025	2024
Liabilities that are part of the arrangement	7-90 days after invoice date	7-90 days after invoice date
Comparable trade payables that are not part of an arrangement	0-120 days after invoice date	0-120 days after invoice date

24 Amounts due to Financial Services customers and banks

	2025			2024		
	Non-current £m	Current £m	Total £m	Non-current £m	Current £m	Total £m
Customer accounts	—	—	—	183	3,981	4,164
Other deposits	13	1,955	1,968	23	1,534	1,557
	13	1,955	1,968	206	5,515	5,721

Included within the balance are £1,066 million (2024: £518 million) of deposits obtained via deposit aggregators where the ultimate depositors are retail customers. The remaining £902 million (2024: £1,039 million) relates to deposits from wholesale counterparties of which £nil (2024: £610 million) are from the Bank of England's TFSME and ILTR schemes which were repaid in the year.

Following the announced withdrawal from financial services, amounts related to customer accounts have been transferred to liabilities held for sale. Refer to note 11 for further details.



Notes to the consolidated financial statements continued

25 Provisions

	Retail				Financial Services			Total £m
	Property provisions ^{a)} £m	Insurance provisions ^{b)} £m	Restructuring programmes ^{c)} £m	Other provisions £m	Onerous contracts ^{d)} £m	Restructuring programmes ^{e)} £m	Other provisions ^{e)} £m	
At 3 March 2024	120	59	51	11	17	—	22	280
Additional provisions	18	28	50	9	84	36	12	237
Unused amounts released	(20)	—	(7)	(1)	(3)	—	(11)	(42)
Utilisation of provision	(14)	(24)	(31)	(9)	(3)	(4)	(1)	(86)
Amortisation of discount	1	—	1	—	—	—	—	2
Transfer to assets held for sale	—	—	—	—	—	—	(4)	(4)
At 1 March 2025	105	63	64	10	95	32	18	387
Current	30	12	40	5	95	30	18	230
Non-current	75	51	24	5	—	2	—	157
At 5 March 2023	114	59	58	13	—	—	28	272
Additional provisions	77	22	42	—	18	—	—	159
Unused amounts released	(19)	—	(8)	(2)	—	—	(6)	(35)
Utilisation of provision	(52)	(22)	(42)	—	(1)	—	—	(117)
Amortisation of discount	—	—	1	—	—	—	—	1
At 2 March 2024	120	59	51	11	17	—	22	280
Current	45	13	28	5	—	—	22	113
Non-current	75	46	23	6	17	—	—	167

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) Restructuring programme provisions comprise mainly redundancies as described in note 5.1, and for Financial Services, note 11.3.

d) Onerous contract provisions comprise onerous contracts recognised as a result of the phased withdrawal from Financial Services as described in notes 5.1 and 11.3.

e) Financial services other provisions comprise contractually committed costs related to the disposal of AFS cards and potential customer redress payable arising from the historic sale of Payment Protection Insurance. Amounts released in the current year primarily relate to off balance sheet expected credit loss provisions following the disposal of AFS cards.

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.

26 Called up share capital and merger reserve

	2025 million	2024 million	2025 £m	2024 £m
Called up share capital				
Allotted and fully paid ordinary shares 28 4/7p	2,339	2,371	669	678

	2025				2024			
	Number of shares million	Ordinary shares £m	Share premium £m	Merger reserve £m	Number of shares million	Ordinary shares £m	Share premium £m	Merger reserve £m
At the beginning of the financial year	2,371	678	1,430	568	2,352	672	1,418	568
Allotted in respect of share option schemes	42	12	18	—	19	6	12	—
Cancellation of own shares	(74)	(21)	—	—	—	—	—	—
Transfer to retained earnings	—	—	—	(395)	—	—	—	—
At the end of the financial year	2,339	669	1,448	173	2,371	678	1,430	568

During the period, 73.6 million of the Company's own shares, representing 3.14% of the called up share capital as at 1 March 2025, were purchased, and subsequently cancelled, for total consideration of £200 million inclusive of £6 million directly attributable costs. £200 million has been transferred from the investment in own shares reserve to retained earnings and £21 million of share capital has been transferred to the capital redemption reserve owing to the cancellation.

The merger reserve as at 3 March 2024 amounted to £568 million and was created following the issuance of 261 million shares in 2016 as part consideration for the acquisition of Home Retail Group plc. During the year, £395 million has been transferred to retained earnings and classified as available for distribution to shareholders in accordance with ICAEW Technical Release 02/17BL section 3.9 following an impairment being recognised in J Sainsbury's plc over its subsidiary's investment in the acquisition holding company. The related impairment has no impact on Group results.



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 3 March 2024	—	(73)	376	(28)	275	680
Transfer to retained earnings	—	—	(355)	—	(355)	(680)
Financial assets at fair value through other comprehensive income	—	—	1	—	1	—
Transferred to carrying value of inventory	—	—	—	18	18	—
Cash flow hedges effective portion of fair value movements	—	—	—	14	14	—
Items reclassified from cash flow hedge reserve	—	—	—	2	2	—
Purchase of own shares for share schemes	—	(63)	—	—	(63)	—
Allotted in respect of share schemes	—	37	—	—	37	—
Purchase of own shares for cancellation	—	(200)	—	—	(200)	—
Cancellation of own shares	—	200	—	—	200	21
Deferred tax	—	—	—	(4)	(4)	—
At 1 March 2025	—	(99)	22	2	(75)	21

	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

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

	2025			2024		
	Market Value £m	Nominal Value £m	Number m	Market Value £m	Nominal Value £m	Number m
Investment in own shares	102	11.2	39.3	75	8.6	30.1
Maximum number of shares held during the period	103	11.3	39.7	105	11.8	41.3

During the period, the ESOT acquired 23.9 million of the Company's ordinary shares via market purchase for cash consideration of £63 million (2024: 6.8 million shares via market purchase for cash of £18 million). The disposal of 14.8 million (2024: 14.0 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.

In the prior period, the Group derecognised its financial asset relating to its beneficial interest in a commercial property investment pool. 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. Following this, during the current period, £355 million was transferred from financial asset reserves to retained earnings. This amount represented the cumulative gains and losses on this financial asset, and therefore as it has been derecognised, there is no longer a legally separable reserve for these fair value gains and losses and as such the amount has been transferred to retained earnings.



Notes to the consolidated financial statements continued

27 Capital redemption and other reserves continued

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 capital redemption reserve as at 3 March 2024 amounted to £680 million. This 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. Following approval by the High Court registered on 31 July 2024, this £680 million was reclassified as available for distribution to shareholders in accordance with ICAEW Technical Release 02/17BL section 2.8A and as a result was transferred to retained earnings.

Separately, as part of the share buyback completed during the period (as detailed in note 27.2), £21 million of share capital has been transferred to the capital redemption reserve.

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 Liquidity 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.

Encumbered assets

	2025 £m	2024 £m
Loans and advances to customers	—	1,444
Assets of the disposal group	a) 485	—
Debt securities	—	25
Cash and balances with central banks	—	14
Other assets	18	76

a) Assets of the disposal group comprise Sainsbury's Bank plc's personal loans which were classified as loans and advances to customers in the prior year. As described in note 11 and 22, in June 2024 the Group announced the sale of its Core Banking Business and subsequently classified the assets as held for sale.

The Group has an unsecured committed facility which consists of a £1,000 million Revolving Credit Facility as set out in note 33.3.

As detailed in note 23.3, 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 £1,135 million (2024: £1,053 million) across a number of banks and platforms with an amount utilised of £693 million (2024: £547 million). The level of utilisation is dependent on the individual supplier requirements and varies significantly over time.



28 Financial risk management continued

28.1 Liquidity risk continued

Encumbered assets continued

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

		2025				
		Less than one year £m	One to two years £m	Two to five years £m	More than five years £m	Total £m
Non-derivative financial liabilities						
a)						
Secured loan: Loan due 2031	b)	(87)	(91)	(292)	(65)	(535)
Bank overdraft		(1)	—	—	—	(1)
Trade and other payables		(4,937)	(6)	(2)	—	(4,945)
Liabilities of the disposal group	g)	(3,158)	(47)	(66)	—	(3,271)
Amounts due to Financial Services customers and banks	c)	(1,994)	(5)	(9)	—	(2,008)
Tier 2 subordinated debt		(13)	(13)	(133)	—	(159)
Unsecured bond		(29)	(30)	(89)	(641)	(789)
Derivative contracts – net settled						
Commodity contracts		—	—	—	—	—
Interest rate swaps in hedging relationships	b), d)	—	—	—	—	—
Other interest rate swaps – Sainsbury's Bank	f)	(1)	(2)	(4)	—	(7)
Derivative contracts – gross settled						
Foreign exchange forwards – outflow	e)	(1,045)	(174)	—	—	(1,219)
Foreign exchange forwards – inflow	e)	1,041	174	—	—	1,215
Commodity contracts – outflow		(23)	(19)	(45)	(132)	(219)
Commodity contracts – inflow		33	27	55	138	253

		2024				
		Less than one year £m	One to two years £m	Two to five years £m	More than five years £m	Total £m
Non-derivative financial liabilities						
a)						
Secured loans: Loan due 2031	b)	(84)	(88)	(293)	(178)	(643)
Trade and other payables		(4,758)	(5)	(5)	—	(4,768)
Amounts due to Financial Services customers and banks	c)	(5,798)	(138)	(100)	—	(6,036)
Tier 2 subordinated debt		(12)	(12)	(152)	—	(176)
Term loan		(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

a) Maturity of non-derivative financial liabilities in respect of lease liabilities is set out in note 15.1.

b) Cash flows relating to debt and swaps linked to inflation rates have been calculated using an RPI of 4.9 per cent for the year ended 1 March 2025, 3.6 per cent for the year ending 1 March 2026 and 3.6 per cent for future years (2024: 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).

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. For the year ended 1 March 2025, retail deposits have been classified as held for sale. Amounts reported comprise deposits obtained via deposit aggregators where the ultimate depositors are retail customers.

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) Under IAS 39 rules for macro portfolio hedging, some of the Bank's hedging derivatives do not qualify, or prove too onerous, to be designated into an effective hedged relationship. In those instances, the interest rate swaps are viewed as trading derivatives under IFRS 9 with any movements in fair value recognised in the income statement, without offset.

g) Liabilities of the disposal group comprise retail deposit portfolios previously classified within amounts due to Financial Services customers and banks. Following the agreement to sell related liabilities to NatWest, as outlined further in note 11, financial liabilities have been reclassified as held for sale.



Notes to the consolidated financial statements continued

28 Financial risk management continued

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	Long-term rating	2025 £m	2024 £m
Cash and cash equivalents			
Financial institutions – Money market funds	a) AAA/Aa3	1,154	263
Financial institutions – Money market deposits	AA+/Aa1 to A/A2	141	232
Deposits at central banks	AA+/Aa3	1,043	886
Derivative financial assets			
Interest rate swaps	AA+/Aa1 to A/A2	5	62
Foreign exchange forward contracts	AA+/Aa1 to A/A2	13	4
Commodity forward contracts	AA+/Aa1 to A/A2	3	1

a) Excludes bank balances, store cash, cash in transit and cash at ATMs.

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	2025 £m	2024 £m
On balance sheet items		
Loans and advances to customers and other banks	—	4,517
Assets of the disposal group	2,512	—
Cash and balances with central banks	2,777	1,987
Derivative financial instruments (excludes level 3 instruments)	21	67
Investment securities	1,381	761
Other assets	377	444
Off balance sheet items		
Loan commitments	—	6
	7,068	7,782

The exposures are shown gross, before the effect of mitigation through the use of collateral agreements.

Assets of the disposal group comprise Sainsbury's Bank plc's personal loans and credit card portfolios, AFS monthly payment plan portfolio and a small residual AFS card portfolio which fell out of perimeter of the sale to NewDay Group. These assets were classified as loans and advances to customers in the prior year. As described in note 11 and 22, in June 2024 the Group announced the sale of its Core Banking Business and subsequently classified the assets as held for sale.

Sainsbury's Bank has no off-balance sheet commitments to extend credit to customers (2024: £6 million). These commitments do not include undrawn limits on credit cards of £4,089 million (2024: £5,072 million) and AFS cards of £nil (2024: £2,619 million). These are not considered contractual commitments but, in practice Financial Services does not expect to withdraw these credit limits from customers.

For the comparative period, loans and advances to customers and other banks include AFS cards which have been disposed of during the period.



28 Financial risk management continued

28.2 Credit risk continued

e) Impairment of financial assets

IFRS 9 requires the Company to record an allowance for ECL for all loans and other debt financial assets not held at fair value through the profit and loss (FVPL).

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 AFS cards) from the date when it last met the definition of default.

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.



Notes to the consolidated financial statements continued

28 Financial risk management continued

28.2 Credit risk continued

e) Impairment of financial assets continued

Loans and advances to customers per ECL stage

	2025				2024			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Unsecured lending	3	—	27	30	4,154	398	207	4,759
Allowance for expected credit losses								
Expected credit loss on gross balance	—	—	(22)	(22)	(46)	(50)	(139)	(235)
Undrawn commitments impairment	—	—	—	—	(10)	(4)	(1)	(15)
	—	—	(22)	(22)	(56)	(54)	(140)	(250)
Coverage	0.0%	0.0%	81.5%	73.3%	1.3%	13.6%	67.6%	5.3%

Unsecured lending represents Sainsbury's Bank credit cards and personal loan lending in addition to AFS cards and monthly payment plan. The Group has no secured lending (2024: no secured lending).

Loans and advances to customers per ECL stage – split by exposure and ECL movement

	2025				2024			
	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	—	—	27	27	—	—	207	207
Past due but not impaired	—	—	—	—	8	47	—	55
Neither past due nor impaired	3	—	—	3	4,146	351	—	4,497
	3	—	27	30	4,154	398	207	4,759
Allowance for expected credit loss								
Opening loss allowance	(56)	(54)	(140)	(250)	(57)	(58)	(144)	(259)
Transfers between stages	(16)	23	(7)	—	(12)	24	(12)	—
Additional allowance less amounts recovered	3	1	7	11	(4)	1	(2)	(5)
Write-offs	1	5	30	36	1	6	69	76
Changes in credit risk during the year	20	(16)	(38)	(34)	16	(27)	(51)	(62)
Remeasurement on move to FVPL	25	21	108	154	—	—	—	—
Derecognition on sale	23	20	18	61	—	—	—	—
Closing loss allowance before undrawn commitments impairment	—	—	(22)	(22)	(56)	(54)	(140)	(250)
Undrawn commitments impairment	—	—	—	—	10	4	1	15
Closing loss allowance	—	—	(22)	(22)	(46)	(50)	(139)	(235)
Net exposure	3	—	5	8	4,108	348	68	4,524
Hedging fair value adjustment				—				(7)
				8				4,517

As described in note 11, the agreement to sell the personal loan and credit card portfolios within Sainsbury's Bank triggered a change in business model in accordance with IFRS 9 'Financial Instruments' as the objective is to sell financial assets and no longer to hold for the collection of contractual cash flows. As a result, the portfolios have been reclassified from being measured at amortised cost to be measured at fair value through profit and loss and fall outside the scope of impairment provisioning. The previously recognised ECL against these portfolios has subsequently been released and recognised as within the loss on disposal. Amounts in the previous year also related to AFS cards disposed in the period resulting in the derecognition of related provisions.

Unsecured lending and expected credit loss balances for the year ended 1 March 2025 relate to lending balances classified as held for sale in the second half of the year. As such, the underlying portfolios within the disposal group continue to be measured at amortised cost in accordance with IFRS 9 'Financial Instruments' whilst the disposal group is measured at fair value in accordance with IFRS 5 'Non-current assets held for sale and discontinued operations' as outlined in note 11.5 and 22.

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

	2025				2024			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
High quality	2	—	—	2	3,387	81	—	3,468
Satisfactory quality	1	—	—	1	704	186	—	890
Low quality	—	—	—	—	63	131	—	194
Credit impaired	—	—	27	27	—	—	207	207
Total	3	—	27	30	4,154	398	207	4,759

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 (2024: base scenario 40%; upside, downside and severe downside scenarios weighted 30%, 25%, and 5% respectively).

Key macro-economic assumptions (five-year forecast averages)

	2025			
	Base %	Upside %	Downside %	Severe downside %
Unemployment rate	4.2	3.8	5.1	6.3
Consumer price growth	2.2	1.4	3.2	4.1
GDP	1.6	2.2	0.9	0.2
Mortgage debt as a percentage of household income	90.2	87.5	95.5	100.1
Real household disposable income	1.3	2.1	0.6	(0.2)
Probability weighting (%)	40	30	25	5

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) 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

	2025			2024		
	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	50	1.9	68.5	53	1.1	67.2

Unsecured gross amounts subject to forbearance programmes comprise loans and advances classified as held for sale. In the current year £48 million of gross amounts relate to the Core Banking portfolios measured at FVPL, as such no ECL is recognised on these balances.



Notes to the consolidated financial statements continued

28 Financial risk management continued

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 uncontracted, 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)

	2025		2024	
	Impact on post tax profits	Impact on cash flow hedge reserve	Impact on post tax profits	Impact on cash flow hedge reserve
	+/- 10%	+/- 10%	+/- 10%	+/- 10%
	£m	£m	£m	£m
Group				
USD/GBP	1/(1)	(78)/96	7/(8)	(88)/108
EUR/GBP	— / —	(31)/38	2/(3)	(33)/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.

Mix of financial assets and liabilities

	2025			
	Fixed £m	Floating £m	Variable capped £m	Total £m
Other financial assets at fair value through other comprehensive income	738	631	—	1,369
Other financial assets at fair value through profit and loss	—	12	—	12
Assets of the disposal group	1,506	1,006	—	2,512
Cash and cash equivalents	1,262	1,515	—	2,777
Bank overdraft	—	(1)	—	(1)
Borrowings	(674)	—	(447)	(1,121)
Liabilities of the disposal group	(715)	(2,393)	—	(3,108)
Amounts due to Financial Services customers and banks	(1,968)	—	—	(1,968)
Derivative effect:				
Interest rate swaps	(703)	703	—	—
Inflation-linked swaps	(281)	—	281	—
	(835)	1,473	(166)	472



28 Financial risk management continued

28.3 Market risk continued

b) Interest rate risk continued

Mix of financial assets and liabilities continued

	2024			Total £m
	Fixed £m	Floating £m	Variable capped £m	
Interest-bearing financial assets at fair value through other comprehensive income	—	761	—	761
Amounts due from Financial Services customers	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

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 £447 million of capped inflation-linked borrowings (2024: £496 million) of which £126 million (2024: £155 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:

- Repricing gap risk: the risk arising from timing differences in the interest rate changes of bank assets and liabilities (for example, 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 (for example, 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.

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.

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 1 March 2025.



Notes to the consolidated financial statements continued

28 Financial risk management continued

28.4 Capital risk management continued

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

	2025		2024	
	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	(51)	(51)	48	48
Regulatory adjustments	(9)	(9)	—	(1)
Tier 1 capital	641	641	749	748
Tier 2 capital (loan notes – listed)	64	64	100	100
Total capital	705	705	849	848

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 11.5% exceeds the minimum Basel leverage ratio of 3.0%.

	2025		2024 (restated*)	
	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)	6,400	6,400	6,746	6,746
Movement on consolidation of the subsidiary undertaking	(209)	(209)	64	64
Exposure value for derivatives and securities financing transactions	7	7	30	30
Off balance sheet exposures: unconditionally cancellable (10%)	411	411	769	769
Off balance sheet: other (100%)	—	—	1	1
Other adjustments	(13)	(13)	(77)	(78)
Central Bank claims	(1,043)	(1,043)	(886)	(886)
	5,553	5,553	6,647	6,646
Tier 1 capital	641	641	749	748
Leverage ratio	11.5%	11.5%	11.3%	11.3%

* The prior year has been re-presented on the basis of Sainsbury's Bank plc producing solo financial statements in the current year. The movement on consolidation of subsidiary undertakings represents the consolidation of Home Retail Group Cards Services Limited into the regulatory consolidated group.

29 Financial instruments

	2025 £m	2024 £m
Held at amortised cost		
Financial assets		
Cash and cash equivalents	2,777	1,987
Trade and other receivables	377	444
Amounts due from Financial Services customers and other banks	—	4,517
Financial liabilities		
Trade and other payables	(4,945)	(4,768)
Borrowings	(1,114)	(1,195)
Amounts due to Financial Services customers and banks	(1,968)	(5,721)
Lease liabilities	(5,494)	(5,354)
Held at fair value through other comprehensive income (OCI)		
Investment securities	1,369	778
Held at fair value through profit or loss		
Other financial assets	12	—
Derivative financial instruments	24	(11)
	(8,962)	(9,323)

The table excludes assets and liabilities of the Core Banking disposal group classified as held for sale. At the balance sheet date, the underlying financial assets of the disposal group were measured at FVPL as outlined in note 11 following a change in business model.



29 Financial instruments continued

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.

		2025		2024	
		Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Financial assets					
Amounts due from Financial Services customers	a), b)	—	—	4,517	4,381
Financial liabilities					
Loans due 2031		(447)	(440)	(496)	(494)
Term loan		—	—	(581)	(575)
Unsecured bond		(550)	(552)	—	—
Tier 2 Capital due 2028		(124)	(142)	(122)	(136)
Amounts due to Financial Services customers and other banks	c)	(1,968)	(1,990)	(5,721)	(5,733)

a) Included within a portfolio fair value hedging relationship with Enil (2024: £2,312 million) of interest rate swaps.

b) Amounts due from Financial Services customers have been reclassified to assets of the disposal group in the current financial year. See note 22 for further details.

c) Retail customer deposits within amounts due to Financial Services customers have been reclassified to liabilities of the disposal group in the current financial year as described in note 22. The remaining balance comprises deposits obtained via aggregators and wholesale counterparties. Refer to note 24 for further details.

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)

	2025				2024			
	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
Investment securities	1,189	180	—	1,369	761	—	—	761
Financial instruments at fair value through profit and loss								
Other financial assets	12	—	—	12	—	—	—	—
Derivative financial assets	—	21	29	50	—	67	9	76
Derivative financial liabilities	—	(26)	—	(26)	—	(87)	—	(87)

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	
	2025 £m	2024 £m
At beginning of financial year	9	131
Charged to income statement – cost of sales	2	(46)
Charged to other comprehensive income	18	(76)
At end of financial year	29	9



Notes to the consolidated financial statements continued

29 Financial instruments continued

29.3 Level 3 financial assets continued

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:

	2025	
	Change in output volume +/-20.0% £m	Change in forward pricing +/-20.0% £m
Not in a hedge relationship	2/(2)	7/(7)
Designated in a cash flow hedge relationship	4/(4)	31/(31)

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

	2025				
	Gross amounts recognised £m	Amounts offset £m	Net amounts recognised £m	Cash collateral pledged (not offset) £m	Net amounts £m
Assets					
Derivative financial assets	50	—	50	—	50
Trade and other receivables	403	(26)	377	—	377
Cash and cash equivalents	2,777	—	2,777	—	2,777
	3,230	(26)	3,204	—	3,204
Liabilities					
Derivative financial liabilities	(26)	—	(26)	18	(8)
Trade and other payables	(4,971)	26	(4,945)	—	(4,945)
	(4,997)	26	(4,971)	18	(4,953)
	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)

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 (2024: £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 £18 million has been pledged/provided (2024: £56 million) against the derivatives and collateral has been received of £nil (2024: £10 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 £1 million (2024: £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

	2025				2024			
	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	1	120	—	—	62	1,249	(56)	1,063
Cash flow hedges								
Inflation rate swaps	—	—	—	281	—	—	—	155
Interest rate swaps	—	—	—	—	—	150	—	—
Foreign exchange forward contracts	13	590	(13)	616	4	296	(30)	1,062
Commodity contracts	3	26	(5)	45	1	22	(1)	24
Power Purchase contracts	20	14	—	—	3	14	—	—
Derivatives not in a formal hedging relationship								
Interest rate swaps	4	510	(8)	780	—	—	—	—
Cross-currency swaps	—	14	—	6	—	23	—	20
Foreign exchange forward contracts	—	—	—	2	—	—	—	2
Power Purchase contracts	9	11	—	—	6	11	—	—
Total	50	1,285	(26)	1,730	76	1,765	(87)	2,326

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:

	2025		2024	
	Notional amount £m	Average interest received %	Notional amount £m	Average interest received %
Less than 1 month	—	—	—	—
1 – 3 months	—	—	—	—
3 months – 1 year	—	—	—	—
1 – 5 years	281	4.91%	305	4.94%
More than 5 years	—	—	—	—

Impact of change in value of hedged items on cash flow hedge reserve

	2025			2024		
	Hedged item £m	Hedging instrument £m	Cumulative impact on cash flow hedge reserve £m	Hedged item £m	Hedging instrument £m	Cumulative impact on cash flow hedge reserve £m
Cash flow hedges						
Foreign exchange forward contracts	(1)	1	—	67	(67)	(19)
Commodity contracts	5	(5)	(2)	6	(6)	—
Power Purchase Agreements	(18)	18	20	76	(76)	3

There are no amounts remaining in the hedging reserve for which hedge accounting is no longer applied.



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 continued

Analysis of fair value movements in cash flow hedge reserve by risk category

		2025				
		Opening £m	Movements recognised in OCI £m	Amounts reclassified £m	Reallocation within reserves £m	Closing £m
	Reclassification recognised in					
Foreign exchange forward contracts	Inventory	(19)	1	18	—	—
Commodity contracts	Cost of sales	—	(5)	3	—	(2)
Power purchase agreements	Cost of Sales	3	18	(1)	—	20
Tax		(12)	(4)	—	—	(16)
		(28)	10	20	—	2

		2024				
		Opening £m	Movements recognised in OCI £m	Amounts reclassified £m	Reallocation within reserves £m	Closing £m
	Reclassification recognised in					
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)

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, being borrowings in relation to Tier 2 capital for the year ended 1 March 2025 and also personal loans for the year ended 2 March 2024. 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.

Following the announced exit of Core Banking activities in June 2024, interest rate swap derivatives previously classified in a hedge relationship with these portfolios were deemed ineffective with changes in fair value recognised immediately in the income statement from this date. Refer to note 30c for further details.

Maturity profile of instruments used in non-dynamic hedging strategies of interest rate risk

	2025		2024	
	Notional amount £m	Average fixed interest rate %	Notional amount £m	Average fixed interest rate %
Less than 1 month	—	—	—	—
1 – 3 months	—	—	17	0.60%
3 months – 1 year	—	—	231	0.70%
1 – 5 years	120	10.5%	956	3.90%
More than 5 years	—	—	1,109	2.19%



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 hedged items (all via interest rate swaps) on financial statements

Line item in financial statements	2025				
	Carrying amount		Change in fair value used for measuring ineffectiveness	Cumulative fair value hedge adjustments included in carrying amount	
	Assets £m	Liabilities £m	£m	Assets £m	Liabilities £m
Borrowings	—	(124)	(2)	—	1

Line item in financial statements	2024				
	Carrying amount		Change in fair value used for measuring ineffectiveness	Cumulative fair value hedge adjustments included in carrying amount	
	Assets £m	Liabilities £m	£m	Assets £m	Liabilities £m
Amounts due from Financial Services customers	2,155	—	36	(7)	—
Borrowings	—	(122)	—	—	3
	2,155	(122)	36	(7)	3

Impact of the hedging instruments (all via interest rate swaps) on financial statements:

Line item in financial statements	Hedged Item	2025			
		Carrying amount		Change in fair value for measuring ineffectiveness	
		Notional amount £m	Asset £m	Liability £m	£m
Derivative financial liabilities	Tier 2 capital	120	1	—	1

Line item in financial statements	Hedged Item	2024			
		Carrying amount		Change in fair value for measuring ineffectiveness	
		Notional amount £m	Asset £m	Liability £m	£m
Derivative financial assets/liabilities	Loans	2,192	62	(56)	(41)
Derivative financial liabilities	Tier 2 capital	120	—	—	—
		2,312	62	(56)	(41)

Hedge ineffectiveness recognised in cost of sales

Change in value for calculating hedge ineffectiveness	2025 £m	2024 £m
Hedged items	(2)	36
Hedging instruments	1	(41)
	(1)	(5)

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 and CPI linked price 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 £9 million (2024: £6 million) is not within a hedging relationship with fair value gains of £2 million (2024: loss of £46 million) having been recognised in the income statement for these arrangements.

As a result of the strategic change and agreement to sell Core Banking portfolios to NatWest announced June 2024, personal loan hedging derivatives recognised within the Bank no longer qualify into an effective hedging relationship. The interest rate swaps are viewed as trading derivatives under IFRS 9: 'Financial Instruments' with movements in fair value recognised immediately within the income statement, without offset.



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

c) Derivatives not in a hedge relationship continued

Maturity profile of instruments used in non-dynamic hedging strategies of interest rate risk

	2025		2024	
	Notional amount £m	Average interest received %	Notional amount £m	Average interest received %
Less than 1 month	—	—	—	—
1 – 3 months	67	3.64%	—	—
3 months – 1 year	532	3.71%	—	—
1 – 5 years	686	4.22%	—	—
More than 5 years	5	3.58%	—	—

Impact of the interest rate risk derivatives not in hedging relationships

		2025			
		Carrying amount			Fair value loss recognised in the income statement
Line item in financial statements	Hedged Item	Notional amount £m	Asset £m	Liability £m	
Derivative financial assets/liabilities	Loans	1,056	4	(8)	(6)
Derivative financial liabilities	Deposits/ capital	234	—	—	—
		1,290	4	(8)	(6)

31 Cash and cash equivalents

31.1 Reconciliation of operating profit to net cash generated from operations

	Note	2025 £m	2024 (restated*) £m
Operating profit		904	744
Depreciation	14, 15	1,033	988
Amortisation	16	182	172
Net impairment loss on non-financial assets	14, 15, 16	22	45
Profit on sale of non-current assets and early termination of leases		(53)	(16)
Non-underlying fair value movements	5	(2)	46
Share-based payments expense	35	75	85
Defined benefit scheme expense	34.4	8	7
Cash contributions to defined benefit scheme	34.4	(45)	(44)
Operating cash flows before changes in working capital		2,124	2,027
Changes in working capital			
Decrease in inventories		—	5
Increase in financial assets at fair value through other comprehensive income		(603)	(135)
Decrease in trade and other receivables		15	3
Decrease in amounts due from Financial Services customers and other deposits		—	103
Increase in trade and other payables		247	163
Increase in amounts due to Financial Services customers and other deposits		—	345
Decrease in provisions		(7)	(1)
Cash generated from operating activities – continuing operations		1,776	2,510

* Comparative periods have been re-presented to separately disclose discontinued operations. Refer to note 11 for further details.



31 Cash and cash equivalents continued

31.2 Balance sheet

	2025 £m	2024 £m
Cash in hand and bank balances	439	606
Money market funds	1,154	263
Money market deposits	141	232
Deposits at central banks	1,043	886
Cash and cash equivalents	2,777	1,987
Bank overdrafts	(1)	—
Net cash and cash equivalents	2,776	1,987
Restricted amounts included above		
Held as a reserve deposit with the Bank of England	—	14
For insurance purposes	3	7
	3	21

31.3 Cash flow statement

2025

- Amounts due from Financial Service customers and other banks: £4,517 million balance sheet movement explained by £2,512 million transferred to assets held for sale on the balance sheet (Note 11.5) and £2,005 million cash inflows presented within discontinued operations in the cash flow statement (Note 11.6).
- Amounts due to Financial Service customers and other deposits: £3,573 million balance sheet movement explained by £3,109 million transferred to liabilities held for sale on the balance sheet (Note 11.5) and £644 million cash outflows presented within discontinued operations in the cash flow statement (Note 11.6).
- Trade and other receivables: £76 million balance sheet movement mainly explained by cash inflows presented within discontinued operations in the cash flow statement (Note 11.6).
- Provisions: £107 million balance sheet movement mainly explained by cash outflows presented within discontinued operations in the cash flow statement (Note 11.6).

2024

- Amounts due from Financial Service customers and other banks: £875 million balance sheet movement explained mainly by £775 million cash inflows presented within discontinued operations in the cash flow statement (Note 11.6) and £103 million cash inflows presented within continuing operations (Note 31.1).
- Amounts due to Financial Service customers and other deposits: £225 million balance sheet movement explained mainly by £570 million cash outflows presented within discontinued operations in the cash flow statement (Note 11.6) offset by £345 million cash inflows presented within continuing operations (Note 31.1).

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.



Notes to the consolidated financial statements continued

32 Analysis of net debt continued

32.1 Reconciliation of opening to closing net debt

	Cash Movements			Non-Cash Movements		
	3 March 2024 £m	Cash flows excluding interest £m	Net interest (received)/ paid £m	Accrued interest £m	Other non-cash movements £m	1 March 2025 £m
Retail						
Net derivative financial instruments	—	—	(1)	—	—	(1)
Borrowings (excluding overdrafts)	(1,077)	79	76	(67)	—	(989)
Lease liabilities	(5,354)	487	272	(272)	(627)	(5,494)
Purchase of own shares – share buyback	—	200	—	—	(200)	—
Arising from financing activities	(6,431)	766	347	(339)	(827)	(6,484)
Cash and cash equivalents	877	(150)	—	—	—	727
Bank overdrafts	—	(1)	—	—	—	(1)
Less: Purchase of own shares – share buyback	—	(200)	—	—	200	—
Retail net debt	(5,554)	415	347	(339)	(627)	(5,758)
Financial Services						
Net derivative financial instruments	—	—	—	—	(2)	(2)
Borrowings (excluding overdrafts)	(122)	—	12	(12)	(2)	(124)
Lease liabilities	—	—	—	—	—	—
Arising from financing activities	(122)	—	12	(12)	(4)	(126)
Financial assets at fair value through other comprehensive income	761	609	—	—	(1)	1,369
Cash and cash equivalents	1,110	940	—	—	—	2,050
Financial Services net debt	1,749	1,549	12	(12)	(5)	3,293
Group						
Net derivative financial instruments	—	—	(1)	—	(2)	(3)
Borrowings (excluding overdrafts)	(1,199)	79	88	(79)	(2)	(1,113)
Lease liabilities	(5,354)	487	272	(272)	(627)	(5,494)
Purchase of own shares - share buyback	—	200	—	—	(200)	—
Arising from financing activities	(6,553)	766	359	(351)	(831)	(6,610)
Financial assets at fair value through other comprehensive income	761	609	—	—	(1)	1,369
Cash and cash equivalents	1,987	790	—	—	—	2,777
Bank overdrafts	—	(1)	—	—	—	(1)
Less: Purchase of own shares - share buyback	—	(200)	—	—	200	—
Group net debt	(3,805)	1,964	359	(351)	(632)	(2,465)

Other non-cash movements relate to new leases and foreign exchange.



32 Analysis of net debt continued

32.1 Reconciliation of opening to closing net debt continued

	Cash Movements			Non-Cash Movements		
	5 March 2023 £m	Cash flows excluding interest £m	Net interest (received)/ paid £m	Accrued interest £m	Other non-cash movements £m	2 March 2024 £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)
Cash and cash equivalents	683	194	—	—	—	877
Retail net debt	(6,344)	165	323	(327)	629	(5,554)
Financial Services						
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)

33 Borrowings

	2025			2024		
	Current £m	Non-current £m	Total £m	Current £m	Non-current £m	Total £m
Loan due 2031	64	383	447	54	442	496
Term loan due 2026	—	—	—	6	575	581
Unsecured bond	3	547	550	—	—	—
Sainsbury's Bank Tier 2 Capital	6	118	124	6	116	122
Bank overdrafts	1	—	1	—	—	—
	74	1,048	1,122	66	1,133	1,199
Transaction costs	(2)	(6)	(8)	(1)	(3)	(4)
	72	1,042	1,114	65	1,130	1,195

33.1 Loan due 2031

The loan is secured against 48 (2024: 48) supermarket properties (note 14.1). This is an inflation-linked amortising loan from the finance company Longstone Finance plc with an outstanding principal value of £438 million (2024: £486 million) fixed at a real rate of 2.36 per cent where the principal and interest rate are uplifted annually by RPI subject to a cap at 5 per cent and a floor at 0 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 £126 million (2024: £155 million) from RPI-linked interest to fixed rate interest. 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 Term loan due 2026

The Group entered into a £575 million unsecured term loan in December 2022, with maturity of March 2026. The term loan was repaid in full in January 2025 (2 March 2024: fully drawn) and all associated interest rate swaps terminated.

33.3 Undrawn facilities

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. This is the second extension resulting in revised maturity dates of December 2029 for Facility A and December 2028 for Facility B. As at 1 March 2025, the Revolving Credit Facility was undrawn.



Notes to the consolidated financial statements continued

33 Borrowings continued

33.4 Unsecured bond

In January 2025 the Group issued £550 million of bonds split in two tranches, a £250 million five-year tranche maturing June 2030 and a £300 million ten-year tranche maturing January 2035. The bonds pay interest on the principal amount at a rate of 5.125 per cent per annum on the 5-year tranche and 5.625 per cent per annum on the ten-year tranche. Interest is payable in equal instalments semi-annually in arrears.

33.5 Sainsbury's Bank Tier 2 Capital

The Group has £120 million of fixed rate reset callable subordinated Tier 2 notes in issuance (2024: £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 within a six-month window from 12 September 2027 to 12 March 2028.

33.6 Bank overdrafts

Bank overdrafts are repayable on demand and bear interest at a spread above Bank of England base rate.

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. An updated triennial funding valuation of the Scheme is currently being carried out with an effective date of 30 September 2024.

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) which stopped from December 2024
- 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.

The Argos section (stream 2) reached its funding target on 31 December 2024 and so the second payment stream has been permanently switched off.

The switching stream (stream 3) was initially paid to the Sainsbury's section until it reached the funding target on 31 December 2021, when it switched to the Argos section. Now that the Argos section has reached the funding target, this stream will switch back to the Sainsbury's section. Payments continue until 2038 or until both sections have reached their funding targets, if earlier.



34 Retirement benefit obligations continued

34.1 Background continued

Triennial valuation continued

The level of security 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 chose 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

	2025 £m	2024 £m
Excluded from underlying profit before tax:		
Interest cost on pension liabilities	a) (293)	(290)
Interest income on plan assets	329	341
Total included in finance income	36	51
Defined benefit pension scheme expenses	(8)	(7)
Total (excluded from underlying profit before tax)	28	44

a) Includes interest of £1 million for the unfunded pension scheme (2024: £1 million).

34.3 Remeasurements included in other comprehensive income

	2025 £m	2024 £m
Return on plan assets, excluding amounts included in interest	(448)	(335)
Actuarial gains/(losses) arising from changes in		
Finance assumptions	402	(34)
Demographic assumptions	3	116
Experience	10	(136)
Total actuarial gains/(losses)	a) 415	(54)
Total remeasurements	(33)	(389)

a) Includes £1 million remeasurement gain for the unfunded pension scheme (2024: £nil).

34.4 Balance sheet

The retirement benefit surplus and the associated deferred income tax balance are shown within different line items on the face of the balance sheet.

	2025			2024		
	Sainsbury's £m	Argos £m	Group £m	Sainsbury's £m	Argos £m	Group £m
Present value of funded obligations	(4,820)	(755)	(5,575)	(5,172)	(816)	(5,988)
Fair value of plan assets	5,418	911	6,329	5,777	925	6,702
Retirement benefit surplus	598	156	754	605	109	714
Present value of unfunded obligations	(13)	(10)	(23)	(14)	(10)	(24)
Retirement benefit surplus	585	146	731	591	99	690

Movements in net defined benefit surplus

	2025			2024		
	Assets £m	Obligations £m	Net £m	Assets £m	Obligations £m	Net £m
As at the beginning of the financial year	6,702	(6,012)	690	6,934	(5,945)	989
Interest income/(cost)	329	(293)	36	341	(290)	51
Remeasurement (losses)/gains	(448)	415	(33)	(335)	(54)	(389)
Pension scheme expenses	(8)	—	(8)	—	(7)	(7)
Employer contributions	45	—	45	44	—	44
Benefits (paid)/received	(291)	292	1	(282)	284	2
As at the end of the financial year	6,329	(5,598)	731	6,702	(6,012)	690



Notes to the consolidated financial statements continued

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 for the Sainsbury's Section and gilts +0.25% p.a. basis for the Argos Section, 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 2029 for the Sainsbury's section and the Argos section.

On 25 July 2024, the Court of Appeal upheld the High Court's decision in *Virgin Media v NTL Pension Trustees*. This case found that changes made between 1997 and 2016 to pension benefits from a contracted-out salary related scheme could be void where trustees do not have written Section 37 confirmation from the scheme actuary. The case also confirmed that retrospective confirmation would not be permissible. This judgement is relevant for the Sainsbury's Pension Scheme as it was contracted out of the State Second Pension (formerly SERPS) and there were changes to the Scheme during the relevant period. Based on a review of the changes made to the Scheme during this period and associated documentation, the Group does not consider any adjustments to the financial statements are required in respect of this matter. Both the Trustee and the Company have taken legal advice and are following any developments closely.

Risks associated with achieving the strategy

Risk	Description	Mitigation
Investment strategy and implementation	Misalignment of the investment strategy relative to changes in liabilities reduces the future resources available to meet pension obligations. The strategy also includes addressing sustainability and ESG related risks for the Scheme. Poor execution, attention to regulation or underperformance in applying the strategy could lead to lower funding levels.	Using an FCA-regulated market-leading investment adviser, a liability-driven investment (LDI) framework has been adopted to generate excess asset returns aligned to liabilities by largely removing interest and inflation uncertainties. ESG and related risks are incorporated into the Statement of Investment Principles (SIP), and an annual TCFD report and Implementation Statement are published covering relevant risk management and goals. 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. Investment mandates are monitored closely against portfolio benchmarks set out in investment guidelines. The Investment Committee will terminate consistently underperforming mandates and reallocate capital.
Investment liquidity	Insufficient liquidity to meet cash flow 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 the sufficient liquid assets are maintained and imposes limits on short-term maturing repurchase contracts. 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, so a higher-than-expected 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 for accounting and gilt yields for funding purposes. 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	Investment managers do not have appropriate policies and procedures in place to identify ESG risks and opportunities. 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.	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 alignment with the Trustee's policies. A net zero carbon emission goal by 2050 has been adopted by the Trustee 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.
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.
Cyber risk	The increasing threat of cyber-attack leads to data breaches and financial losses.	Robust cybersecurity measures have been implemented by the Trustee's custodian and administrators, including regular security assessments, employee training, and advanced IT systems. These measures aim to protect sensitive data and ensure the integrity and confidentiality of member information.

Since 2024, cyber risk has been separately reported for presentational purposes.



34 Retirement benefit obligations continued

34.6 Analysis of plan assets

	2025		2024	
	Quoted £m	Unquoted £m	Quoted £m	Unquoted £m
Liability matching assets	3,432	1,617	3,620	1,374
Growth assets				
Equity				
a) – Private	—	272	—	332
Alternatives				
– Real estate	—	107	—	255
– Private debt	—	442	—	602
– Diversified growth	—	288	—	313
Cash and Cash equivalents	171	—	206	—
	3,603	2,726	3,826	2,876

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.

Included within liability matching assets are Government Bonds totalling £5,282 million (2024: £5,192 million), Corporate Bonds totalling £2,237 million (2024: £2,052 million), and Fixed income derivatives totalling £328 million (2024: £342 million), offset by repurchase agreements totalling £2,799 million (2024: £2,592 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, £6,144 million are denominated in pound sterling and £185 million are denominated in overseas currencies.

The valuation of many private market assets is based on valuations provided at 30 September 2024. A roll-forward of these valuations to 1 March 2025, adjusting for cash received or paid and applying the changes seen in relevant liquid indices, increased the valuation of illiquid assets by £13 million.

Index return from 30 September 2024 to 1 March 2025

Asset class	Returns
Global equity USD return	2.6%
Global high yield Debt USD return	2.2%
US loans USD return	3.1%
UK REITS GBP return	-14.2%

An increase/decrease of 1 per cent in the indices used would have caused a £9 million increase/decrease in the adjustment.

34.7 Actuarial assumptions for measuring liabilities

Principal actuarial assumptions

	2025 %	2024 %
Discount rate	5.45	5.00
Inflation rate – RPI	3.15	3.20
Inflation rate – CPI	2.55	2.55
Future pension increases	1.95–2.95	1.95–3.00

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 0.60% p.a. up to 2030 (2024: 1.00% p.a.).



Notes to the consolidated financial statements continued

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 updated 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 2025 year-end are CMI 2023 projections with a long-term rate of improvement of 1 per cent p.a. Future mortality improvements for the 2024 year-end were CMI 2022 projections with a long-term rate of improvement of 1 per cent p.a.

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 2023 which was released in April 2024. The calibration process for CMI 2023 differs from previous years as the CMI have moved to a single calibration parameter which applies weighting to only the most recent years of post-pandemic mortality experience.

As such, zero per cent weighting is applied to 2020 and 2021 data and 100% weighting applied to 2023 data, to reflect the view that the sustained and less volatile mortality experience provides greater evidence of a change to future mortality trends.

The CMI has proposed significant and complex changes to CMI 2024 on which it is currently consulting. Our advisers have reviewed the consultation working paper and confirmed that the same mortality improvement assumption is retained for FY25 as it remains within a reasonable range for 'best estimate' purposes.

Life expectancy at age 65

	2025			2024		
	Sainsbury's section Main Scheme Years	Sainsbury's section Executive Scheme Years	Argos section Years	Sainsbury's section Main Scheme Years	Sainsbury's section Executive Scheme Years	Argos section Years
Members aged 65 at balance sheet date						
Male pensioner	18.9	22.2	19.8	18.9	22.2	19.7
Female pensioner	22.8	23.5	22.9	22.8	23.4	22.8
Members aged 45 at balance sheet date						
Male pensioner	19.9	23.1	20.7	19.8	23.1	20.7
Female pensioner	24.0	24.6	24.0	23.9	24.6	24.0

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							
Discount rate	+/- 0.1%	(67)	68	(12)	12	(79)	80
Discount rate	+/- 1.0%	(609)	746	(107)	134	(716)	880
Inflation rate	+/- 0.1%	42	(35)	7	(11)	49	(46)
Inflation rate	+/- 1.0%	368	(359)	90	(84)	458	(443)
Inflation rate for future pension increases	+/- 0.1%	24	(17)	3	(7)	27	(24)
Inflation rate for future pension increases	+/- 1.0%	173	(194)	45	(47)	218	(241)
Demographic sensitivities							
Life expectancy	+/- 1 year	(149)	147	(21)	23	(170)	170



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 £26 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)

	2025 £m	2024 £m
Within the next 12 months (next annual reporting period)	262	254
Between 2 and 5 years	1,209	1,172
Between 6 and 15 years	3,897	3,910
Between 16 and 25 years	3,784	3,966
Beyond 25 years	4,598	5,106
	13,750	14,408

35 Share-based payments

	2025 £m	2024 £m
Share-based payment expense	80	89
Discontinued operations	5	4
Continuing operations	75	85

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.

	2025		2024	
	Number of options million	Weighted average exercise price pence	Number of options million	Weighted average exercise price pence
Outstanding at beginning of year	59.1	188	59.4	177
Granted	17.1	200	16.1	213
Lapsed / forfeited	(8.2)	197	(7.6)	179
Exercised	(12.6)	168	(8.8)	165
Outstanding at end of year	55.4	195	59.1	188
Exercisable at end of financial year	9.6	210	13.2	170
Exercisable Range		161 to 228		161 to 260
Weighted average share price at date of exercise		263		266
Weighted average remaining contractual life		2.2 years		2.1 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.

	2025	2024
Share price at grant date	275p	300p
Exercise price	200p	213p
Expected volatility	24.1%	25.2%
Option life	3.2 years	3.2 years
Expected dividend yield	4.8%	4.9%
Risk-free interest rate	4.9%	5.3%
Fair value per option	57p	66p

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.



Notes to the consolidated financial statements continued

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 years ended 2 March 2024 and 1 March 2025, 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.

	2025 million	2024 million
Outstanding at beginning of year	29.3	19.0
Conditionally allocated	65.8	21.4
Released to participants	(29.7)	(9.4)
Lapsed	(4.6)	(1.7)
Outstanding at end of financial year	60.8	29.3
Weighted average remaining contractual life	3.8 years	3.1 years
Weighted average share price at date of exercise (release to participants)	268p	281p

No performance conditions were included in the fair value calculations.

Options granted in the year	2025	2024
Share price at grant date	278p	273p
Option life	3 years	3 years
Fair value per option	278p	273p

35.3 Nil-Cost Share Award

The nil-cost share schemes include Bonus Share Awards and other Conditional Awards.

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 longer 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 except for certain colleagues who are unable to receive dividend equivalents due to financial services regulations.

	2025 million	2024 million
Outstanding at beginning of year	27.1	28.1
Awarded	15.6	14.0
Released to participants in financial year	(14.8)	(14.0)
Lapsed	(0.7)	(1.0)
Outstanding at end of financial year	27.2	27.1
Weighted average remaining contractual life	1.8 years	1.8 years
Weighted average share price at date of exercise (release to participants)	254p	262p

36 Commitments

	2025 £m	2024 £m
Capital commitments contracted, but not provided for	179	140
Leases that have been signed but not yet commenced	32	73



37 Contingent liabilities

The Group has a number of contingent liabilities in respect of disposed or exited businesses and guarantees in relation to disposed assets, which may expose the Group to a material liability. For disposed property assets, this could be if the current tenant and their ultimate parents become insolvent. No historical guarantees are expected to materialise.

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 17,700 equal pay claims from circa 12,100 claimants, in which 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 centres, and the equalisation of wages and terms and conditions on an ongoing basis. The Group believes further claims will be served.

There are three stages in the tribunal procedure for equal pay 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 similar 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. Whilst there is at present no definitive timetable for the litigation the Group anticipates judgement from the Tribunal in respect of the second stage will be given in the course of 2027. This judgement is very likely to be subject to appeal proceedings.

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 material factor defences relating to non-discriminatory reasons for any pay differential. Both outstanding stages will involve contested 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.

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. No provision has therefore been recognised on the Group's balance sheet. There are substantial factual and legal defences to these claims and the Group intends to continue to defend them vigorously.

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:

	2025 £m	2024 £m
Short-term employee benefits	16	15
Post-employment employee benefits	1	1
Share-based payments	8	8
	25	24

Five key management personnel had credit card balances with Financial Services (2024: three). These arose in the normal course of business and were immaterial to the Group and the individuals. Two key management personnel held saving deposit accounts with Financial Services (2024: one). 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:

	2025 £m	2024 £m
Rental expenses paid	(8)	(8)

Year-end balances arising from transactions with joint ventures and associates are as follows:

	2025 £m	2024 £m
Other payables	(2)	(1)

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 Post-balance sheet events

On 16 April 2025, the High Court approved the transfer of the personal loans, credit cards and retail deposit portfolios to NatWest Group concluding the Part VII process. Following this approval, the transaction is expected to complete in May 2025 at which point legal title of these portfolios will transfer from Sainsbury's Bank to NatWest Group.



Notes to the consolidated financial statements continued

40 Related undertakings

All companies listed below are owned by the Group and all interests are in ordinary share capital, except where otherwise indicated. All subsidiaries have been consolidated.

40.1 Wholly owned subsidiary undertakings

The Group holds a majority of the voting rights of the following undertakings:

Entity	Country of incorporation	Interest	Holding	Registered office address ^{a)}
Argos Business Solutions Limited	UK	100%	Indirect	33 Holborn
Argos Card Transactions Limited	UK	100%	Indirect	33 Holborn
Argos Distributors (Ireland) Limited	Ireland	100%	Indirect	6th Floor, South Bank House
Argos Holdings Limited	UK	100%	Indirect	33 Holborn
Argos Limited	UK	100%	Indirect	33 Holborn
Argos (N.I.) Ltd	UK	100%	Indirect	Forestside Shopping Centre
Argos Surbs Investments Limited	UK	100%	Indirect	33 Holborn
Avenell Property Limited	UK	100%	Indirect	33 Holborn
Barleygold Limited	UK	100%	Indirect	50 Bedford Street
Bells Stores Limited	UK	100%	Direct	33 Holborn
BLSSP (PHC 7) Limited	UK	100%	Indirect	33 Holborn
Cliffrange Limited	UK	100%	Indirect	33 Holborn
Coolidge Investments Limited	UK	100%	Indirect	33 Holborn
Cornerford Limited	UK	100%	Indirect	33 Holborn
Financial Recovery Services Limited	UK	100%	Indirect	33 Holborn
First Stop Stores Limited	UK	100%	Indirect	33 Holborn
Global (Guernsey) Limited	Guernsey	100%	Indirect	PO Box 33, Dorey Court
Habitat Retail Limited	UK	100%	Indirect	33 Holborn
Hobart Property Limited	UK	100%	Indirect	33 Holborn
Holborn UK Investments Limited	UK	100%	Direct	33 Holborn
Home Retail Group Limited	UK	100%	Indirect	33 Holborn
Home Retail Group (Finance) LLP	UK	100%	Indirect	33 Holborn
Home Retail Group (Guernsey) LP	Guernsey	100%	Indirect	PO Box 33, Dorey Court
Home Retail Group (Jersey) Limited	Jersey	100%	Indirect	44 Esplanade
Home Retail Group (UK) Limited	UK	100%	Indirect	33 Holborn
Home Retail Group Card Services Limited	UK	100%	Indirect	33 Holborn
Home Retail Group Holdings (Overseas) Limited	UK	100%	Indirect	33 Holborn
Home Retail Group Insurance Services Limited	UK	100%	Indirect	33 Holborn
Home Retail Group Nominees Limited	UK	100%	Indirect	33 Holborn
Home Retail Group UK Service Company Limited	UK	100%	Indirect	33 Holborn
Horndrift Limited	UK	100%	Indirect	33 Holborn
J Sainsbury Common Investment Fund Limited	UK	100%	Indirect	33 Holborn
J Sainsbury Distribution Limited	UK	100%	Direct	33 Holborn
J Sainsbury Pension Scheme Trustees Limited	UK	100%	Direct	33 Holborn
J Sainsbury Trustees Limited	UK	100%	Indirect	33 Holborn
Jacksons Stores Limited	UK	100%	Direct	33 Holborn
Jacksons Stores 2002 Limited	UK	100%	Indirect	33 Holborn
JS Information Systems Limited	UK	100%	Direct	33 Holborn
JS Insurance Limited	Isle of Man	100%	Direct	Third Floor, St George's Court
JSD (London) Limited	UK	100%	Indirect	33 Holborn
Jungle Online	UK	100%	Indirect	33 Holborn
Jungle.com Limited	UK	100%	Indirect	33 Holborn
Jungle.com Holdings Limited	UK	100%	Indirect	33 Holborn

a) See full addresses on page 204.



40 Related undertakings continued

40.1 Wholly owned subsidiary undertakings continued

Entity	Country of incorporation	Interest	Holding	Registered office address ^{a)}
Nash Court (Kenton) Limited	UK	100%	Indirect	33 Holborn
Nectar 360 Limited	UK	100%	Indirect	33 Holborn
Nectar 360 Services LLP	UK	100%	Indirect	33 Holborn
Nectar EMEA Limited	UK	100%	Indirect	33 Holborn
Nectar Loyalty Holding Limited	UK	100%	Direct	33 Holborn
Ramheath Properties Limited	UK	100%	Direct	33 Holborn
Sainsbury Bridgeco Holdco Limited	UK	100%	Direct	33 Holborn
Sainsbury Holdco A Limited	UK	100%	Direct	33 Holborn
Sainsbury Holdco B Limited	UK	100%	Direct	33 Holborn
Sainsbury Propco A Limited	UK	100%	Indirect	33 Holborn
Sainsbury Propco B Limited	UK	100%	Indirect	33 Holborn
Sainsbury Propco C Limited	UK	100%	Direct	33 Holborn
Sainsbury Propco D Limited	UK	100%	Direct	33 Holborn
Sainsbury Property Investments Limited	UK	100%	Direct	33 Holborn
Sainsbury's Argos Asia Limited	Hong Kong	100%	Indirect	Unit 904, 9/F, Tower 2
Sainsbury's Argos Asia Commercial Limited	Hong Kong	100%	Indirect	Unit 904, 9/F, Tower 2
Sainsbury's Argos Asia Sourcing Limited ^{b)}	Hong Kong	100%	Indirect	Unit 904, 9/F, Tower 2
Sainsbury's Argos Asia Technical Limited ^{b)}	Hong Kong	100%	Indirect	Unit 904, 9/F, Tower 2
Sainsbury's Argos Commercial Consulting (Shanghai) Limited	China	100%	Indirect	26/F, Tower 1
Sainsbury's Bank plc	UK	100%	Direct	33 Holborn
Sainsburys Corporate Director Limited	UK	100%	Direct	33 Holborn
Sainsbury's Corporate Healthcare Trustee Limited	UK	100%	Indirect	33 Holborn
Sainsbury's Corporate Secretary Limited	UK	100%	Direct	33 Holborn
Sainsbury's Group Holdings Limited	UK	100%	Direct	33 Holborn
Sainsbury's Heather GP Limited	UK	100%	Indirect	4th Floor, 1 New Park Square
Sainsbury's Intermediate Holdings Limited	UK	100%	Direct	33 Holborn
Sainsbury's Manor GP Limited	UK	100%	Direct	4th Floor, 1 New Park Square
Sainsbury's Manor Property Limited	UK	100%	Direct	4th Floor, 1 New Park Square
Sainsburys (NI) Ltd	UK	100%	Indirect	Forestside Shopping Centre
Sainsbury's Rose LP Limited	UK	100%	Indirect	33 Holborn
Sainsbury's SL Limited	UK	100%	Indirect	33 Holborn
Sainsbury's Supermarkets Ltd	UK	100%	Direct	33 Holborn
Sainsbury's Thistle Scottish Limited Partnership	UK	100%	Indirect	3 Lochside Avenue
Sainsbury's Tyne Property Holdings Limited	UK	100%	Indirect	33 Holborn
Smartcharge Limited	UK	100%	Direct	33 Holborn
Software Warehouse Holdings Limited	UK	100%	Indirect	33 Holborn
Stamford House Investments Limited	UK	100%	Direct	33 Holborn
Stamford Properties One Limited	UK	100%	Direct	33 Holborn
Stamford Properties Three Limited	UK	100%	Direct	33 Holborn
Stamford Properties Two Limited	UK	100%	Direct	33 Holborn
Stanhope Finance Limited	UK	100%	Indirect	33 Holborn
Town Centre Retail (Bicester) Limited	UK	100%	Indirect	33 Holborn

a) See full addresses on page 204.

b) An application has been made to deregister this company.

40.2 Associated undertakings

The Group has an interest (as shown), direct or indirect, in the ordinary share capital of the following joint ventures and associates.

Entity	Country of incorporation	Interest	Holding	Registered office address ^{a)}
BL Sainsbury Superstores Limited ^{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

a) See full addresses on page 204.

b) An application has been made to deregister this company.



Notes to the consolidated financial statements continued

40 Related undertakings continued

40.3 Overseas branches

The Group has the following branches overseas:

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	Ambience Corporate Tower-II, 1st Floor

a) Full addresses in note 40.5 below.

40.4 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	Entity	Company registered number
Argos (N.I.) Ltd	NI674996	Nash Court (Kenton) Limited	3447714
Argos Card Transactions Limited	04229056	Nectar EMEA Limited	05821446
Argos Holdings Limited	5860214	Nectar Loyalty Holding Limited	06436907
Argos Surbs Investments Limited	5716474	Ramheath Properties Limited	01762921
Avenell Property Limited	03817411	Sainsbury's Bridgeco HoldCo Limited	5644629
Barleygold Limited	NI032407	Sainsbury Holdco A Limited	05644636
Bells Stores Limited	01476345	Sainsbury Holdco B Limited	05644633
BLSSP (PCH 7) Limited	04104076	Sainsbury Propco A Limited	05644620
Cliffrange Limited	1967242	Sainsbury Propco C Limited	05676364
Coolidge Investments Limited	07697101	Sainsbury Propco D Limited	05676370
Cornerford Limited	03871316	Sainsbury Property Investments Limited	02184043
Financial Recovery Services Limited	01279774	Sainsbury's Corporate Healthcare Trustee Limited	02256123
First Stop Stores Limited	03061483	Sainsbury's Corporate Secretary Limited	13368643
Habitat Retail Limited	7445750	Sainsbury's Group Holdings Limited	11833110
Hobart Property Limited	03978071	Sainsbury's Intermediate Holdings Limited	10125892
Holborn UK Investments Limited	06482903	Sainsbury's Manor GP Limited	SC453278
Home Retail Group (Finance) Limited	OC361082	Sainsbury's Manor Property Limited	SC453263
Home Retail Group (UK) Limited	5844516	Sainsbury's Rose LP Limited	11837174
Home Retail Group Holdings (Overseas) Limited	0872776	Sainsbury's SL Limited	13361881
Home Retail Group Limited	5863533	Sainsburys (NI) Ltd	NI674962
Home Retail Group Nominees Limited	05733108	Sainsburys Corporate Director Limited	06246904
Home Retail Group UK Service Company Limited	05844489	Sainsbury's Heather GP Limited	SC621875
Horn drift Limited	03871243	Sainsbury's Thistle Scottish Limited Partnership	SL033628
J Sainsbury Common Investment Fund Limited	02789936	Sainsbury's Tyne Property Holdings Limited	11733455
J Sainsbury Distribution Limited	02653788	Smartcharge Limited	15004383
J Sainsbury Pension Scheme Trustees Limited	02721178	Software Warehouse Holdings Limited	03776853
J Sainsbury Trustees Limited	00974484	Stamford House Investments Limited	01970437
Jacksons Stores 2002 Limited	04455255	Stamford Properties One Limited	03896034
Jacksons Stores Limited	03974443	Stamford Properties Three Limited	03896030
JSD (London) Limited	03780122	Stamford Properties Two Limited	03896032
Jungle Online	03782113	Stanhope Finance Limited	4288193
Jungle.com Holdings Limited	03929744	Town Centre Retail (Bicester) Limited	5564905
Jungle.com Limited	00301793		

40.5 Full registered office addresses

Address	Full address
4th Floor, 1 New Park Square	4th Floor, 1 New Park Square, 1 Airborne Place, Edinburgh, EH12 9GR, United Kingdom
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 ^{a)}
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	Ambience Corporate Tower-II, 1st Floor, Plot No. 3, Ambience Island, NH-8, Gurgaon, Haryana – 122001, India
45 Gresham Street	45 Gresham Street, Gresham Street, London, EC2V 7BG

a) It is expected that, within the next financial year all Companies associated with this address will move registered office to 33 Charterhouse Street, London, EC1M 6HA, United Kingdom.



Company balance sheet

	Note	1 March 2025 £m	2 March 2024 £m
Non-current assets			
Investments in subsidiaries, joint ventures and associates	C2	6,592	7,296
Trade and other receivables	C3	845	847
Derivative financial assets		—	1
		7,437	8,144
Current assets			
Trade and other receivables	C3	222	70
Derivative financial assets		1	2
Cash and cash equivalents		406	510
		629	582
Total assets		8,066	8,726
Current liabilities			
Trade and other payables	C4	(1,878)	(1,295)
Borrowings	C6	(1)	(5)
Taxes payable		(32)	(10)
		(1,911)	(1,310)
Net current liabilities		(1,282)	(728)
Non-current liabilities			
Borrowings	C6	(542)	(572)
Derivative financial liabilities		(1)	(1)
Deferred income tax liability	C5	(19)	(19)
Provisions		(1)	(1)
		(563)	(593)
Total liabilities		(2,474)	(1,903)
Net assets		5,592	6,823
Equity			
Called up share capital	C7	669	678
Share premium		1,448	1,430
Merger reserve		173	568
Capital redemption and other reserves	C7	21	681
Retained earnings		3,281	3,466
Total equity		5,592	6,823

The loss after tax for the Company for the financial year was £822 million (2024: profit after tax of £725 million). The notes on pages 207 to 209 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 16 April 2025, 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 3 March 2024		678	1,430	568	681	3,466	6,823
Loss for the year		—	—	—	—	(822)	(822)
Other comprehensive loss		—	—	—	(1)	—	(1)
Total comprehensive loss		—	—	—	(1)	(822)	(823)
Transactions with owners:							
Transfer between reserves	C7	—	—	(395)	(680)	1,075	—
Dividends		—	—	—	—	(308)	(308)
Allotted in respect of share option schemes	C7	12	18	—	—	70	100
Purchase of own shares for cancellation	C7	—	—	—	(200)	—	(200)
Cancellation of own shares	C7	(21)	—	—	221	(200)	—
At 1 March 2025		669	1,448	173	21	3,281	5,592
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

The notes on pages 207 to 209 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 1 March 2025 (2024: 52 weeks to 2 March 2024).

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 fair value less costs 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 cash flows 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 Intermediate Holdings Limited, the intermediate holding company of the Home Retail Group sub-group, trading performance in Argos was below expectations and therefore an indicator of impairment existed. A conclusion has been reached that the Company's investment is impaired and significant estimates have been made by management of future profitability. 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.



Notes to the Company financial statements continued

C2 Investments in subsidiaries, joint ventures and associates

	2025 £m	2024 £m
Subsidiaries		
At the beginning of the financial year	7,295	7,677
Additions	80	88
Impairment	(784)	(470)
At the end of the financial year	6,591	7,295
Joint ventures and associates	1	1
	6,592	7,296

Rates used in value-in-use calculations

	2025	2024
Pre-tax discount rate	9%–15%	9%–15%
Long-term growth rate – weighted average used	2%	2%

The Company considers significant trading performance 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.

Given Argos trading performance was below expectations, this has been identified as an indicator of impairment of the Company's investment in Sainsbury's Intermediate Holdings Limited, the intermediate holding company of the Home Retail Group sub-group. In addition, at 1 March 2025, the market capitalisation of the Group was 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 Intermediate Holdings Limited 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 Intermediate Holdings Limited, value-in-use has been derived from the Board-approved cash flow projections for four years, with an assumed growth rate of 2% beyond the four-year forecast period. The pre-tax discount rate used of 11.0% was derived from the Home Retail Group's weighted average cost of capital. Following the assessment, the Company has determined that the recoverable amount of its investment in Sainsbury's Intermediate Holdings Limited is £344 million and as a result has recognised an impairment charge of £784 million. The calculation is sensitive to management's forecast of future cash flows, as well as the discount rate applied to these cash flows.

Sensitivity

	2025			
	-2pts £m	Discount rate +2pts £m	-25% £m	Cash flows +25% £m
Decrease/(increase) in impairment charge	209	(105)	(125)	125

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

	2025			2024		
	Non-current £m	Current £m	Total £m	Non-current £m	Current £m	Total £m
Amounts owed by Group companies	845	222	1,067	847	70	917

C4 Trade and other payables

	2025			2024		
	Non-current £m	Current £m	Total £m	Non-current £m	Current £m	Total £m
Amounts owed to Group entities	—	1,876	1,876	—	1,292	1,292
Other payables	—	2	2	—	3	3
	—	1,878	1,878	—	1,295	1,295

C5 Taxation

	Capital losses £m	Rolled over capital gains £m	Total £m
Deferred income tax liability			
At 4 March 2023, 2 March 2024 and 1 March 2025	13	(32)	(19)



C6 Borrowings

	2025			2024		
	Current £m	Non-current £m	Total £m	Current £m	Non-current £m	Total £m
Unsecured bond	3	547	550	—	—	—
Term loan due 2026	—	—	—	6	575	581
Transaction costs	(2)	(5)	(7)	(1)	(3)	(4)
	1	542	543	5	572	577

Refer to note 33 of the Group financial statements for further details.

C7 Share capital and reserves

C7.1 Called up share capital and merger reserve

	2025 million	2024 million	2025 £m	2024 £m
Called up share capital				
Allotted and fully paid ordinary shares 28 4/7p	2,339	2,371	669	678

	2025				2024			
	Number of shares million	Ordinary shares £m	Share premium £m	Merger reserve £m	Number of shares million	Ordinary shares £m	Share premium £m	Merger reserve £m
At the beginning of the financial year	2,371	678	1,430	568	2,352	672	1,418	568
Allotted in respect of share option schemes	42	12	18	—	19	6	12	—
Cancellation of own shares	(74)	(21)	—	—	—	—	—	—
Transfer to retained earnings	—	—	—	(395)	—	—	—	—
At the end of the financial year	2,339	669	1,448	173	2,371	678	1,430	568

C7.2 Capital redemption and other reserves

	Investment in own shares £m	Other reserves £m	Capital redemption reserve £m	Total capital redemption and other reserves £m
At 3 March 2024	—	1	680	681
Transfer to retained earnings	—	—	(680)	(680)
Purchase of own shares for cancellation	(200)	—	—	(200)
Cancellation of own shares	200	—	21	221
Cash flow hedges effective portion of fair value movements	—	(1)	—	(1)
At 1 March 2025	—	—	21	21
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.

During the period, 73.6 million of the Company's own shares were purchased, and subsequently cancelled, for total consideration of £200 million inclusive of £6 million directly attributable costs. £200 million has been transferred from the treasury share reserve (within capital redemption and other reserves) to retained earnings and £21 million of share capital has been transferred to the capital redemption reserve owing to the cancellation.

The capital redemption reserve as at 3 March 2024 amounted to £680 million. This 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. Following approval by the High Court registered on 31 July 2024, this £680 million was reclassified as available for distribution to shareholders in accordance with ICAEW Technical Release 02/17BL section 2.8A and as a result was transferred to retained earnings.

C7.3 Merger reserve

The merger reserve as at 3 March 2024 amounted to £568 million and was created following the issuance of 261 million shares in 2016 as part consideration for the acquisition of Home Retail Group plc. During the year, £395 million has been transferred to retained earnings and classified as available for distribution to shareholders in accordance with ICAEW Technical Release 02/17BL section 3.9 following the impairment recognised in Sainsbury's Intermediate Holdings Limited, as detailed in note C2.

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 40.4 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

	2025	2024
Retail like-for-like (exc. fuel, inc. VAT)	3.2%	7.5%
Underlying net new space impact	(0.1)%	(0.7)%
Retail sales growth (exc. fuel, inc. VAT)	3.1%	6.8%
Fuel impact	(1.6)%	(3.6)%
Total retail sales growth (inc. fuel, inc. VAT)	1.5%	3.2%
VAT impact	0.2%	0.4%
Total retail sales growth	1.7%	3.6%

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	2025 £m	2024 £m
Retail underlying operating profit	6.1	1,036	966
Retail sales	6.1	32,630	32,084
Retail underlying operating margin		3.17%	3.01%

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.



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	2025 £m	2024 £m
Retail underlying operating profit	6.1	1,036	966
Add: Retail underlying depreciation and amortisation	A2.1	1,156	1,112
Retail underlying EBITDA		2,192	2,078
Retail sales	6.1	32,630	32,084
Retail underlying EBITDA margin		6.72%	6.48%

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 9 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, and cash flows from joint ventures and associates. Excludes capital injections to, dividends from, and any other exceptional cash movements with or on behalf of Sainsbury's Bank and its subsidiaries. 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.



Alternative performance measures (APMs) continued

A2 Cash flows and borrowings continued

A2.1 Retail cash flows (Closest IFRS equivalent: Group cash flows) continued

Reconciliation

		2025			2024 (restated*)		
	Note	Retail £m	Financial Services £m	Group £m	Retail £m	Financial Services £m	Group £m
Operating profit/(loss) – continuing		822	82	904	790	(46)	744
Depreciation and amortisation							
– Underlying		1,156	—	1,156	1,112	14	1,126
– Non-underlying		59	—	59	34	—	34
		1,215	—	1,215	1,146	14	1,160
Net impairment charge/(reversal) on non-financial assets							
– Underlying	b)	2	—	2	—	—	—
– Non-underlying		20	—	20	23	22	45
		22	—	22	23	22	45
(Profit)/loss on sale of non-current assets and early termination of leases							
– Underlying	b)	(6)	—	(6)	(5)	—	(5)
– Non-underlying		(47)	—	(47)	(11)	—	(11)
		(53)	—	(53)	(16)	—	(16)
Non-underlying fair value movements		(2)	—	(2)	46	—	46
Share-based payments expense	b)	71	4	75	83	2	85
Defined benefit scheme expenses		8	—	8	7	—	7
Cash contributions to defined benefit scheme		(45)	—	(45)	(44)	—	(44)
Operating cash flows before changes in working capital		2,038	86	2,124	2,035	(8)	2,027
Movements in working capital							
– Underlying		98	(461)	(363)	262	215	477
– Non-underlying		105	(90)	15	6	—	6
		203	(551)	(348)	268	215	483
Cash generated from operations – continuing	a)	2,241	(465)	1,776	2,303	207	2,510
Interest paid	a)	(347)	(12)	(359)	(323)	(13)	(336)
Corporation tax paid	a)	(89)	36	(53)	(58)	(3)	(61)
Cash flows from investing activities – continuing		1,805	(441)	1,364	1,922	191	2,113
Purchase of property, plant and equipment							
– Additions	a)	(617)	—	(617)	(649)	(1)	(650)
– Acquisitions	c)	—	—	—	(731)	—	(731)
Purchase of intangible assets	a)	(208)	—	(208)	(165)	(13)	(178)
Capital expenditure		(825)	—	(825)	(1,545)	(14)	(1,559)
Initial direct costs on new leases	a)	(34)	—	(34)	(6)	—	(6)
Proceeds from disposal of property, plant and equipment							
– Core disposals	a)	45	—	45	16	—	16
– Acquisitions related	c)	—	—	—	61	—	61
Interest received	a)	27	—	27	27	—	27
		(787)	—	(787)	(1,447)	(14)	(1,461)
Cash flows from financing activities – continuing							
Proceeds from issuance of ordinary shares		20	—	20	15	—	15
Purchase of own shares for share schemes		(63)	—	(63)	(18)	—	(18)
Other share related transactions		(43)	—	(43)	(3)	—	(3)
Purchase of own shares for cancellation		(200)	—	(200)	—	—	—
Proceeds from borrowings		544	—	544	575	—	575
Repayment of borrowings		(623)	—	(623)	(41)	—	(41)
Net (repayment)/drawdown of borrowings		(79)	—	(79)	534	—	534
Capital repayment of lease obligations	a)	(487)	—	(487)	(505)	(2)	(507)
Dividends paid on ordinary shares		(308)	—	(308)	(306)	—	(306)
		(1,117)	—	(1,117)	(280)	(2)	(282)
Net increase/(decrease) in cash and cash equivalents – continuing		(99)	(441)	(540)	195	175	370
Net (decrease)/increase in cash and cash equivalents – discontinued operations	2024: a)	(52)	1,381	1,329	(1)	299	298
		(151)	940	789	194	474	668

* Comparative periods have been re-presented to separately disclose discontinued operations. Refer to note 11 for further details.

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.



A2 Cash flows and borrowings continued

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	2025 £m	2024 £m
Cash contribution to defined benefit scheme	A2.1	(45)	(44)
Non-underlying cash movements:			
Financial services model		—	(5)
Retail restructuring programmes		(71)	(67)
Operating cash flows		(71)	(72)
Effect on retail cash generated from operations		(116)	(116)

Sum of the items marked a), b) and c) in note A2.1 as they appear in the financial review

		2025 £m	2024 £m
Retail free cash flow	a)	531	639
Share based payments and other	b)	67	78
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 FVOCI, 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 33 to the financial statements.

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	2025 £m	2024 £m
Retail net debt	32	5,758	5,554
Group underlying EBITDA	A4.2	2,222	2,139
Net debt/Group underlying EBITDA		2.6x	2.6x

Group underlying EBITDA is reconciled within the fixed charge cover analysis in note A4.2.



Alternative performance measures (APMs) continued

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	2025 £m	2024 £m
Return (Group underlying operating profit)	6.1	1,066	995
		£m	£m
Group net assets	Balance sheet	6,651	6,868
Less: Pension surplus	Balance sheet	(731)	(690)
Deferred tax on pension surplus	10.3	218	244
Less: Net debt	32	5,758	5,554
Effect of in-year averaging		(42)	42
Capital employed		11,854	12,018
Return on capital employed		9.0%	8.3%

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	2025 £m	2024 £m
Group underlying operating profit	6.1	1,066	995
Add: Group underlying depreciation and amortisation expense	A2.1	1,156	1,144
Group underlying EBITDA		2,222	2,139
Capital repayment of lease obligations	A2.1	(487)	(507)
Underlying finance income	9	31	30
Underlying finance costs	9	(336)	(324)
Fixed charges		(792)	(801)
Fixed charge cover		2.8x	2.7x



Additional shareholder information

Managing your shares

Our share register is managed by Equiniti, our share registrar. The quickest and most environmentally friendly way for shareholders to manage their shareholding is electronically via www.shareview.co.uk:

Go online. Go paperless. It's simple.

Scan the QR code below for access to Shareview, a free, online secure service that enables you to manage and monitor all of your shares in one place.



Please contact Equiniti for assistance with the QR code or the Shareview service.

To register online and set up your Shareview Portfolio, go to:
www.shareview.co.uk/info/register



Keep your dividend payment instruction up to date



Change your address



Submit your proxy voting instructions



Elect to receive shareholder communications electronically

If you need to contact Equiniti

help.shareview.co.uk
+44 (0) 333 207 6557¹
 Please use the country code when contacting us from outside the UK. For deaf and speech impaired customers, we welcome calls via Relay UK. Please see **www.relayuk.bt.com** for more information.

Equiniti, Aspect House,
 Spencer Road, Lancing,
 West Sussex, BN99 6DA, UK

(1) Lines are open 8:30am to 5:30pm (UK time), Monday to Friday (excluding public holidays in England and Wales). Calls from a landline are charged at national rates, calls from a mobile device may incur network extras.

To register, you will need your 11-digit Shareholder Reference Number, which can be found on your share certificate and dividend confirmation. For each shareholder who registers to manage their shareholding online, a donation will be made to the Woodland Trust, the UK's leading woodland conservation charity. Alternatively, shareholders can contact Equiniti using the details in the useful contacts section on page 217.

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. Check the charges that apply before dealing in shares as the dealing fees vary between brokers. Alternatively, you may consider using Equiniti. For more information on Equiniti's share dealing service, visit **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**.

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 2735²** or visit **www.prosearchassets.com**.

(2) Lines are open 9.00am to 5.00pm Monday to Friday (excluding UK public holidays).

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.

Financial calendar 2025/26



The financial calendar for 2025/26 is shown as a horizontal timeline with seven key dates marked by orange circles:

- 1 March 2025**: Financial year-end 2024/25
- 1 July 2025**: Q1 trading statement
- 3 July 2025**: Annual General Meeting
- 11 July 2025**: Payment date of final dividend
- 6 November 2025**: Interim (half-year) results announcement
- January 2026¹**: Q3 trading statement
- April 2026³**: Preliminary (full-year) results announcement

³ Provisional dates.



Additional shareholder information continued

Shareholders

Shareholder information as at 1 March 2025

	2025	2024
Number of shareholders	92,786	96,196
Number of shares in issue	2,339,424,088	2,370,612,927

Annual General Meeting (AGM)

The 2025 AGM will be held at Leonardo Royal Hotel London St Paul's , 10 Godliman St, London, EC4V 5AJ at 11.00am on Thursday, 3 July 2025 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.

Dividends

An interim dividend of 3.9 pence per ordinary share was paid on 20 December 2024. Shareholders will be asked to approve a dividend of 9.7 pence per ordinary share for the year ended 1 March 2025 at this year's AGM. If approved, this will be paid on 11 July 2025 to all shareholders who are on the register of members on 6 June 2025. Dividends will be made directly to your nominated bank or building society account by direct credit. Please visit www.shareview.co.uk for further details, and to provide your account details.

For more information on dividends, please see pages 48 and 51 and note 13 on page 165.

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 21,000 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.

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

Toll Free Telephone number for US domestic callers: 1-888-269-2377
International callers can call: +1-201-680-6825

Website: www.mybnymdr.com

Email: sharerelations@bnymellon.com

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.

Shareholder security and share fraud

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?
- 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.co.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.



Useful contacts

Registered office¹

J Sainsbury plc

33 Holborn

London EC1N 2HT

Registered number 00185647

Shareholder communications website

www.about.sainsburys.co.uk

For the latest results and reports, share price data, business strategy and corporate governance.

It also contains information for investors, our sustainability report, regulatory and news releases, and current issues.

Investor Relations

Investor Relations Department

J Sainsbury plc

33 Holborn, London EC1N 2HT¹

InvestorRelations2@sainsburys.co.uk

Registrars

Equiniti

Aspect House

Spencer Road

Lancing BN99 6DA

Company Secretary

Nick Grant

Independent auditor

Ernst & Young LLP

1 More London Place

London SE1 2AF

Solicitors

Linklaters LLP

Stockbrokers

UBS

Shore Capital

General contact details

For any customer enquiries, please visit our websites:

Sainsbury's

www.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

¹ Please note, the Company's registered office is currently at 33 Holborn, London, EC1N 2HT. However, it is expected that, during the period between the date of this Notice and the AGM, the Company's registered office will change to 33 Charterhouse Street, London, EC1M 6HA. The Company will publish an announcement through a Regulatory News Service announcing the change in registered office on the date that the change is effective.



Glossary

Annual General Meeting (AGM) – This year the AGM will be held on 3 July 2025 at 11:00am at the Leonardo Royal Hotel London St Paul's, 10 Godliman Street, London, EC4V 5AJ.

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.

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.

FVPL – Fair value through profit or loss. Method of valuing a financial instrument where changes in fair value are recognised directly in the income statement.

FVOCI – 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 – Groceries 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) / Nielsen Global Solutions (Nielsen) – Independent third parties providing data on the UK Grocery Market.

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.

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.

OCI – Other comprehensive income.

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.

Notes



Notes



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www.carbonbalancedpaper.com
CBP030512

J Sainsbury plc's commitment to environmental stewardship is reflected in this Annual Report, which has been printed on Revive 100 Offset, which is 100% post-consumer recycled, FSC® certified and totally chlorine free (TCF) paper. Printed in the UK by Park Communications using vegetable-based inks, with 99% of dry waste being diverted from landfill. The printer is a CarbonNeutral® company. Both the mill and the printer are certified to ISO 14001 (Environmental Management System) and ISO 9001 (Quality Management System).

Please recycle.

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designportfolio

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33 Holborn
London
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Find out more at
www.about.sainsburys.co.uk