

J Sainsbury plc

Good food for all of us



Annual Report and
Financial Statements 2026

Joyful Accessible Affordable

Good food for all of us

When John James and Mary Ann Sainsbury opened the first Sainsbury's in 1869, they set out to bring customers high quality food at great value.

For more than 150 years, we've stayed true to these values. People who shop with us know that Sainsbury's stands for quality, value and service and we are incredibly proud of the business we have built with our colleagues and partners.

Today, good food sits at the heart of all that we do. Our purpose is to make good food joyful, accessible and affordable for everyone, every day. It is also our brand promise: good food for all of us.

At Sainsbury's we believe good food means thinking about how food is grown, produced, bought, sold, distributed, cooked and enjoyed in communities across the UK. We want to inspire people to fall in love with cooking and eating good food by making it easy, affordable and joyful.

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Financial highlights

Retail sales growth

4.3%

(excl. fuel) versus the 2024/25 financial year.
Including fuel, sales increased 2.8%

Total underlying profit before tax

£718m

up 1.3% versus the 2024/25 financial year

Total underlying basic earnings per share

22.3p

up 3.2% versus 21.6p in the 2024/25 financial year.
Basic earnings per share 17.3p versus 10.9p in the 2024/25 financial year

Retail free cash flow

£574m

up 8.1% versus £531 million in the 2024/25 financial year. Statutory net cash generated from operating activities from continuing operations was £1,774 million, versus £802 million in the 2024/25 financial year

Retail underlying operating profit

£1,025m

down 1.1% versus the 2024/25 financial year

Statutory profit after tax

£393m

up 55.3% versus the 2024/25 financial year

Return on capital employed

8.9%

down 10 basis points versus the 2024/25 financial year

Our purpose

Joyful



Whether it's the big weekly shop, a quick bite to eat or a special occasion, our customers choose us for good food that is trusted on quality and delivers on taste.

 See our purpose in action on page 10 for more information on how we're making good food joyful



We have a real passion for innovation and good quality, affordable food is the foundation of all our Sainsbury's own brand ranges. It's food that's well sourced, grown sustainably and offers great value.

Now 25 years old, our premium *Taste the Difference* range is more popular than ever, with customers choosing it for exciting new flavours and the feeling of dining out at home. We've recently expanded the range with our new *Taste the Difference Discovery* collections that offer expertly created, restaurant-quality meals and premium speciality ingredients.

1,200

new own brand products, around 50 per cent in our premium *Taste the Difference* range

£2bn+

in *Taste the Difference* sales, a milestone for the brand

69%


of customers shopped both Aldi Price Match and *Taste the Difference* in the same trolley over the course of the year

Our purpose continued

Accessible



Through our largest investment in store expansion in over a decade, we're bringing more choice, convenience and quality to more communities across the UK.

 See our purpose in action on page 10



We're opening new supermarkets and convenience stores in key locations and are increasing food space in many of our existing stores, so that more customers can access more of our good food, more often. Alongside this, our convenience formats, online grocery, rapid delivery and same-day fulfilment give customers even more flexibility – supporting everything from larger planned shops to quick top-ups when time is tight.

We also recognise that good food isn't shared equally. We've partnered with Comic Relief for over 25 years and since 2022 we've refocused our relationship to tackle the issue of food poverty. To date, we've donated over 60 million meals, raised more than £26 million and supported more than 2.4 million people. We've funded food clubs, holiday programmes and community support, while also rallying partners, government and industry to drive wider change.

40+

new supermarkets and Local stores in key locations

£30m

goal to be raised by 2030 for Comic Relief

1,320

schools supported through our partnership with the Department for Education's breakfast clubs programme

Our purpose continued

Affordable



Championing good food means making sure great quality is affordable for everyone, every time they shop with us. We know customers want food they can trust, enjoy and feel good about – without worrying about the price – and we are committed to offering great value on the products they buy most often.

 See our purpose in action on page 10



We've invested around £1.3 billion to keep prices low and make good food affordable for everyone, whether that's through our Low Everyday Prices, Aldi Price Match, Nectar Prices, personalised Your Nectar Prices or *Stamford Street*, our lowest priced range – offering great value on everyday essentials.

In 2024, we became the first retailer to extend Aldi Price Match across our supermarkets, convenience stores and online and the offer contains at least 75 per cent Healthy and Better for you products. Customers are now saving more than £450 on average a year with Nectar, as well as collecting over £170 of Nectar Points through our well-established value proposition of Nectar Prices, Your Nectar Prices and Nectar Points earned across a coalition of partners.

£1.3bn

invested in keeping prices low over the past five years

£5.5bn

saved by customers since the launch of Nectar Prices in April 2023

£450

on average a year saved by households using Nectar Prices and Your Nectar Prices

10,000+

products available on Nectar Prices

Chair's letter

Creating long-term value for the UK

“

A thriving Sainsbury's is good for the UK – for the customers and communities we serve every day and for the shareholders who rely on us for sustainable long-term value.

Martin Scicluna
Chair



Sainsbury's plays an important role in the UK. Every week, millions of customers choose us for good food at great prices. Thousands of suppliers work with us as trusted, long-term partners and around 140,000 colleagues build their careers with us. When Sainsbury's is thriving, the impact is felt well beyond our stores, in communities across the country.

Over the past year, customers have continued to make careful choices, with value firmly front of mind. Against this backdrop, our priorities remain clear: supporting colleagues, staying close to what customers are telling us and delivering great value on the products they buy most often, while making balanced choices that protect the long-term strength of our business.

Making balanced choices

Through disciplined execution, a sharper focus on value and a stronger financial position, we have built a business that is more focused and better placed to serve customers and communities across the UK over the long term.

Central to this progress is our focus on food, where we can have the greatest impact. By prioritising value, quality, availability and service and investing carefully where it matters most, we are better able to support our customers today while continuing to strengthen the business for the long term. By making balanced choices, we have strengthened Sainsbury's position as a stable and trusted UK plc.

Delivering with purpose

We are committed to delivering for everyone who relies on us. Over the past year, this has meant prioritising value for customers, continuing to invest in colleagues and working in partnership with suppliers to strengthen our food supply chain.

Our purpose – making good food joyful, accessible and affordable for everyone, every day – shapes the choices we make. Through our Plan for Better, we support healthier and more sustainable diets, while engaging constructively with government on issues such as affordability, supply chain resilience and regulatory reform.

Long-term partnerships are essential in our food supply chain. I recently visited a farm growing salad crops where the challenges facing British agriculture were clear. I came away with a strong sense that resilience increasingly depends on farmers having the confidence – and the capability – to plan and invest for the long term. Extreme weather is increasing complexity but long-term agreements give farmers the confidence to invest in solutions such as water storage and irrigation – a practical example of how Sainsbury's is supporting the future of UK food production.

Creating sustainable returns for shareholders

We are committed to creating long-term value for shareholders. This year, we returned over £800 million to shareholders through a progressive dividend, a £250 million share buyback and a special dividend from the disposal of our banking operations. This transaction marked the conclusion of Sainsbury's ownership of the Bank's Core Banking business. I would like to thank Bláthnaid Bergin, Robert Mulhall and their teams for making this happen.

Looking ahead, we are focused on serving customers' evolving financial services needs through a simpler proposition, building on the strength of our customer relationships while keeping our core emphasis firmly on food retail. This focus allows us to keep investing in value, quality, availability and service for customers, alongside investment in colleagues, stores and technology.

Looking ahead with confidence

I would like to thank colleagues across Sainsbury's for the exceptional leadership and commitment they have shown this year. Whether serving customers in our stores, supporting our supply chains or driving progress behind the scenes, your contribution is fundamental to the strength of our business.

I am also grateful to Simon and the Operating Board for their leadership and I am pleased to acknowledge Simon's CBE in the 2026 New Year Honours, recognising his outstanding contribution to retail and our business. Under his leadership, colleagues, customers and shareholders can have confidence in Sainsbury's ability to make the right long-term choices.

We welcomed Katie Bickerstaffe and Steve Hare to the Board following their appointments at the 2025 AGM. They have brought valuable experience and perspective. I would also like to acknowledge Adrian Hennah in his first year as Senior Independent Director and the counsel he continues to offer.

A thriving Sainsbury's is good for the UK - for the customers and communities we serve every day and for the shareholders who rely on us for sustainable long-term value. With a clear strategy, disciplined execution and a continued focus on value, quality, availability and service, Sainsbury's is well placed to navigate an increasingly uncertain external environment in the years ahead.

Martin Scicluna
Chair
22 April 2026

Market context

The UK grocery market remains highly competitive, with customers facing an increasing amount of choice on where and how they shop. People are making deliberate choices about the retailers they rely on, looking for confidence that they can get good quality and value and a stress-free experience.

This environment is being shaped by a mix of factors: the continued importance of physical stores, the growing role of digital channels and changing expectations around ease, availability, service and speed of fulfilment. At the same time, retailers are tightly focusing investment on the areas that matter most to customers, with technology playing a growing role in supporting both customer experience and productivity. Together, these dynamics are influencing how customers shop today and where growth is emerging across the market.



Where growth is coming from

Physical stores continue to play a central role in the UK grocery market. The weekly shop remains especially important for households planning ahead and managing budgets, reinforcing the importance of well-located stores and customer service.

Growth is also being driven by customers having more ways to shop. Convenience formats, online grocery, rapid delivery and same-day fulfilment are helping customers meet different needs across the week. While these channels still represent a smaller share of total grocery spend, digital channels in particular are contributing a significant share of growth and are shaping expectations around speed, ease and availability.

Across the market, retailers are responding by taking a more disciplined approach to investment: maximising value from their existing store estates – maintaining standards, improving availability and delivering a consistently good customer experience – while also increasing spend on technology, automation, supply chain capability, data and AI. Together, these investments are designed to drive efficiency and productivity in operations, while improving (and increasingly digitising) the customer shopping experience.

Customer discovery is also changing. Marketplaces, aggregators and emerging AI-enabled tools are influencing how people find products and make choices. Over time, this will increase the importance of strong digital capability, high quality data and trusted, direct relationships with customers.

How customers are shopping today

Customers are shopping with intent. Value remains a very important factor in decision-making but it is increasingly defined by a balance of price, quality and trust. Customers are making more considered decisions, favouring retailers and products that offer transparency, reassurance and consistency alongside competitive pricing.

Shopping habits continue to evolve as customers spread spend across different missions. At the same time, customers are visiting fewer shops since the pandemic, placing greater value on getting everything they need in one place and on a more effortless shop. The main shop remains critical – particularly for families and older households who plan ahead and manage spend carefully.

Customers are also continuing to enjoy food at home. More meals at home are being treated as special occasions, with customers increasingly celebrating and recreating restaurant-quality experiences in their own kitchens, while still relying on simple, affordable ways to make everyday meals feel special. This is supporting demand for products that combine quality, taste and value, reinforcing the importance of strong own label ranges, reliable availability and clear value cues.

Across all missions, customers expect retailers to make shopping straightforward and dependable – through clear pricing, simpler choices and confidence that what they need will be available when they shop.

Changing lives, changing needs

Longer term demographic trends continue to shape customer needs. The UK population is ageing and households are becoming smaller. These shifts influence how people shop, the missions they prioritise and the products they choose.

Younger generations are accounting for a growing share of grocery spend, as more of their purchasing power shifts into grocery and their habits shape where growth is emerging. These customers are digitally confident, move easily between channels and expect joined up, relevant experiences - whether in store, online, or on their phone.

Health is playing a growing role in food choices across all age groups. As cultural diversity increases and the population ages, health needs are becoming more varied and more people are living longer with multiple co-existing chronic conditions - adding to the complexity of the health landscape. Customers want food that supports healthier lifestyles without added cost or complexity. Interest in nutrition, balance and functional benefits is growing, alongside awareness of topics such as ultra processed foods and emerging trends like GLP 1 usage. Together, this reinforces a longer term shift towards fresh food and balanced diets.

Alongside this, customers increasingly expect brands to do good - from cutting food waste and reducing packaging to supporting more sustainable diets and playing an active role in local communities.

Making shopping simpler through technology

Technology is playing an increasingly important role in shaping customer expectations. Customers expect retailers to use digital tools and data to make shopping simpler, quicker and more relevant – from personalised offers and inspiration to smoother online journeys and better availability.

For retailers, continued investment in data, technology and infrastructure is a key differentiator. Those with the scale and financial strength to invest are well placed to improve efficiency, unlock productivity and deliver intuitive and tailored customer experiences.

Technology is also creating new opportunities through loyalty, retail media and emerging AI-enabled services, increasing the value of trusted customer relationships and high-quality data. In a competitive market, the ability to combine great food, strong value and digital capability remains central to long-term success.



Business model

Our business at a glance

Sainsbury's is the country's second largest grocer, serving customers online and in our more than 600 supermarkets and 885 convenience stores. Our colleagues bring our purpose to life in the communities we serve – making good food joyful, accessible and affordable for everyone, every day.

We create value for stakeholders by building on the heritage and scale of our food business and strong customer offer, enhancing our competitive advantage.



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 on page 30](#)



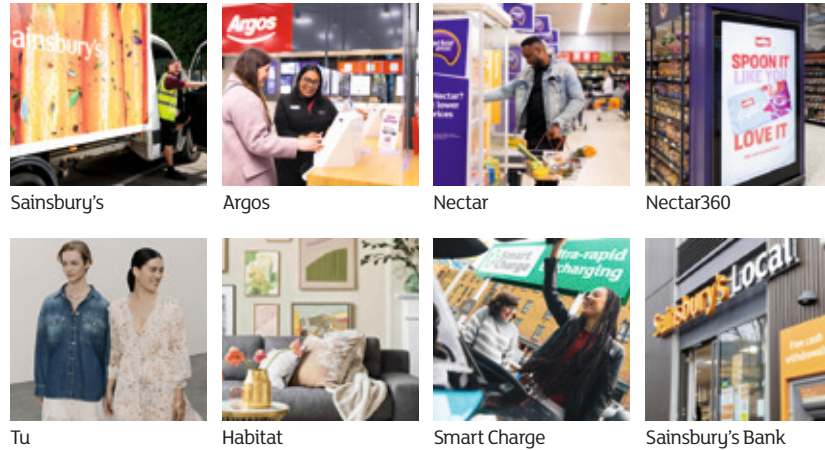
Business overview

Our brands work together to provide added value for our customers

Our brands - Sainsbury's, Argos, Nectar, Nectar360, Habitat, Tu, Sainsbury's Bank and Smart Charge - each play a part in delivering our purpose and giving customers more reasons to shop with us, while building strong, sustainable growth for our shareholders.

Whether it's stylish homeware from Habitat, great value fashion from Tu or the convenience and breadth of choice that Argos offers, we bring customers more of what they need, all in one place.

Our market-leading retail media and data capabilities are powered by Nectar360 and our world-class Nectar loyalty platform. Together with a strong coalition of partner brands, they help us really understand our customers, enabling us to tailor value and rewards.



Sainsbury's

Argos

Nectar

Nectar360

Tu

Habitat

Smart Charge

Sainsbury's Bank

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

Our strategy for Next Level Sainsbury's

In February 2024, we set out our Next Level Sainsbury's plan, building on the momentum of our successful Food First strategy.

It's our ambition to be the UK's first choice for food. We are focused on attracting many more people to choose Sainsbury's as the place they come to for good food and playing a leading role in creating a more sustainable food system in the UK.

Next Level Sainsbury's sets out how we will deliver that ambition. Our ability to combine great value, trusted quality and leading service is the winning combination that sets us apart and makes us uniquely placed to help shape the future of food retail.

Over the past two years, we have made strong progress, strengthening our competitive position and building

real momentum across the plan. We have expanded and enhanced our world-leading Nectar loyalty platform, sharpened value, accelerated food innovation and improved availability and service.

Underpinning all of this is our programme to deliver another £1 billion of cost savings which will help us to continue to invest to transform our capabilities and support sustainable growth in Year 3 and beyond.

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

Discover more about investing in Sainsbury's at [Investment case](#) | J Sainsbury plc

Chief Executive's statement

Putting good food at the heart of all we do

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We have a strong plan powered by a clear purpose. Good food guides everything we do and we will keep using our scale, our reach and our capabilities to make good food joyful, accessible and affordable for everyone, every day.

Simon Roberts
Chief Executive



This last year, every conversation with our customers, colleagues, farmers and suppliers has reinforced just how much people are weighing up every decision they make. Against a backdrop of increasing pressure on the cost of living and changing shopping habits, it's a constant reminder that we must do everything we possibly can to earn people's trust and loyalty.

We are focused on making sure our food is great value, high quality and sourced in partnership with farmers and producers. As global uncertainty around us continues, this must remain our absolute priority.

For 157 years, Sainsbury's has worked in partnership across our supply chain to make good food joyful, accessible and affordable for everyone, every day. It's a responsibility we take seriously and one that I believe will continue to set us apart.

By staying true to this purpose and focusing relentlessly on what matters most to our customers, we've delivered strong results over the last year. We grew food volumes, gained market share and performed well in a highly competitive market. We have also delivered enhanced cash returns to shareholders through dividends and share buybacks.

Value customers rely on

When I became Chief Executive five years ago, customers told us we were too expensive and too often we were inconsistent. We really listened and set out a clear plan to put food first and at the heart of everything we do at Sainsbury's. We committed to deliver outstanding value without compromising on the quality and service customers always expect from us.

Since then, we've invested around £1.3 billion bringing prices down for customers while continuing to deliver leading quality, welfare and sustainability. With household budgets remaining under pressure, we've kept great value very firmly at the centre of our strategy. That's why more customers are choosing products from Aldi Price Match alongside Taste the Difference in their weekly shop – confident they're getting great value on everyday essentials and quality food for special occasions.

This year we took Nectar loyalty to the next level, rolling out Your Nectar Prices across all supermarket checkouts, giving more customers access to personalised savings wherever and however they shop, while continuing to invest in Aldi Price Match on the products they buy most often. Together, Nectar Prices and Your Nectar Prices now help millions of households save around £450 a year.

Food that's affordable, accessible and joyful

We want to inspire more people to enjoy cooking and eating good food. This means adding more fibre and flavour to everyday favourites and celebrating fresh, seasonal cooking that is always tasty, exciting and accessible. Alongside this, I am proud to say that we continue to lead on transparency, supporting clearer food standards and mandatory reporting, so that customers can make confident, informed decisions for themselves and their families.

Supporting thousands of communities right across the country is at the core of who we are. Through our partnership with Comic Relief, we've provided more than 60 million meals since 2022. I've seen first-hand how much this matters, including recently at a local food club in South London where volunteers told me that reliable, long-term support makes the biggest difference. No child or family should go without the essentials they need to thrive and we're committed to playing our part in reducing food poverty across the UK. This year we have donated £8.7 million through the partnership with Comic Relief and through Alliance Food Sourcing we're working with the retail industry to find new ways to rescue surplus food in supply chains and ensure it reaches those that most need it.

Chief Executive's statement continued

Farming in partnership

We believe food resilience matters more now than ever and that's why our long-term partnerships with farmers and suppliers are so vital, securing good food for the future and building a more sustainable UK food system. This important work starts with understanding the real challenges our farming partners face. Successive periods of volatility in an already tough market are making it harder for farmers to plan, invest and innovate with confidence.

This March, we announced that we're further expanding our long-term partnership model, to create one of the UK's most extensive networks of multi-year farming agreements. More than 2,500 British and Irish farms will be backed by long-term contracts of between five and ten years, giving farmers real confidence in what we will buy from them and the profit they can expect to make, with a long-term commitment to work together. This represents over £5 billion of committed investment over the lifespan of these agreements and will secure 3.1 million tonnes of homegrown fresh food.

Jobs, skills and opportunity

With around 140,000 colleagues across the UK, we create opportunities in every community we serve. I regularly meet colleagues across Sainsbury's and Argos who began their career in weekend roles and now lead teams. Starting work with a weekend job provides such a positive start to working life and we are committed to doing all we can to provide the best opportunities for young people, including through the relaunch of our graduate programme this year.

We continue to prioritise significant investment in colleague pay because it is the right thing to do, supporting the wellbeing and success of our people through competitive rates of pay and a strong benefits package. We have increased pay for our hourly paid colleagues by more than 40 per cent in the last five years and our market leading benefits include a competitive pension scheme, colleague share plans, free food during shifts and leading levels of colleague discount.

Looking ahead

We continue to deliver strong momentum and progress through our Next Level plan, building a Sainsbury's that is better for today and well placed for the future. We're doing this through continuing to invest in what matters most for our customers, championing good food by supporting our colleagues and working in partnership with farmers and suppliers. This disciplined approach allows us to make balanced choices, strengthening our business and creating long term, sustainable value for shareholders.

We are well placed to navigate the challenges of uncertain global events and the potential for volatility around us. We have a strong plan powered by a clear purpose and an experienced and capable leadership team energised and focused for the year ahead.


A huge thank you to our entire Sainsbury's team for their hard work, commitment and care. It's our team who make everything we achieve possible and it's each and every one of our colleagues who make the difference, doing the right thing for our customers every time they shop with us.




Simon Roberts

Chief Executive
22 April 2026




 [Learn about](#) how we're bringing more of our range to more customers on page 13



 [Discover how](#) we're delivering outstanding value on page 13



 [Learn how](#) our long-term agreements with farmers are helping to deliver our purpose on page 10

Our purpose in action

Good food starts here!

At Sainsbury's we believe good food should be good quality, well sourced and produced responsibly, taste delicious and offer great value – something everyone can enjoy in communities across the UK.

Supporting UK farming



We recently announced a renewed commitment to long-term partnerships with British and Irish farmers, expanding our long-term partnership model to create one of the UK's most extensive networks of multi-year farming agreements. More than 2,500 farms will be backed by long-term contracts, representing over £5 billion of committed investment over the lifespan of these agreements, securing 3.1 million tonnes of homegrown fresh food.

These long-term partnerships are essential to protecting the future of good food for customers today and for generations to come, because the only way to secure more British food and deliver value for customers is to give farmers certainty over what we'll buy, at what price and for how long. Genuine collaboration, shared ambition and long-term commitment across the system are essential and customers want to buy produce which supports farmers across the UK and Ireland.

 **Read more** about how we're strengthening the future of good food in the UK on our website



“ To keep our business resilient, we need the confidence to invest in our future. That's why long-term partnerships, like the one we have had with Sainsbury's for many years, are so important and vital to securing the future of the food system and British farming.

Charlie Burgoyne

Dairy farmer, Holmbush Farm, who has supplied Sainsbury's milk for over 15 years



“

Good food is something people depend on every day. In uncertain times our focus is on keeping food great value for customers while giving farmers the reassurance and certainty they need to plan ahead.

Simon Roberts
Chief Executive



2,500

British and Irish farms supported with long-term agreements

£5bn+

committed investment in British and Irish agriculture


Our purpose in action continued

Helping our customers find the joy of good food



We want to inspire people to fall in love with cooking and eating good food by making it easy, affordable and taste delicious. This is why we're passionate about making sure that everyone can enjoy good food and have long-supported efforts to help customers eat well. We have a decades-long heritage of helping make nutritious food tastier, simpler and easier for everyone, from offering more transparency on product packs by being the first UK supermarket to introduce traffic light labelling to rewarding customers who eat well through Nectar challenges.

But we know eating well remains a challenge for many people. Stretched budgets, busy lives and conflicting advice all get in the way.

 **Read more** about how we're resetting our healthy diets strategy in our Plan for Better report – this is a key step in helping customers overcome these challenges



Launching new products to give customers convenient and delicious ways to eat well

As part of our continued focus on food innovation, every year we launch new products – created in close collaboration with our expert nutritionists and packed with the essentials our diets need – to give customers convenient and tasty ways to eat well.

This year, we launched our new *Small But Mighty* range. It features nutrient dense meals, each designed to be less than 400 kcals, high in protein, a source of fibre and one of your five a day. Alongside this we're launching a selection of High Protein products including yoghurts, bread and ready meals.



We understand people have different nutritional needs, appetites and tastes and that continues to guide how we develop our products. From protein packed breakfasts and ready-to-go lunches to smaller, nutrient rich meals, our new *High Protein* and *Small but Mighty* ranges are designed to offer people convenient, delicious food that they can enjoy with confidence, day in and day out.



James Campbell
Sainsbury's Director of Fresh Product Innovation

Tackling food poverty in partnership

Our focus is on ensuring no child or family goes hungry, helping them access the good food they need to grow – today and for the long-term.

Partnering with the Department for Education on their free breakfast club programme in October, we supported up to 180,000 school children across the UK. The initiative provided 750 early adopter schools with access to £200 gift cards to help them take their free breakfast club offer further - increasing their funding for healthy, affordable and nutritious food. We also committed to supporting over 570 additional schools from April 2026 onwards.

Over the festive period, we also raised over £3.9 million for Comic Relief. This included donating every penny from the sales of by Sainsbury's and Free From classic mince pies in December to provide over five million meals to families over Winter in 2025/26.



No child or family should go without the food they need to thrive. Yet too many parents are making impossible choices and too many plates are empty. At Sainsbury's, we believe everyone should have access to good food and no child should go hungry. Since 2022, our partnership with Comic Relief has helped deliver millions of meals and vital community support. And with our renewed commitment, we're determined to keep going, together.



Ruth Cranston
Sainsbury's Director of Sustainability



For some of us, food and mealtimes sit at the heart of our happiest moments, but for so many across the UK they remain the source of enormous worry. Comic Relief's partnership with Sainsbury's is focused on ensuring that no one has to make difficult choices when it comes to feeding themselves or their family and that everyone can experience the comfort and connection often associated with good food.



Samir Patel
CEO of Comic Relief

£8.7m

donated to Comic Relief this year

120,000

holiday club places funded with Comic Relief through the UK Government's Holiday Activities and Food (HAF) programme

1,320

schools supported through our partnership with the Department for Education's breakfast club programme, reaching 280,000 children

25+ years

of partnership with Comic Relief

Strategy overview

Consistently delivering for customers, colleagues, suppliers and shareholders

Reflecting on our progress two years into the plan, our balanced choices helped us make good progress against these commitments.

We've invested to support our customers, our colleagues, our farmers and our suppliers and we have sustained our strong competitive position in an intensely competitive market^(a). More customers are trusting us to deliver our winning combination of value, quality, availability and service. As a result, we have delivered food volume growth ahead of the

market for the sixth consecutive year, reaching our highest volume market share in ten years^(b).

The underlying profit leverage from this volume outperformance was offset by investment in our competitive position and by unusually high levels of operating cost inflation, only partially mitigated through the delivery of a further £330 million of

structural cost savings. We delivered Retail free cash flow of £574 million, ahead of our expectations and we remain on track to exceed £1.6 billion over the three-year plan. Whilst maintaining that cash flow commitment, we're investing for future growth and to further strengthen our competitive advantage. We have also delivered enhanced cash returns to

shareholders, with more than £800 million returned this year through dividends and share buybacks.









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

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

Progress key

● No progress ● Ongoing ● On track

Outcomes	What this means
 First choice for food  Read more page 13	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 15	Build a world-leading loyalty platform that's more personalised, joyful, rewarding and transparent – for everyone
 More Argos, more often  Read more page 16	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 17	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

In a year where we faced an unusually high level of external cost pressures and a more competitive market, we were clear that our key objective was to sustain our strong competitive position and continue to outperform the market. We delivered on this, making balanced choices throughout the year to maintain our strong value position against all key competitors⁽⁹⁾ and deliver volume outperformance in every quarter⁽⁹⁾.

Customers trust us to deliver good food and they rely on our winning combination of value, quality, availability and service with more and more shoppers choosing us for their big weekly shop⁽⁹⁾. We now have around 1.2 million more big trolley primary customers than five years ago⁽⁹⁾ and we continue to benefit from switching gains from competitors across the whole market⁽⁹⁾.

Customers want to access more of our food range in more locations, and we are investing to grow our food footprint by rebalancing space towards fresh food in existing stores and opening new stores in key target locations. At the same time, we are going further to amplify the points of difference in our customer proposition, with a clear focus on delivering greater personalisation, improving the shopping experience both in-store and online and championing fresh food and innovation.

Our brand and heritage in fresh food set us apart. As customers increasingly look for healthy and sustainable options, our reputation for fresh, nutritious, high quality and well sourced food means we are well placed to be first choice for more customers. Our consistent delivery of great value at the centre of the plate continues to drive outperformance versus the market in key fresh food categories⁽⁹⁾, supported by our continued focus on innovation and quality.

We are using our scale, reach and capabilities to drive positive change across the food system and are

working closely with farmers and suppliers to strengthen the supply of good food, help tackle climate, nature and labour challenges and raise animal welfare standards. We are expanding our long-term partnership model so that by 2027 we will be supporting more than 2,500 British and Irish farms with long-term contracts. We have committed to invest more than £5 billion in British and Irish farming over the coming years.

c.£1.3 billion invested over the last five years to deliver consistently great value

Throughout the year, we maintained our strong value position against all key competitors⁽⁹⁾, supported by the biggest Aldi Price Match in the market, more than 10,000 Nectar Price offers every week, personalised Your Nectar Prices and Nectar Points offers.

Our value investment continues to focus on centre of the plate items customers buy most often, including produce, dairy, meat, fish and poultry, with 17 per cent more centre of the plate Aldi Price Match products year on year. This consistent approach to value is resonating strongly with customers and continues to drive outperformance in fresh food categories⁽⁹⁾, where fresh food sales were up eight per cent.

Championing quality, innovation and fresh food

Our brand heritage and leadership in fresh food set us apart. Taste the Difference is now the fastest growing Premium Own Label in the market^(h), with sales ahead of our £2 billion target and Fresh food sales up 16 per cent. More customers are shopping bigger Taste the Difference baskets more frequently⁽ⁱ⁾ and 69 per cent of customers shopped both Aldi Price Match and Taste the Difference in the same trolley during the year⁽ⁱ⁾.

We launched more than 1,200 new Own Brand products during the year, around half of which were Taste the Difference, including our new restaurant quality Discovery range. We are increasingly helping customers make healthier choices, with a growing focus on fibre rich and higher protein diets. Aldi Price



Match now contains at least 75 per cent healthy and better for you products.

Investing in colleagues and customer service

Our commitment to customers is underpinned by our commitment to colleagues. We continue to lead the market on overall customer satisfaction in supermarkets⁽⁴⁾, with improvements across key metrics including value for money, product range, quality and availability⁽⁸⁾.

We have invested further in colleague wellbeing, development, pay and benefits, increasing colleague pay by more than 40 per cent over the last five years and continue to achieve high colleague engagement scores.

Expanding our food footprint

Customers want to access more of our food range in more locations. We are investing to grow our food footprint by rebalancing space towards food in existing stores and opening new stores in key target locations.

During the year we opened ten new supermarkets, including two Co-op conversions and three Homebase conversions. Sales to date are ahead of

forecast and we continue to expect strong returns. We also opened 33 new convenience stores, with some standout stores delivering sales more than 50 per cent ahead of expectations. In the year ahead, we expect to open around ten new supermarkets and at least 20 new convenience stores, adding around 0.5 per cent to sales growth in 2026/27.

Alongside this, our three year 'More for More' plan continues to deliver good progress. Over the last two years we have invested selectively in 70 supermarkets, reallocating space towards food and enabling customers to shop more of our range both in-store and online. Invested stores are performing ahead of the rest of the estate, delivering two per cent food volume growth outperformance in the second half and improving total trading intensity by more than five per cent. We will invest in a further 30 stores in the year ahead.

Delivering for customers however they want to shop with us

Groceries Online sales increased by almost 13 per cent⁽¹⁾, supported by rapid growth in OnDemand, where sales rose 69 per cent to more than £700 million and we now cover 70 per cent of the UK population. We are improving the digital journey for our customers by bringing Groceries Online, Chop Chop and SmartShop into a single coherent app, creating the foundation for future personalisation and AI led experiences.

Convenience store sales grew three per cent, supported by outperformance of new space and invested stores and improved customer satisfaction across key metrics, including value for money and product range^(m).

Delivering on our outcomes continued

In focus



Taste the Difference celebrates £2bn milestone

For 25 years, *Taste the Difference* has redefined supermarket food, focusing on products grown and made with extra care, trusted ingredients and fuller flavour. That promise still stands today, inspiring customers to discover new favourites and enjoy restaurant-quality meals at home.

This year, *Taste the Difference* passed a major milestone, exceeding £2 billion in annual sales for the first time – proof that customers want outstanding quality at prices that still feel affordable prices.

The shift towards dining out at home continues to gather momentum as going out becomes more expensive. Worldpanel by Numerator suggests that over half of all grocery spend is on own label and *Taste the Difference* is leading the way as the fastest growing premium range in the market⁹. In October 2025, we launched *Discovery*, a new premium collection from *Taste the Difference* to help customers enjoy more special occasions at home, with even more choice.



Use the QR code to read more about this **major milestone**



“ For more than 25 years, Taste the Difference has brought quality and flavour to households, earning its place as a trusted favourite in British homes.

Rhian Bartlett
Chief Commercial and Sustainability Officer



“ All of our recipes are rooted back to authentic flavours, provenance and quality ingredients. I am so proud of how Taste the Difference has evolved over the decades.

Viresh Singh
Pilgrim's Food Masters,
Our supplier partner on the development of our new modern Indian ready meals, part of the new *Taste the Difference Discovery* range

Playing a leading role in a sustainable food system

We are using our scale and influence to strengthen the supply of good food and drive positive change across the food system. By early 2027 we will support more than 2,500 British and Irish farms through long term partnerships, with more than £5 billion of committed investment. By the end of 2026, 60 per cent¹⁰ of our own brand produce, meat, fish, dairy and poultry will be sourced through long term agreements.

Since 2022, our partnership with Comic Relief has raised more than £26 million, funding over 60 million meals and supporting more than two million people. We have also almost doubled the tonnage of edible surplus food being donated to local communities, preventing 11,030 tonnes of surplus food going to waste, a 49 per cent increase year-on-year.

We have refreshed our Plan for Better commitments for packaging and human rights. Our new packaging targets reflect rapid regulatory and structural change in the UK packaging sector, with a focus on improving recyclability and circularity. We refreshed our Human Rights Policy and Saliency Assessment and delivered training to over 100 colleagues and more than 700 supplier representatives. We also launched a new international programme with Comic Relief to help strengthen climate adaptation, food security and resilience in sourcing regions most vulnerable to climate impacts.



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

Elevated style credentials¹¹ and stronger availability delivered six per cent Tu Clothing volume growth, with clothing sales up 4.8 per cent and online sales growth of more than 20 per cent. Tu has outperformed the Clothing market for seven consecutive quarters¹².

Sainsbury's General Merchandise sales were down 3.2 per cent, primarily reflecting expected volume decline driven by our strategic choice to allocate more space to food. We now have an easier-to-shop customers offer with better everyday value and product availability, alongside higher trading intensity at a lower cost to serve.

Our Smart Charge proposition also continued to grow strongly. We now have 661 ultra rapid electric vehicle charging bays across 80 stores, with five new locations added during the year. Sales growth of 136 per cent was driven primarily by very strong like for like growth, with more customers shopping with Sainsbury's while they charge, shopping more often and benefiting from using Nectar with Smart Charge.

Delivering on our outcomes continued



Loyalty everyone loves

Customers can save more than £450 a year with Nectar, as well as collecting over £170 of Nectar Points through our well established value proposition of Nectar Prices, personalised Your Nectar Prices, Nectar Offers and Nectar Points earned across a coalition of partners. Nectar participation reached its highest ever level during the year, with digital engagement strengthening in particular, as customers recognise the benefits of personalised, rewarding and integrated loyalty and value when they shop at Sainsbury's.

The resulting growth of our loyal, primary customer base is central to the success of the Nectar360 Retail Media business, which now supports over 900 clients and media agencies. We are increasingly well placed to capitalise on the strong forecast growth of Retail Media in the UK through the high-returning investments we are making in our capabilities, and we remain ahead of plan to deliver at least £100 million of incremental profit over the three years to March 2027.

Since the launch of Nectar Prices in April 2023, customers have saved more than £5.5 billion. During the year, customers saved an average of £15.50 on an £80+ big weekly shop. Your Nectar Prices is now available across all supermarket checkouts, having previously been available only through Online and SmartShop. This expansion has been a key driver of record Nectar digital engagement, with a 35 per cent increase in digitally active users⁹⁾.

Setting the standard in retail media and loyalty services

Brands want to work with fewer, high-quality networks. We are a partner of choice with reputation for scaled first-party data, omnichannel reach, sophisticated closed-loop measurement capabilities and leading client service.

During the year we launched Nectar360 Pollen, the UK's most advanced unified Retail Media platform, connecting audience insight, planning, activation, optimisation and measurement in a single, easy-to-use platform that facilitates omnichannel advertising in-store, onsite and offsite. Client onboarding is well underway, particularly among our largest grocery suppliers, with excellent early feedback on the intuitive and forward-thinking nature of the platform. Clients are benefiting from real-time audience building AI tools, efficiency gains from a more streamlined creative compliance process and market-leading measurement tools that enable clearer ROI tracking and smarter decision making.

Our connected digital screen network now consists of almost 3,000 screens in supermarkets and convenience stores, with plans to install a further 3,000 screens during the next year. We are continuing to develop our Retail Media capabilities, including exploring further opportunities within SmartShop.

We are also growing the Nectar Coalition, launching partnerships with Marriott Bonvoy, FareShare and Deliveroo, alongside reward partnerships with Uber and Uber Eats, broadening the range of rewards available to customers and strengthening the everyday relevance of Nectar.

In focus

Personalised value at every Sainsbury's checkout

Around 8.5 million more customers can now access personalised savings when they shop in our supermarkets. In July 2025, we rolled out Your Nectar Prices across all Sainsbury's supermarket tills nationwide, taking tailored offers beyond digital channels so customers can benefit wherever and however they choose to shop.



How do Your Nectar Prices work?

Your Nectar Prices give customers personalised discounts on the things they love to buy each week, chosen just for them based on how they shop at Sainsbury's. The more you shop with us, the more relevant these offers are.

Customers are increasingly trusting us for great value on the products that matter most to them, which is creating greater loyalty and even more big trolley shops – contributing to our ambition to become First choice for food.

£450

annual customer savings with Nectar

35%

increase in digital active Nectar users following this roll-out



“

What really sets us apart is our investment in making loyalty personal. Shoppers want to feel recognised and rewarded and while Nectar Prices are for everyone, we know our customers love an offer that is made just for them. That's exactly what Your Nectar Prices delivers – it's about giving customers those extra savings on the products they love and buy most.

Mark Given

Chief Technology, Marketing and Data Officer

What are customers saying?

“

I'm really impressed by how tailored it is to me.”

“

I know it's a cliché, but it makes me feel special.”

Delivering on our outcomes continued

In focus

Introducing Nectar360 Pollen: a simpler, smarter way for brands to connect with customers

Retail media is changing the way brands connect with shoppers, bringing together digital and in-store experiences and reaching customers when they are most likely to act.

In the Autumn, we launched Nectar360 Pollen (Pollen): a game-changing retail media platform designed to make it simpler for brands to reach customers in more meaningful, relevant ways.

Pollen brings campaign planning, activation, and measurement into one place. From real-time creative optimisation to intelligent audience building, it uses generative AI to accelerate campaign activation and effectiveness.

Using Sainsbury's first-party Nectar insight, it helps brands understand what's working and optimises campaigns while they are live. It connects media across stores and online, giving a transparent view of performance and impact.



“Nectar360 has delivered a genuinely user-experience-first platform, seamlessly bringing together its suite of media capabilities with generative AI and sophisticated real-time multi-touch attribution. Having all of this in one platform is transformative for marketers.

Charlotte Murphy

Head of Retail Media at Unilever and one of our first clients to test and feed into the user experience of Nectar360 Pollen



More Argos, more often

We have taken determined action to accelerate the transformation of Argos, balancing our objective to improve the customer proposition with structural cost reduction and greater efficiency in our supply chain.

We continue to invest in strategic initiatives to strengthen choice, availability and service for customers and to build a stronger digital proposition, alongside the launch of Argos Pay, our new flexible financial services offer. Customer satisfaction regarding value and range⁹ and brand consideration both improved⁹ during the year, helping to deliver growth in customer numbers and volumes. In a highly competitive and subdued general merchandise market, this volume growth was largely offset by pricing pressure and a higher participation of lower ticket items.

We have also established a dedicated Argos management team to help accelerate the pace of change and drive cost reduction, supporting investments in infrastructure and technology platforms for Argos.

Encouraging volume performance offset by lower average selling price

Argos sales increased by 0.7 per cent in the year. A strong summer performance was offset by more subdued consumer spending over the peak Black Friday and Christmas period. Sales volumes increased by 3.7 per cent, driven by higher customer numbers and bigger baskets but this was largely offset by a three per cent decline in average selling price, reflecting competitive pricing pressure and higher participation of lower ticket items.

Profits were broadly in line with last year, with the benefit from higher volumes and operating cost savings offset by lower Average Selling Price (ASP), higher cost of driving online traffic and higher wage inflation. Profits increased year on year in the first half, reflecting strong Summer seasonal

volume growth but declined in the peak third quarter, impacted by lower ASP.

Expanding breadth and depth of ranges

We continued to expand the breadth and depth of our ranges to improve customer choice and relevance. During the year, we added 13,000 new Supplier Direct Fulfilled products, with a particular focus on Beauty, Toys and Electricals, driving strong sales growth. The planned launch of a marketplace in the year ahead will further expand choice for customers.

At the same time, we are simplifying and strengthening our own brand offer by rationalising Argos owned private label brands from 27 to seven core brands. The relaunch of Chad Valley and our design led collaborations within Habitat delivered positive market share performances across toys and homewares⁵, with a 21 per cent improvement in sales growth in Chad Valley following relaunch.

Investing in efficiency, digital capabilities and services

We continued to invest in digital capabilities and added value services to support growth in a highly competitive digital market. Improvements to the Argos app are delivering personalised recommendations, app-only offers and a smoother account set up and purchasing journey. These changes supported higher conversion and increased visits, with app visits up 24 per cent year on year.

During the year we launched Argos Pay, a flexible credit solution in partnership with NewDay.

We also delivered significant cost savings across stores, depots and warehouses, supported by investments in AI and automation to improve vehicle routing, stock management and customer targeting.

We are streamlining and modernising our store estate by right sizing standalone stores, improving signage and technology in Argos stores within Sainsbury's, and opening new collection points, helping to improve efficiency while maintaining Argos' market leading convenience for customers.

Delivering on our outcomes continued



Save and invest to win

As we enter the final year of our Next Level plan, we remain on track to deliver £1 billion of cost savings, having delivered around £680 million since February 2024 and nearly £2 billion over the past five years.

Our savings programme helped us sustain the strength of our competitive position in a year in which we navigated high levels of operating cost inflation, including significantly higher National Insurance costs and the introduction of the Extended Producer Responsibility scheme. We continue to invest to improve colleague safety, enhance loss prevention measures and accelerate the use of technology to drive efficiency, resilience and sustainable long-term value creation.

Technology and automation investments are improving availability, reducing waste and driving efficiency. SmartShop is now available in the majority of supermarkets, machine learning forecasting is embedded across all food products and we have launched an AI Centre of Excellence to drive responsible, scalable and value led adoption of AI. These tools are improving colleague productivity, customer service and supply chain optimisation, enabling colleagues to focus more time on customer-facing and value-adding work.

We are taking a targeted, data-led approach to strengthening colleague and customer safety and improving loss prevention. Trials of facial recognition technology with Facewatch in two stores showed an almost 50 per cent reduction in logged incidents and more than 90 per cent of identified offenders not returning, with the technology extended to additional London stores and plans to introduce the technology in more stores nationwide. We continue to additionally invest in targeted shrink measures, including self-checkout video analytics and enhanced shelf-edge protection in convenience stores.

We are also simplifying the business to deliver sustainable cost savings. Changes to in store operations have reallocated 170,000 square feet of space to improved food ranges, delivering nearly £50 million of savings. We are continuing to automate our logistics operations, including at Argos' Daventry warehouse, and have introduced automated mobile robots at our Northampton site, driving greater efficiency and capacity and supporting long term value creation.

Financial Services

We are creating a simpler, more focused Financial Services model, fully integrated into our retail business. As a result, following completion of the exit from core banking, Financial Services will no longer be reported as a separate operating segment. The ongoing Financial Services contribution will be generated from Argos Care, commission income from Insurance, Travel Money, ATMs and white label banking products, alongside income from the NewDay Argos Pay partnership.

We continue to make good progress with our plan to exit core banking services and streamline the Financial Services proposition. In June 2024, we announced the sale of Sainsbury's Bank personal loan, credit card and retail deposit portfolios to NatWest Group, with the successful migration of customers completed across October and November 2025.

In September 2024, we announced the sale of the ATM business to NoteMachine, which completed in May 2025.

In October 2024, we announced the sale of the Argos store card portfolio to NewDay and the launch of a new partnership to create an Argos-branded digital credit proposition. Argos Pay went live in February 2026, with the migration of existing customers expected to complete during 2026/27.

In July 2025, we agreed an arrangement with Allianz UK for car and home insurance, which completed in August 2025 and agreed the sale of the Travel Money business to Fexco Group, which completed in January 2026.



In April 2026, we announced a new partnership with NatWest to provide loans, savings products and a new NatWest Nectar credit card, with products expected to be available in the second half of 2026.

We expect to complete the final stage of the bank exit and surrender the banking licence by July 2026.

Net proceeds from the bank exit enabled the return of £300 million to shareholders, with a further £100 million to be returned through incremental share buybacks in 2026/27.

The operating profit outcome was breakeven, representing a £22 million improvement versus the prior year, supported by cost reduction measures and effective treasury management.

- a) Value Reality, February 2026 vs February 2025; Acuity, internal modelling
- b) Worldpanel by Numerator Panel (Kantar), Universe: City read Grocery, Volume market share, 2016/17 to 2025/26, 52 weeks to 1 March 2026
- c) Worldpanel by Numerator Panel (Kantar), Total FMCG exc. Kiosk & Tobacco, Volume growth YoY, Total Market and Sainsbury's, 2025/26 quarters
- d) Worldpanel by Numerator Panel (Kantar), Total Fresh & Grocery exc. Kiosk & Tobacco, Main Shop Buyers, 52 weeks to 1 March 2026
- e) Worldpanel by Numerator Panel (Kantar), Total Fresh & Grocery exc. Kiosk & Tobacco, Primary shopper number growth (actual) 2020/21 to 2025/26, 52 weeks to 22 February 2026. Primary shopper is defined as any shopper who bought 40% or more of their groceries at particular retailer within the time period indicated
- f) Worldpanel by Numerator Panel (Kantar), Total Fresh & Grocery exc. Kiosk & Tobacco, Retailer to/from Volume net switching gains/losses, 52 weeks to 22 February 2026
- g) NielsenIQ EPOS, Total FMCG excl. Kiosk & Tobacco, Fresh categories (Sainsbury's defined category hierarchy) volume growth YoY, 52 weeks to 28 February 2026
- h) Worldpanel by Numerator Panel (Kantar), Total Fresh & Grocery exc. Kiosk & Tobacco, Premium Own Label tier (excl. Premium Plus tier), Volume growth YoY, 52 weeks to 1 March 2026
- i) Worldpanel by Numerator Panel (Kantar), Total Fresh & Grocery exc. Kiosk, Premium Own Label tier (excl. Premium Plus tier), Basket size – number of Taste the Difference items per basket, Frequency and Buyers YoY growth, 52 weeks to 1st March 2026
- j) Nectar / Groceries Online customers shopping both Aldi Price Match and Taste the Difference at least once during 2025/26
- k) CSAT Supermarket Competitor Benchmarking data – Overall Supermarket Satisfaction 2025/26 vs full-choice grocers and 2025/26 vs 2024/25 year-on-year improvement in key metrics: value for money, product range, quality and availability. Note: March 2025 data unavailable
- l) Groceries Online includes sales through Sainsbury's.co.uk and sales through OnDemand channels serviced by supermarket and convenience locations
- m) CSAT Convenience Competitor Benchmarking data – 2025/26 vs 2024/25 year-on-year improvement in key metrics: value for money and product range. Note: March 2025 data unavailable
- n) Based on Cost Of Goods Sold (COGS) from suppliers (Dairy, Meat, Fish, Poultry, Produce) with minimum five year long-term agreements in place or planned, divided by total COGS of these categories
- o) Brand Tracking – Style (H2 2025/26 vs H2 2024/25)
- p) Worldpanel by Numerator Panel (Kantar), Total Clothing, Footwear and Accessories. YoY retailer spend growth vs the market – from 12 weeks to 23 June 2024 to 12 weeks to 1 March 2026
- q) Increase in digitally active Nectar users February 2026 vs February 2025
- r) Argos CSAT Survey – value for money and product range – February 2025/26 vs February 2024/25
- s) YouGov Brand Tracking – Consideration – YoY improvement, 2025/26 vs 2024/25
- t) GFK (Home) & Circana (Toys) market share data, 12 months to the end of February 2026

Key performance indicators

Operational

Food volume growth (%)

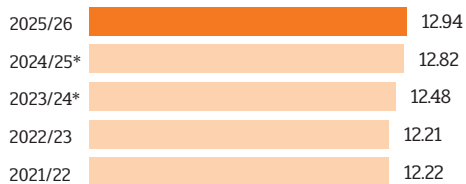
Ahead of the market

Definition

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

+46 bps

vs 2023/24 base



* Kantar universe restated data.

Reason

Measures our success in becoming the first choice for food for more customers and a key driver of operating leverage.

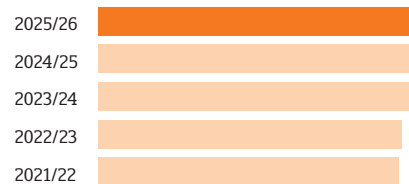
Customer satisfaction (score)

Definition

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

(60) bps

vs 2023/24 base



2021/22 data from the previous programme; adjusted to align with current methodology.

Reason

Measures performance on key drivers of customer satisfaction, helping us gauge whether we are making the right balanced choices.

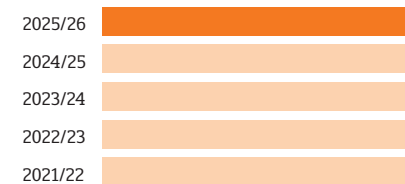
Colleague engagement (score)

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".

Maintained

vs 2023/24 base



Reason

Measures colleague motivation and satisfaction, recognising that our colleagues are crucial to our success as we build a right-sized organisation set up to win.

Plan for Better commitment

Definition

Key sustainability focus areas across GHG emissions, plastic packaging, food waste and healthy and sustainable diets.

- Carbon Scope 1 and 2** – ahead of SBTi 1.5 °C trajectory to be net zero by 2035
- Carbon Scope 3** – achieved 2025/26 targets for suppliers with any SBTi 1.5 °C targets approved
- Plastic** – missed 2025 CY target for plastic packaging reduction
- Food waste** – on track for 50% reduction by 2030
- Healthy and sustainable diets** – missed 2025/26 target for Healthy and Better for you sales tonnage

In the absence of targets aligned to Next Level Sainsbury's, assessment is based on progress towards either interim or long-term targets.

Reason

Measures progress against our Plan for Better to support a resilient and sustainable food system in the UK.

Key performance indicators continued

Financial

Profit leverage from sales growth (%)

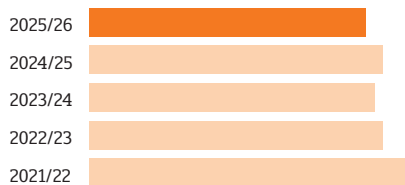
Retail underlying operating margin versus 2023/24 base

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.

(6) bps

vs 2023/24 base



Reason

Measures whether our volume growth and cost savings delivery are converting sales growth into stronger profit delivery.

Cost savings (£m)

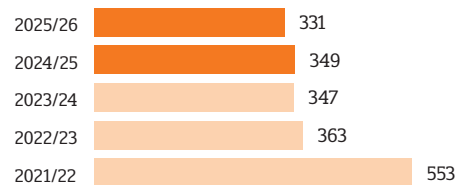
£1 billion over three years to 2026/27

Definition

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

£680 million

cumulative savings



Reason

Recognises cost savings are a vital source of fuel to reinvest in value, quality and service by creating a more efficient, automated and simplified business.

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 204 for reconciliation.

£1,105 million

cumulative cash



Reason

Measures whether we are balancing the need to invest in the business while also delivering strong cash returns for shareholders.

Return on capital employed (%)

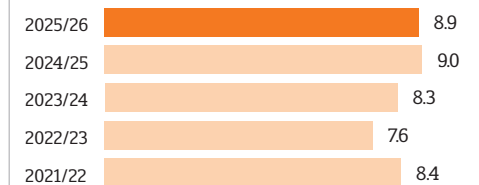
versus 2023/24 base

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 206 for reconciliation.

+60 bps

vs 2023/24 base



Reason

Vital to ensuring that our investments in food space, technology and efficiency generate strong long-term returns.

Our people and culture

Developing an inclusive culture

Our vision is to be the most trusted retailer, where people love to work and shop. That means developing and growing our talent and maximising the creativity and diversity of colleagues in an environment where everyone can thrive.

Our colleagues are integral to delivering our Next Level Sainsbury's strategy and we are committed to creating a truly inclusive workplace where everyone is treated fairly and with respect and supported to grow their skills and realise their potential.

Investing in colleagues

Our colleagues are the beating heart of our business and we believe that happy, healthy and engaged colleagues deliver great customer service. To support our frontline customer-facing colleagues, we rewarded their exceptional contribution with an above inflation pay rise earlier this year. We have increased pay by 42 per cent in the last five years, reflecting our commitment to support colleagues' wellbeing and success with competitive rates and a strong benefits package.

We offer a competitive pension scheme contributing up to 7.5 per cent of salary and colleagues also benefit from support on their everyday spending through our uncapped colleague discount. We offer 10 per cent discount at Sainsbury's and Argos all year round, with discount increasing to 15 per cent at

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 is expected of them to enhance the colleague and customer experience. Our valued behaviours are reflected in policies, incentive and recognition schemes such as 'Love It' and decision-making to help us embed our desired culture.

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 and defined leadership expectations for our leaders to role model. These provide a framework for everyone to understand how delivery in their roles translates into performance. These expectations underpin our approach to managing and incentivising performance and supporting career and development conversations.



Sainsbury's every Friday and Saturday, alongside additional discount uplifts at key moments such as Easter and Christmas. This year we celebrated our Christmas peak period by giving colleagues a £10 voucher towards their festive shopping.

We continue to provide practical, day-to-day support for colleagues across our operations, including free food for store and depot colleagues during their shifts and free sanitary products for colleagues across all our locations.

All colleagues have the opportunity to become shareholders in Sainsbury's through our Sharesave and Share Purchase Plan. To further support financial resilience, we partner with Salary Finance, giving colleagues greater flexibility to access a proportion of 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.

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

Our people and culture continued

Opportunities to develop and grow

We offer a wide variety of development programmes and opportunities for colleagues at every stage of their career. These include personal development toolkits, apprenticeships, graduate programmes and leadership programmes including Leading@Sainsbury's. Colleagues also have access to a comprehensive learning platform which hosts mandatory training, online courses and range of personal development courses.

Over the last year, we have upskilled retail colleagues across a series of core skills to better serve our customers, enabled by simplified learning that prioritises on the job learning. Within six months, the percentage of colleagues with all four core skills had increased from 6 per cent to 39 per cent, unlocking flexibility and capability across the shop floor. Through this multiskilling initiative, colleagues have more earning potential, with the number of colleagues regularly completing overtime up 25 per cent. We have developed 605 colleagues into first line manager roles via our Retail Trainee Manager Programme, strengthening our internal talent pipeline and supporting progression from within. For our existing managers, we ran a Retail Leadership Capability Programme, with over 11,000 retail managers completing upskilling in Leading Change, Inclusive Leadership and Planning and Prioritisation.

We have also significantly strengthened our corporate capability to deliver human centred change at scale. Through our Leading Change upskilling programmes, more than 1,000 leaders across retail and our store support centres built the confidence and capability to anticipate and address resistance to change, accelerate adoption, improve consistency of outcomes and enhance the experience of change for our colleagues. Alongside this, we evolved the role of our Make It Better Together representatives, enabling over 80 Change Champions to actively role model change and support their functions as early adopters. Together, these investments have materially improved our ability to land change with greater pace, empathy and impact across the organisation.

In January 2026, we opened applications for a new graduate programme, FutureMaker, designed to support early career professionals in developing



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Ensuring our colleagues stay healthy, safe and well is fundamental to our people centred approach to business.



Tracey Clements

Chief Retail, Logistics and Supply Chain Officer and Operating Board Sponsor for Wellbeing

the essential skills all future retail leaders will need. The two-year programme provides experience at the heart of Sainsbury's, developing critical skills in four key areas identified as the skills shaping the future of retail: digital and AI; data and analytics; change and transformation; and business decision-making.

Our leadership offer provides the opportunity to participate in a range of development programmes, including coaching designed to support colleagues to build both functional and leadership skills and capabilities. To strengthen a diverse leadership and talent pipeline, we provide opportunities for our diverse talent to participate in programmes delivered by Diversity in Retail for women future

leaders and ethnic minority future leaders. During the last financial year, ten colleagues from different levels of the organisation participated in these programmes, supporting our commitment to building a leadership team that reflects the communities we serve.

Health, safety and wellbeing

Alongside our focus on development and growth, we are equally committed to ensuring that colleagues are safe, supported and able to perform at their best.

The health, safety and wellbeing of our colleagues and customers is a fundamental priority and is central to our Safer and Healthier Sainsbury's strategy. This strategy strengthens our proactive approach to managing risk and ensures clear oversight of our key controls, which are now monitored and assured through our Group Safety Committee.

We continue to respond to rising retail crime through a combination of preventative measures, including strengthening local communication, enhancing colleague training and development and trialling new solutions. In September 2025, we trialled facial recognition technology with Facewatch in two of our stores to help keep our colleagues and customers safe. The results were encouraging, with a 46 per cent reduction in logged incidents of theft, harm and aggression and anti-social behaviour and 92 per cent of offenders did not return to our stores. Due to the success of the trial, in January 2026, we extended the technology to five additional London supermarkets and as the rollout to more stores progresses, we will continue to learn from it and refine our approach as we go.

Our independent Health and Safety team provides specialist support across all areas of the organisation, using risk mapping and data insight to identify sites needing targeted intervention, maintain strong compliance and reduce harm. This year, we achieved a 13 per cent reduction in accidents and incidents and a 31 per cent reduction in major recoverable incidents, driven by a number of targeted interventions introduced by the Health and Safety team. This performance significantly exceeded our targets.

As part of the Safer and Healthier Sainsbury's strategy, we are broadening our focus on colleague health through proactive measurement and management of psychosocial risk, musculoskeletal health and occupational disease. This work builds on regulatory expectations and emerging best practice, strengthening our preventative approach and long-term health outcomes.

We maintain strong governance processes, with regular Board and union engagement, supported by a well-established Primary Authority partnership across health, food, fire and petroleum safety. These relationships ensure continued regulatory alignment and confidence.

Supporting the wellbeing of our colleagues is equally important to us. Our holistic wellbeing approach is embedded into every aspect of our employees' experience and is underpinned by our three pillars: mental, physical and financial wellbeing. We have a dedicated Wellbeing team which is responsible for developing and driving our wellbeing strategy, which is overseen by our Wellbeing Steering Committee and Tracey Clements, Operating Board Sponsor for Wellbeing. Our network of colleague Wellbeing Champions plays a vital role in promoting awareness of available help and support and ensuring colleague voices are heard across the organisation.

We aim to ensure that every colleague will have access to mental, physical and financial health and wellbeing support that enables them to make positive and proactive choices, to thrive in all aspects of life. We offer a range of wellbeing programmes, initiatives and education, such as our partnerships with the Employee Assistance Programme, Salary Finance, Wellhub and Wellbeing pages on our intranet. Our Mental Health Policy affirms our commitment to providing a working environment which supports and respects colleagues experiencing mental health problems, including access to line manager support, workplace adjustments, occupational health and the Employee Assistance Programme where required. 97 per cent of line managers completed our Mental Health Awareness training, strengthening their capability to support our colleagues' mental wellbeing.

Our people and culture continued

Health, safety and wellbeing continued

We have also empowered our colleagues to work differently in ways that support both performance and wellbeing. The launch of our Next Level Ways of Working initiative marked a significant step forward in how we operate across our store support centre. The initiative has four clear pillars: Customer Closeness, Outcome-Based Working, Smart Weeks, and Meaningful Meetings – designed to maximise performance, productivity and flexibility.

Smart Weeks provide colleagues with greater flexibility in how they structure their working time, recognising that workload and personal commitments vary across the year, while continuing to meet the needs of a seven-days-a-week business. By embedding these principles, we have empowered every store support centre colleague to work more flexibly, connect more closely with customers across our 40 store hubs and three store support centres, and ensure our meetings are purposeful and productive. This approach supports a thriving workplace culture while strengthening our ability to deliver for customers and frontline colleagues.

Colleagues who told us they feel comfortable being themselves at work

79%

(We're Listening, August 2025)

Rated

Tier 1

in the 2025 CCLA Mental Health benchmark – the first and only food retailer to achieve this ranking two years in a row

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 Financial Officer.

This year, the EnAble network hosted a Disability Week which focused on how line managers can support colleagues with disabilities and long-term chronic conditions, including those with neurodiverse conditions, and focused on celebrating the successes of those living with disabilities.



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 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. A particular highlight was an event called Courage as a Collective in Race Equality Week which focused on how everyone can take responsibility for ensuring racial equality in the workplace.



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.

This year, as well as a four-week-long celebration of International Women's Day which highlighted the inspirational career stories of leading women at Sainsbury's and in the grocery industry, the network was instrumental in the implementation of the Little Book of Women's Health and the Women's Health Series.



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 Technology, Marketing and Data Officer.

This year, the Proud@Sainsbury's team and allies were a visible presence at more than 30 Pride events across the country, including UK Black Pride, emphasising the importance of allyship and cross-organisational working. They also continued to mark 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

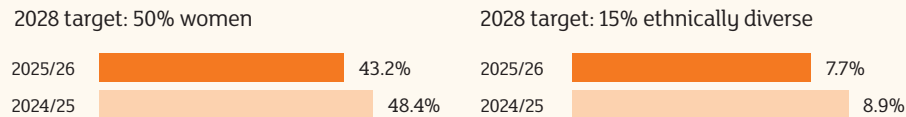
Our We Care network aims to make caring visible by raising awareness and supporting our carer colleagues to reach their full potential by building empathy and real flexibility to drive positive culture change. It is sponsored by Claire Pickthall, Retail, Omnichannel and Logistics Transformation Director.

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, during which it was instrumental in the launch of the Carer's Passport, including a video and a guide which help managers and colleagues to use the Carer's Passport well.

Our people and culture continued

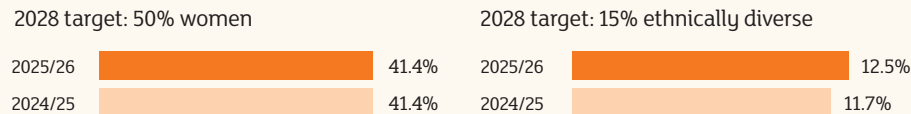
Diversity and inclusion targets

Senior leadership positions (the top 180 leaders)¹



¹ Excluding Bank and Asia colleagues.

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



² Excluding Bank and Asia colleagues.

Total colleagues



“Building a diverse workforce is our best way of representing and serving our communities across the UK. We’re committed to ensuring that we represent our customers today and meet the needs of our customers tomorrow in the most relevant and engaging ways.

Graham Biggart
Managing Director Argos and Chief Strategy Officer



Diversity, equity and inclusion

Our diversity, equity and inclusion (DEI) strategy, aligned to Sainsbury’s purpose, is focused on embedding inclusion and equity into how we work and creating an environment that reflects the communities we serve. We build inclusive practice into our talent and performance processes from the point a colleague joins us, including new Inclusion training at onboarding, which encourages everyone to be comfortable being themselves at work and emphasises the importance of supporting one another. We’ve identified a number of moments that matter across the colleague lifecycle where we’re ensuring that managers know the importance of inclusion and equity when evaluating performance. We listen closely to colleague feedback through our annual engagement survey, regular pulse surveys and ongoing listening, using these insights to drive action at team level and continuously improve the colleague experience.

We continue to concentrate on equal representation and transparency across the business, and this year marks our ninth gender pay gap report and the sixth year of voluntarily reporting on our ethnically diverse pay gap. In our most recent report, our mean gender pay gap decreased further from 7.5 per cent to 6.6 per cent in favour of men, while our median gender pay gap has increased from 6.1 per cent to 6.5 per cent. This pay gap continues to exist due to more senior positions held by men, and men occupying a greater number of certain hourly paid roles that attract a premium.

Our mean ethnicity pay gap has decreased by 0.1 per cent to -3.3 per cent, and the median ethnicity pay gap has grown by 0.2 per cent to -6.0 per cent, meaning the gap favours our ethnically diverse

colleagues. Although all retail hourly paid colleagues receive the same base rate of pay, stores in London attract a location premium which drives this outcome. Ethnically diverse retail hourly paid colleagues are significantly more likely to work in London stores, with around 48 per cent based there compared to only 7 per cent of White hourly paid colleagues.

As we continue to navigate organisational change, our focus remains on improving diverse representation at all levels of the business. We have a stretching ambition to achieve 50 per cent women and 15 per cent ethnically diverse representation at senior levels by 2028. These targets, covering the period from 2024 to 2028, were informed by a detailed analysis of our workforce demographics alongside national benchmarks, ensuring they are both ambitious and relevant to our business context. Progress against these targets is set out on the graphs on the left of this page. Each division receives a quarterly update of progress against these targets, allowing our People partners to work closely with their business leaders in order to ensure that they keep a focus on building a talent pipeline that supports our inclusive ambitions.

We are committed to being an inclusive employer with diverse representation at all levels of our business. Senior managers involved in recruitment are trained to make inclusive decisions and actively manage bias throughout the process. Our recruitment dashboard enables us to assess how effectively we attract diverse talent across our store support centre, retail and logistics roles, and to identify any adverse impact within the recruitment process. Using these insights, we work closely with our Talent partners across the business to agree and implement targeted interventions that support our inclusivity objectives.

We are proud that our diversity, equity and inclusion initiatives have been recognised at a national level, being recognised as a ‘Leading Edge’ employer in the Women in Hospitality & Leisure/Diversity in Retail Inclusion Maturity Curve and scoring 7.2 against an industry average of 4.8 in the Diversity in Grocery Maturity Model.


Further information can be found in the **Better for everyone** section of our corporate website and in our **Gender and Ethnicity Pay Report** at <https://corporate.sainsburys.co.uk/>

Engaging with our stakeholders



Section 172 statement

The Directors have had regard to their duties under section 172 of the Companies Act 2006 throughout the year. The Board considers the long-term consequences of its decisions and the interests of the Group's key stakeholders, in promoting the long-term success of the Company. The Board reviews stakeholder engagement mechanisms regularly and ensures that stakeholder perspectives are understood and taken into account in Board discussions and decision-making.

 Further details of stakeholder engagement, sustainability matters, risk management and the Board's governance and decision-making framework are set out on pages 30 to 33, 40 to 47, 59 to 65 and 71 to 72 of this Annual Report

The Board's decisions are guided by our purpose, culture and values, with a clear focus on the long-term success of the Group. In making decisions, the Board considers the benefits and risks involved, the financial implications for the business, and the impact on those who are connected to Sainsbury's. The Board believes that understanding our stakeholders, and what matters most to them, is fundamental to delivering sustainable performance over the long term.

The Group's key stakeholder groups are identified below, with details of the engagement that the Group has undertaken during the year. Further information on how the Directors have had regard to stakeholder interests and examples of how feedback from this engagement has informed decision-making and actions taken by the Board when carrying out their duties are set out in the section 172 statement in the Governance report on page 64 of this Annual Report.

Customers

Why they matter

Customers trust us to deliver good food and they rely on our winning combination of great value, outstanding quality, excellent availability and leading service. Their insight shapes a great value, high quality and innovative food-led offer that delivers for more households and is central to our ambition to be first choice for food. Engaging with our customers is fundamental to everything we do and crucial to our purpose as a business. By listening to what matters most and responding with care, we're able to create more personalised, meaningful experiences, build trust and strengthen loyalty. By responding to our customer needs we ensure our products and services continue to meet evolving desires and needs, both today and in the future.

What matters to them

- Value
- Availability
- Service
- Product quality and range
- Convenience and location
- More range in more locations
- Channel mix including On Demand
- Speed of Groceries Online delivery
- Responsible sourcing and sustainability
- Commitment to ethical business practices
- Minimising food waste

How we engaged

We engaged with our customers through a range of channels, helping us to improve our products and services. Through our customer satisfaction surveys, we collected customer feedback across Sainsbury's, Tu and Argos. To provide a view of changing behaviours, loyalty drivers and sentiment we used Nectar data, customer analytics and brand tracking, along with focus groups and product panels to test new initiatives. Social media monitoring highlighted emerging needs and concerns in real time to enable us to respond to customer needs quickly.

Engagement outcomes

Customer insight guided improvements across value, quality and the shopping experience. We strengthened our value offer through Nectar Prices and focused price investment, refreshed and expanded our fresh food and own brand ranges and improved availability through the year, including our best ever Christmas availability. Customer insights led to the development of more than 1,200 new Own Brand products during the year, of which around 50 per cent were *Taste the Difference*. Our store refit programme created additional space which enabled us to bring a greater product range to customers. As well as the expansion of our *Taste the Difference Discovery* range, we rolled out our Discovery Meal Deals to meet customer demand for modern Indian and comfort food and, in response to growing consumer demand, we introduced a new range of high protein and nutrient-rich meals. We strengthened our value proposition across the year with the biggest Aldi Price Match in the market, more than 10,000 Nectar Price offers every week, personalised Your Nectar Prices and Nectar points offers.

We enhanced digital journeys across Sainsbury's and Argos, helping more customers shop with us in the way that suits them best. We have 24 million active Nectar users and this year we have seen Nectar digital engagement reaching record highs as more customers access both weekly bonus points and personalised pricing through the Nectar app. This year, over two thirds of UK retail shoppers shopped with Sainsbury's with more customers choosing Sainsbury's for their big trolley shops. We're also attracting a younger demographic as well as more families. In Argos, we added 13,000 new supplier direct fulfilled products to our range and now have 19.6 million active Argos customers.

Engaging with our stakeholders continued

Colleagues

Why they matter

Our colleagues include everyone who is employed by the business. They bring our purpose to life and play a vital role in delivering great food, service and availability every day. Their insight and commitment shape how we invest in our business and help us build on our strong momentum.

What matters to them

- Pay and financial wellbeing
- Training, development and career progression
- Effective communication
- Health, safety and wellbeing
- Inclusion, respect and belonging
- Sustainability

How we engaged

We engaged colleagues through Operating Board listening sessions, internal social platforms, large-scale surveys and targeted sentiment checks. Colleague feedback was consolidated and presented regularly to the Board, alongside updates on culture, talent, succession, safety and diversity, equity and inclusion. Our national Make It Better Together colleague contribution panels provided Board-level insight into frontline experiences, ensuring the voice of the workforce was embedded in decision-making.

Engagement outcomes


Colleague feedback supported decisions to increase pay and enhance wellbeing support, including financial guidance and education on share plans. We also expanded our development programmes across apprenticeship and graduate routes, including the launch of our FutureMaker graduate programmes designed to support early career professionals in developing the essential skills all future retail leaders will need (see pages 20 to 23 for details). We celebrated our Christmas peak period by giving colleagues a £10 voucher towards their festive shopping and an uplifted colleague discount of 20 per cent for six days over the festive period.

Engagement in action

Trialling facial recognition technology

The safety and wellbeing of our colleagues, and those who work and shop with us, is paramount. When colleagues tell us they're worried about their physical safety, we have a responsibility to act. A safe environment for colleagues helps ensure customers feel safe too – no one should feel at risk simply going about their day. In September, we began trialling facial recognition technology in two of our stores. Early results showed a reduction in logged incidents of almost 50 per cent, with over 90 per cent of

identified offenders not returning. In January we extended the technology to five further London stores. This expansion is intentional and transparent. It helps us understand how facial recognition works when several stores in the same area adopt it at the same time, while giving colleagues and customers confidence in how it's being introduced.

 **Read more online at** [We must put safety first in our stores | J Sainsbury plc](#)



Engagement in action

Moving to 33 Charterhouse

In 2025, we moved our head office to 33 Charterhouse Street, a space designed to support inclusive ways of working, collaboration and sustainability. Colleagues were engaged early to support a smooth transition and embed our ways of working, with strong senior leadership sponsorship throughout. Colleague feedback helped ensure the office works for a diverse workforce and enables different working

styles and needs. Features include quiet areas such as a library space, accessible toilets across multiple floors, a dedicated contemplation room for prayer and reflection, standing desks on every floor and 'toilets for all'. Feedback was acted on through a clear 'you said, we did' approach, contributing to increased attendance, reduced booking no-shows and positive colleague feedback

Engagement in action

Supporting Bank customers and colleagues through transformation

As Sainsbury's Bank progressed its phased withdrawal from core banking, early and transparent engagement with stakeholders was essential. From the outset, the Bank was clear about what the changes would mean and when they would happen, recognising the impact on customers, colleagues, suppliers and regulators.

A Customer Experience Plan developed with NatWest, and overseen by the Bank Board, ensured customers were supported through the change and that they experienced good outcomes, including those with vulnerable characteristics. A dedicated helpline was set up and customer feedback and complaints were monitored closely, ensuring good customer outcomes throughout the transition.

The Bank Board recognised that this period of transformation would be a difficult time for colleagues and a potential attrition risk. Colleagues were supported through regular leadership communications, enhanced wellbeing initiatives and access to learning, development and outplacement support. Between March 2024 and February 2026, Bank colleague engagement increased by eight points.

Suppliers were kept informed throughout, with honest open conversations helping to manage risk and maintain service continuity. This collective, proactive approach supported an orderly transition and helped protect customers, colleagues and suppliers during a period of significant change.

Engaging with our stakeholders continued

Shareholders

Why they matter

Access to capital is vital to the long-term performance of our business. We have over 89,000 shareholders, including large institutional investors and smaller individual shareholders. 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

- Clear strategy and sustained delivery
- Competitive performance and grocery volume market share
- Industry growth outlook, including inflation, cost pressures and consumer spending trends
- Changes in competitive behaviour and industry dynamics
- Argos trading performance and outlook in discretionary and online general merchandise markets
- Cost savings to offset operating cost inflation
- Growth opportunities from Nectar and retail media, including Nectar360
- Disciplined capital investment delivering improved returns
- Cash flow delivery and capital allocation, including dividends and share buybacks
- Progress against our Plan for Better sustainability commitments

How we engaged

Throughout 2025/26, we engaged investors in roadshow activity in London, Paris, the United States, Canada, Dubai, Abu Dhabi, Singapore and Australia and maintained open and transparent communication with shareholders through one-to-one and small group meetings with our Chair, Chief Executive, Chief Financial Officer and Director of Investor Relations. Individual investors and shareholder groups also engaged with our Operating Board or other subject matter experts across the business, particularly on key sustainability topics, retail media and technology investments. We also hosted a number of investors at store visits to supermarkets which have recently undergone investment as part of our More for More strategy.

We communicate regularly with investors through formal reporting channels, such as our results presentations, analyst Q&A calls and our corporate website as well as engaging with shareholders through our Annual General Meeting (AGM), retail shareholder presentations and attendance at key investor conferences. We continue to benefit from real-time feedback from investors after meetings and the Board strategy sessions were supported by shareholder sessions that provided insight on the market's perspective and opinion of our investment case.

Engagement outcomes

Our shares re-rated significantly throughout the course of the year. Against the backdrop of a more competitive grocery market and unusually high operating cost inflation, this reflected growing confidence in our ability to maintain the strength of our competitive position and continue to deliver grocery volume market share gains without significant margin erosion. This re-rating came despite a significant placing of shares by the QIA in December 2025 and reflected a healthy appetite for our shares from both existing and new investors.

Engagement in action

Engaging with shareholders at our AGM

Insight

Shareholders value meaningful access to the Board and Operating Board members, clear opportunities to ask questions, and a better understanding of how the business creates long-term value and contributes to local communities. Feedback also highlighted the importance of making engagement accessible to all shareholders, regardless of location.

Board consideration

The Board considered how the AGM could be used not only to meet statutory requirements, but also to strengthen dialogue with shareholders, improve inclusivity and provide deeper insight into the Group's strategy, heritage and impact.

Decision

For the 2025 AGM, the Board enhanced the format and supporting content by:

- making Board and Operating Board members available to engage with shareholders informally and answer questions
- showcasing an interactive impact tool to help shareholders understand Sainsbury's contribution to their local communities
- using the Sainsbury's Archive and a dedicated gallery to showcase the Group's heritage and continued focus on quality, value and innovation
- holding the AGM in a hybrid format to maximise accessibility and participation
- encouraging questions and discussion through a live Q&A during the meeting

Outcome

The enhanced AGM format supported open and constructive dialogue with shareholders, improved accessibility and participation, and strengthened understanding of the Group's long-term approach to value creation.

“

A strong, well-run Sainsbury's will deliver long-term value creation and strong, reliable returns for shareholders.



Martin Scicluna
Chair



Engaging with our stakeholders continued

Suppliers

Why they matter

Our partnerships with suppliers and farmers underpin our ability to deliver quality, value and availability for customers. We can only build resilience in our supply chain and deliver on our strategic outcomes by working in partnership with our suppliers. Long-term partnerships and close collaboration enable us to invest, innovate and build resilience together across our food system. Through our supplier relationships we're able to develop solutions to the food supply challenges that we face from climate change and geopolitical instability to rising costs and widening health inequalities.

What matters to them

- Long-term partnerships
- Clear expectations
- Consistent communication
- Fairness and transparency
- Collaborative opportunities for innovation
- Responsible sourcing
- High sustainability standards

How we engaged

This year, we implemented a comprehensive supplier engagement programme, combining virtual updates with targeted in-person events. Our Supplier Trade Briefing reached over 2,000 delegates and reflected on progress against our strategy and the important role our suppliers have played. We engaged directly with suppliers through visits to supplier sites by members of our Board, Operating Board and senior managers to deepen understanding of supply chain challenges. This was complemented by category-specific and results briefings held throughout the year. We organised face-to-face networking sessions for smaller suppliers and held a senior update and dinner for key partners, alongside ongoing engagement through Fresh, Grocery and category newsletters. We also engaged with suppliers through structured feedback mechanisms, including the annual Advantage Survey, which gathered input from over 1,200 suppliers. The feedback was reviewed by the Corporate Responsibility and Sustainability Committee to inform priorities and areas for improvement.



“Working in long-term partnership with farmers and suppliers is how we'll secure good food for the future and build a sustainable UK food system.”

Simon Roberts
Chief Executive



Engagement outcomes

Supplier insight informed discussions on our innovation pipeline, supported progress against our sustainability priorities and contributed to improved availability for customers throughout the year. Our supplier engagement strengthened collaboration across categories and reinforced mutual trust and momentum to build on our important supplier relationships. Our supplier engagement events created clear, consistent communication on a large scale, strengthened senior relationships and gave suppliers greater clarity and confidence in our strategy and priorities. Sainsbury's was ranked number one by suppliers for use of technology and fresh food innovation in the 2025 Advantage Survey and the feedback also highlighted improvements in the overall supplier experience. The insight from suppliers also helped us to inform our areas of focus, including embedding sustainability more deeply into category agendas, strengthening collaboration and co-creation with suppliers and providing greater support for innovation.

Engagement in action

Respecting and protecting human rights

Respecting and protecting human rights are core to our business, and fundamental to building a fair and resilient food system.

This year the Board considered the outcomes of the Group's latest human rights due diligence review, which highlighted risks in several higher risk sourcing countries and raw materials. The Corporate Responsibility and Sustainability Committee challenged management on these findings and oversaw the actions being taken in response, including strengthening supplier screening and expanding deep-dive assessments in at-risk supply chains.

As part of this review, we explored progress within our Fairtrade partnership, including the Resilience Building Initiative designed to reinforce environmental and human rights resilience in key sourcing communities. We also examined priorities for supporting improvements in UK human rights legislation, ensuring the Group remains well positioned for future due diligence and reporting expectations.

 **Read more** about our Corporate Responsibility and Sustainability Committee on pages 70 to 72

Engaging with our stakeholders continued

Communities



Why they matter

We want everyone to have access to good food and we support communities which face barriers to this. We believe that everyone deserves access to affordable and nutritious food to help them thrive and we have a long heritage of ensuring that everyone can access the joy that good food brings. With one in seven families in the UK experiencing food insecurity and 2.1 million children living in food poverty in the UK, our long-standing partnerships and local programmes help families and children access nutritious food and strengthen community resilience at a time of growing need. Nurturing resilient communities is at the heart of our brand so we actively support the communities that we serve.

What matters to them


- Access to affordable, nutritious food
- Support for families and children
- Tackling food poverty
- Engagement and community presence
- Support during emergencies and times of need

How we engaged

We continued to work with Comic Relief and supported local communities through our 'Good food for all of us' grant scheme and store-based Community Champions. Our involvement in the Holiday Activities and Food programme enabled direct support for children and families at risk of food insecurity. Fundraising initiatives and redistribution partnerships further strengthened our community impact.

Engagement outcomes

This year, we donated £8.7 million to Comic Relief to help tackle food poverty in UK communities. Through our partnerships, we helped redistribute 26.8 million meals to communities in need. We supported 697 local good causes this year through our 'Good food for all of us' community grant scheme, donating over £5.3 million to initiatives supporting local communities since 2021. With Comic Relief, we helped to fund more than 120,000 additional Holiday Activities and Food holiday club places during school holidays across the UK.

 **More information** on our communities can be found in our Plan for Better Report on <https://corporate.sainsburys.co.uk/>



Engaging with our stakeholders continued

Government, parliamentarians, regulators and non-governmental organisations

Why they matter

Government bodies and regulators shape the policy landscape that we operate within, from food standards and sustainability to employment and taxation. As a UK-based business and a major employer of around 140,000 colleagues, we engage transparently and responsibly with government and regulators. Non-governmental organisations provide challenge and partnership that support progress on sustainability, climate transition and data transparency.

What matters to them

- Openness and transparency
- Compliance with regulation and ethical standards
- Action on sustainability matters
- Insight into industry issues and operational realities
- Commitment to diversity, equity and inclusion

“Every child deserves access to affordable and nutritious food to help them thrive. That’s why we are proud to be partnering with the Department for Education on its free breakfast clubs.

Simon Roberts
Chief Executive



How we engaged

We participated in consultations, roundtables and industry-wide forums, contributing expertise across policy areas including food systems, circularity, sustainability regulation and business taxation. We engaged directly with ministers, officials and non-governmental organisations to enable constructive dialogue on emerging issues and legislative developments. We also engaged directly with MPs and Peers through our annual parliamentary events and presence at political conferences.

Engagement outcomes

Our engagement contributed to progress in recycling and packaging policy, informed national discussions on employment and health, food systems and sustainability, and strengthened collaboration across the industry. We continued to work transparently with regulators, government and NGOs to support responsible, long-term policy development. In October, we announced our partnership with the Department for Education’s free breakfast club programme, donating £200 gift cards to 750 schools, to support healthy, nutritious breakfast provision for up to 180,000 children across the UK.



Plan for Better

Our plan for better

Good food depends on a food system that's set up to thrive for the future. Our Plan for Better is our roadmap for how we'll play our part in securing that future and is central to our ambition to play a leading role in creating a more sustainable UK food system. It brings together the priority areas we're focused on, the targets we've set and the actions we're taking to deliver meaningful progress.

With two connected pillars – Better for the planet and Better for everyone – Plan for Better underpins everything we do. It guides how we support people, protect the planet and partner with those who grow and make our food. By embedding this approach into the way we work, across our business and supply chains, we're building the long-term resilience needed to ensure good food for generations to come.

In 2025, our Sustainability team moved into our Commercial function, highlighting the further integration of sustainability within our strategic and commercial decision-making processes.

Teams from many functions around the Sainsbury's business support the delivery of the goals in Plan for Better, with progress against sustainability targets included as part of our Executive Long-term Incentive Plan (read more on page 96).

We are pleased to have made good year-on-year progress across many of our Plan for Better metrics. At the same time, we know there is still work to do, particularly in areas such as deforestation and conversion free sourcing, supply chain emissions and health. These remain challenging areas, shaped by market-wide supply chain dynamics, gaps in viable innovation and technology and the complexity of driving long-term behavioural change.


Creating a more resilient food system for generations to come requires collaborative action across our industry. That means aligning on how we measure and share data, advocating for effective, evidence-based policy change and working collaboratively across our supply chain and sector partners to build the innovations we need.

We're looking forward to the year ahead and driving progress in key areas that further our ambition and purpose. We know eating well remains a challenge, so we will be launching our new health strategy (read more in our Plan for Better Report). We will continue to progress our work to tackle food poverty to help make sure no child or family goes hungry.

As we strive towards our net zero ambitions, we aim to continue to reduce carbon emission in our own operations, as well as engage with suppliers and collaborate with industry to help reduce our Scope 3 emissions.

We will focus on enhancing supply chain resilience and responsible sourcing across climate, nature, human rights and animal welfare to help build a

resilient food system. We also aim to accelerate action to reduce food waste, continuing to redistribute food to people and communities in need through our charity partners and setting up infrastructure to increase the volume of unsold produce diverted to animal feed.

 For more information on how we are driving an inclusive culture, please see pages 20 to 23



Responsible sourcing and business practices
 Transparency
 Robust corporate governance
 Collaboration and partnership

Plan for Better continued

Performance dashboard

Most material issue	Existing targets	Progress against target this year	Progress details
 Healthy and sustainable diets	At least 85% Healthy and Better for you sales tonnage sold by 2025	82.2% of our sales are Healthy and Better for you Up 0.4% year-on-year Up 0.2% versus baseline 88.5% of our own brand sales are Healthy and Better for you	Our ambition remains to help more households achieve a diet in line with the UK's dietary guidelines for health (the NHS' Eatwell Guide). We have delivered modest improvement against our challenging baseline, focusing our health efforts on awareness, affordability, incentivisation, availability and advocacy. We acknowledge that working to a 2021/22 baseline for our target has been challenging. It reflects purchasing patterns during COVID-19, when customers spent more time at home and purchased more scratch cooking foods for home cooking. Subsequent inflationary pressures and changes to shopping habits have further influenced progress.
 Reducing carbon emissions	Reduce Scope 1 and 2 greenhouse gas emissions from our own operations to net zero by 2035	441,017 tCO₂e of absolute greenhouse gas (GHG) emissions from our own operations Down 1.7% year-on-year Down 53.6% versus baseline	Through our Graphite investment programme, we invested £18 million in energy efficiency this year, installing voltage optimisation, metering controls and additional AirDoors, while over 280 of our stores across the UK are now powered by more than 136,000 solar panels.
	Reduce absolute Scope 3 greenhouse gas emissions in line with 1.5°C trajectory	51.6% of our Scope 3 emissions are covered by suppliers that have had any 1.5°C targets approved by the SBTi	Measuring Scope 3 emissions remains an industry-wide challenge. To strengthen our approach we have partnered with two strategic data providers to support Scope 3 reporting and model significantly more specific emission factors, at the product and ingredient level for our own brand products and electrical products (Argos only).
 Reducing food waste	Reduce food waste by 50 per cent by 2030	0.503% of food handled sent to anaerobic digestion Down 18.4% year-on-year Down 30.9% versus baseline	This year we have redistributed 26.3 million meals. We also nearly doubled the tonnage of edible surplus food being donated to local communities, preventing 11,030 tonnes of surplus food going to waste, a 49.3 per cent increase year-on-year.
 Circular packaging	Reduce our own brand plastic packaging by 50 per cent by 2025, increase recycled content and recyclability	57,305 tonnes of own brand plastic packaging Up 2.7% relative year on year Down 17.3% relative versus baseline	On an absolute basis, our own brand plastic packaging tonnage reduced by 3.9 per cent year-on-year and declined by 17.9 per cent versus our baseline.
 Championing human rights	Respect human rights across our value chain and ensure our businesses' transition to net zero is just and equitable for the communities we source from	Implementation of HRDD action plan, commercial integration, investment in on-the-ground programmes in high risk sourcing areas	We continue to embed human rights due diligence and processes into our technical, commercial and procurement practices. This year we refreshed our Human Rights Policy and Saliency Assessment and conducted in-depth risk assessments for high risk raw materials and sourcing countries to assess our sourcing resilience. We also delivered training to over 100 colleagues and over 700 supplier representatives to help increase awareness of human rights risks and strengthen due diligence.

For more information on our sustainability goals and performance this year, see our **Plan for Better Report**

See our **corporate website** for more information

Plan for Better continued

Better for the planet

Net zero carbon

- Rated 'A' in CDP climate change disclosure for 12th year in a row
- We continue to trial electric vehicles across our Groceries Online (GOL) operations, with over 200 electric vans servicing 22 stores across the UK. Upgrades to our routing software and wider fleet management improvements have reduced planned miles per GOL order by 20.2 per cent since 2022
- We continue to engage with our suppliers to understand and support their journey to net zero. 51.6 per cent of our emissions now come from suppliers that have any 1.5°C target approved by the SBTi, a 29.6 per cent increase year-on-year
- We're working with our suppliers to help realise opportunities to lower the carbon intensity of our products. This year, we launched La Celia Colombian Ground Coffee with coffee beans sourced from female farmers using a new growing model that has successfully reduced total on farm emissions by 30 per cent compared to a 2022 baseline
- We are making progress on transitioning our shell eggs from brown to white eggs, aiming towards 100 per cent in our own brand core ranges. Through a lifecycle assessment with three of our egg suppliers, white eggs were found to have a 12.7 per cent¹ lower carbon footprint than our brown eggs
- We are rolling out conventional mushrooms grown without peat to our full range of mushrooms, which will remove 20,465 tonnes of peat a year from our supply chain

 Read more in our TCFD disclosures on pages 104 to 120

Protecting and regenerating nature

- We reduced water usage in our own operations by 6.3 per cent year-on-year, to 2,401,772m³ through better management of water in our estate and a focus on leak prevention. Our CDP water security rating remained at A- for the third year in a row
- In collaboration with WRAP, we've continued to co-fund ten collective action projects globally to support landscape-level sustainable water management, including projects to reduce water scarcity, improve water-use efficiency and regenerate agriculture
- We have celebrated over 21 years of partnership with the Woodland Trust, planting over 5.4 million trees since 2004 and raising over £15.8 million to support the planting of trees and protection of woodland in the UK
- We were a top ranked supermarket in the WWF's UK Supermarket Soy Policy Scorecard. Across our own brand products, we source 100 per cent deforestation and conversion free (DCF) beef and coffee and our palm oil is 100 per cent independently certified. Despite sustained efforts and sector collaboration, we have not yet achieved full DCF sourcing in our own brand products
- We were awarded the ASC UK Retailer of the Year award for the fourth consecutive year and as of March 2025 offer the largest range of MSC-labelled products of any UK retailer

Circular packaging

- The UK packaging sector is navigating a period of rapid regulatory and structural change. In June 2025 we refreshed our packaging targets to reflect these changes, focusing on the recyclability of materials to help improve circularity:
 - 100 per cent recyclable or reusable packaging
 - 30 per cent post-consumer recycled content in own brand primary plastic packaging
 - 100 per cent recycled or certified virgin paper and pulp packaging by 2025
 - Reduction across all packaging materials, removing unnecessary packaging and reducing packaging weight across the business
- We continue to improve the recyclability of our packaging, including moving our Taste the Difference pasta into recyclable plastic and our pouched olives into recyclable pouches
- We have reduced the weight of various glass jars and bottles, including selected by Sainsbury's chutneys and our 789 Mondelli Prosecco Spumante bottles, removing 373 tonnes of glass
- We also moved our So Organic passata from glass bottles to cartons, reducing the weight of packaging by 126 tonnes

Reducing waste

- We have trialled diverting unsold fresh produce that cannot be redistributed through our food charities into animal feed in 337 stores, helping us divert 325.6 tonnes of additional fresh produce. This initiative is being rolled out to all available stores. We continue to send surplus bread to be made into animal feed, this year diverting 1,704.2 tonnes
- As part of the IGD-led Alliance Food Sourcing initiative, we took part in the Let's make a meal of it campaign alongside other retailers to encourage customers to donate online or in store and help unlock more surplus food to be redistributed to charities through FareShare
- To help our customers save money and reduce waste, we repaired 20,493 products and refurbished over 192,476 electrical items purchased at Argos. We also supported our Argos customers dispose of over 1,200 items of unwanted furniture responsibly through our partnership with Clearabee
- In partnership with Newlife, we donated over 130 tonnes of unsellable clothing returns and faulty garments

Plan for Better continued

Better for everyone

Healthy and sustainable diets

- We help make healthier choices easier and more affordable for customers, with at least 75 per cent of products in our Aldi Price Match being Healthy or Better for you choices
- Over 1,250 products with our Healthy Choice Logo were made available to our customers this year
- To encourage customers to make healthier choices, we piloted an evolution of our Fruit and Veg Challenge in June and January, extending this challenge to Healthy Choice badged lines. Across the two challenge periods, 959,000 additional products with the logo were sold as part of this promotion. The Summer and Winter challenges saw sales uplifts of 9 per cent and 6 per cent respectively in Healthy Choice products purchased
- We continue to provide support for low income families by offering an additional £3 for their next shop, this year expanding this support from spending on fruit and vegetables to all products with our Healthy Choice logo
- We launched several new product ranges to help customers make healthier choices, including a high protein range, our Small but Mighty nutrient rich meals, healthy breakfast cereals and new fruit snacking and pre-prepared frozen vegetables options
- We have introduced 28 new product filters on Groceries Online, making it clearer and easier for our online shoppers to find products that match their lifestyle
- Our Chief Executive, Simon Roberts, through his role on the UK Food Strategy Advisory Board, played an active part in advising the government on the development of the Good Food Cycle

Addressing food poverty in our communities

- This year, we've raised over £53 million through a combination of corporate giving as well as colleague, customer and supplier fundraising for charitable causes
- Since 2022, we have raised over £26 million for Comic Relief, allowing us to donate over 60 million meals to help tackle food poverty in UK communities. This year alone we donated £8.7 million to Comic Relief
- With Comic Relief, we supported the UK Government's Holiday Activities and Food (HAF) programme, helping to fund more than 120,000 additional holiday club places during the school holidays across the UK
- In October, we announced our partnership with the Department for Education's free breakfast club programme, donating £200 gift cards to 750 schools, to support healthy, nutritious breakfast provision for up to 180,000 children across the UK. We also committed to supporting over 570 additional schools from April 2026 onwards
- Through our 'Good food for all of us' community grant scheme, we supported 697 local good causes this year, donating over £5.3 million to initiatives supporting our local communities since 2021

Championing human rights

- This year we switched all our by Sainsbury's black tea to Fairtrade, making us the biggest UK grocery retailer of Fairtrade tea. Tea farmers and workers will receive a guaranteed minimum price and an estimated £1 million a year in Fairtrade Premiums. To improve pay for banana plantation workers, we paid an additional contribution on top of the Fairtrade Minimum Price and Premium, which was paid out as a bonus to 4,776 workers
- We continued our commitment to 100 per cent Fairtrade sourcing of bananas and 100 per cent of our own brand roast and ground coffee is also Fairtrade sourced
- We were rated Number 1 of FTSE 100 companies in the 2025 CCLA Modern Slavery Benchmark and ranked Number 1 supermarket in the 2024/25 Platform for Living Wage Financials Benchmark
- In partnership with Fairtrade, we launched a Resilience Building Initiative with our key tea, coffee and banana producers, to strengthen human rights and environmental resilience of our supply chains and build closer relationships between producers and Sainsbury's
- We launched a new international Anticipatory Social Protection programme with Comic Relief to proactively help strengthen climate adaptation, food security and resilience in key sourcing regions that are highly vulnerable to climate impacts
- We have introduced two new human rights metrics relating to discrimination and grievance mechanisms, to provide transparent reporting against our targets in these areas

Animal health and welfare

- We have improved or maintained our performance across four of our five animal health and welfare metrics
- Our Dairy Development Group has agreed a new financial model in response to rising costs and upcoming environmental regulation, including over £9 million of investment from Sainsbury's to support 150 dairy farms
- We are making progress on transitioning our shell eggs from brown to white eggs, aiming towards 100 per cent in our own brand core ranges. Alongside the eggs being less carbon intensive than our brown eggs^{a)}, the white hens are also less prone to feather pecking, resulting in higher animal welfare outcomes
- With the introduction of these white hens, we are running a two-year trial with a select group of our Sainsbury's egg farmers trialling intact beaks. We are providing tailored expert advice for their flocks to reduce feather pecking, with the goal of reducing the need for intervention, to enhance animal welfare while maintaining optimal feather cover
- From February 2026, our supplier Cranswick transitioned to supplying 100 per cent of our British pork, sausages, premium bacon and gammon, and cooked meats. Under the new agreement, our core range will be supported by an aligned contract from our progressive Sainsbury's pork supplier group, with all pigs produced through flexible farrowing by 2028, which provides extra space for the sows and piglets during the birthing process

a) Lifecycle Assessment on white eggs conducted by SCA Consulting in 2025. See our website for more information.

Financial review

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We delivered a resilient operating profit performance despite significant cost inflation, whilst generating strong free cash flow and returning more than £800 million to shareholders.



We made balanced choices in the year to maintain the strength of our competitive position, delivering consistently strong volume growth and a resilient operating profit outcome, despite a high level of externally driven operating cost inflation in a very competitive market. We continued our relentless focus on cash, generating strong cash flows which reflected disciplined capital investment and robust working capital management. Together with the partial return of proceeds from the exit of our Financial Services businesses, this allowed us to return £816 million of cash to shareholders through dividends and share buybacks.

Underlying measures are reconciled to IFRS on the income statement, with further detail in note 3. Other APMS are set out in notes A1 to A4 (pages 203–206).

Summary income statement	52 weeks to 28 February 2026 £m	52 weeks to 1 March 2025 £m	Change %
Underlying Group sales (excluding VAT)	33,647	32,772	2.7
Underlying operating profit			
Retail	1,025	1,036	(1.1)
Financial Services	—	(22)	100.0
Total underlying operating profit	1,025	1,014	1.1
Underlying net finance costs	(307)	(305)	(0.7)
Underlying profit before tax	718	709	1.3
Items excluded from underlying results	(99)	(102)	2.9
Profit before tax	619	607	2.0
Income tax expense	(205)	(186)	(10.2)
Profit after tax – continuing operations	414	421	(1.7)
Loss after tax – discontinued operations	(21)	(168)	87.5
Profit for the financial period	393	253	55.3
Underlying basic earnings per share	22.3p	21.6p	3.2
Basic earnings per share	17.3p	10.9p	58.7
Interim dividend per share	4.1p	3.9p	5.1
Final dividend per share	9.6p	9.7p	(1.0)
Total dividend per share	13.7p	13.6p	0.7
Special dividend per share	11.0p	—	—

Discontinued operations were previously included in underlying measures whilst the associated trading activities remained ongoing. Following completion of the NatWest, NewDay and NoteMachine disposals, these activities are substantially ceased and have therefore been reclassified to non-underlying so as to only reflect ongoing trading performance within underlying results. In July 2025, we agreed the sale of the Travel Money business to Fexco Group, with the sale completing in January 2026. The Travel Money business is presented as a discontinued operation in both the current and comparative periods. Further details can be found in note 2.1 on page 140.

Note that the comparative period has been restated to reflect the deferred tax impact of an increased proportion of assets qualifying for tax allowances. Further details can be found in note 2 on page 140.

Financial review continued

Group sales

Group sales (excluding VAT) increased by 2.7 per cent year-on-year, with a 4.3 per cent increase in retail sales (excluding VAT, excluding fuel) offset by an 8.2 per cent decrease in fuel sales (excluding VAT).

Total sales (excluding VAT) performance by category	52 weeks to 28 February 2026 £m	52 weeks to 1 March 2025 £m	Change %
Sainsbury's	25,875	24,658	4.9
Grocery	24,256	23,060	5.2
General merchandise (Sainsbury's) and clothing	1,619	1,598	1.3
Argos	4,125	4,096	0.7
Retail (exc. fuel) ^{a)}	29,992	28,754	4.3
Fuel sales ^{b)}	3,559	3,876	(8.2)
Retail (inc. fuel)	33,551	32,630	2.8
Financial Services	96	142	(32.4)
Group sales	33,647	32,772	2.7

a) Total Retail sales are reported after the elimination of intra-segmental revenues.

b) Fuel sales represent sales of fuel from our Petrol Filling Stations (PFS) and sales from our Ultra Rapid Electric Vehicle charging business, Smart Charge.

Retail like-for-like sales performance	52 weeks to 28 February 2026	52 weeks to 1 March 2025
Like-for-like sales (exc. fuel)	3.9%	3.4%
Like-for-like sales (inc. fuel)	2.5%	1.8%

Grocery sales increased by 5.2 per cent, reflecting both inflation and consistently strong volume growth, outperforming the market. Customers continue to respond positively to the strength of our grocery proposition, including the ongoing innovation across our Taste the Difference range and value driven through Nectar Prices, Aldi Price Match and Your Nectar Prices. These propositions are helping to attract and retain more big basket primary customers.

General Merchandise and Clothing sales in Sainsbury's stores were up 1.3 per cent, with clothing delivering a particularly strong performance. Childrenswear led the growth, supported by improved ranges across essentials and womenswear and a strongest ever back to school event. This was partially offset by lower general merchandise sales, reflecting a deliberate reduction of store space allocated to general merchandise categories in favour of food and a focus on lower priced everyday general merchandise items.

Argos sales increased by 0.7 per cent, driven by volume growth. Average selling price decreased, reflecting a highly competitive market with higher participation of lower ticket items.

Fuel sales decreased by 8.2 per cent as a result of reduced demand and lower forecourt prices. This was partly offset by Smart Charge EV charging, where performance continued to strengthen. We added five new EV sites during the year, bringing our total to 80 locations with 661 ultra-rapid charging bays.

Total sales growth (excluding VAT) performance by channel	52 weeks to 28 February 2026 %	52 weeks to 1 March 2025 %
Supermarkets (inc. Argos stores in Sainsbury's)	3.1	3.3
Groceries Online (inc. OnDemand) ^{a)}	13.3	12.2
Convenience	3.0	1.9

a) Grocery Online includes sales through Sainsburys.co.uk and sales through OnDemand channels serviced by supermarket and convenience locations.

Sales in our supermarkets increased 3.1 per cent. We have continued to reallocate space in our supermarkets to increase our food offer; giving customers greater choice from a broader range, particularly in fresh food.

Groceries Online sales grew by 13.3 per cent, driven by very strong OnDemand growth, higher order numbers, larger average basket sizes, stronger availability and increased household coverage.

Convenience sales grew 3.0 per cent, supported by new store openings and improved layouts across our estate, ensuring ranges are better tailored to its customers' needs.

Retail underlying operating profit

Retail underlying operating profit	Note ^{a)}	52 weeks to 28 February 2026	52 weeks to 1 March 2025	Change
Retail underlying EBITDA (£m)	A1.2 b)	2,211	2,192	0.9%
Retail underlying EBITDA margin (excl. VAT) (%)	A1.2 b)	6.59	6.72	(13)bps
Retail underlying operating profit (£m)	A1.2 b)	1,025	1,036	(1.1)%
Retail underlying operating margin (excl. VAT) (%)	A1.2 b)	3.06	3.17	(11)bps

a) Note references for reconciliations refer to the Alternative Performance Measures on pages 203 to 206.

Retail underlying EBITDA increased to £2,211 million (2024/25: £2,192 million), with retail underlying EBITDA margin decreasing to 6.59 per cent (2024/25: 6.72 per cent). This reflects strong volume growth in Sainsbury's and ongoing cost efficiencies, partly offset by significant operating cost inflation alongside continued investment in colleagues and sustained price investment to deliver value.

Retail underlying operating profit decreased by 1.1 per cent to £1,025 million (2024/25: £1,036 million) and retail underlying operating margin decreased to 3.06 per cent (2024/25: 3.17 per cent). Retail underlying EBITDA increased while retail underlying operating profit decreased due to higher depreciation year-on-year.

In 2026/27, we expect a retail underlying depreciation and amortisation charge of around £1.2 billion (2025/26: £1.2 billion), including £0.5 billion right-of-use asset depreciation.

We expect to deliver total underlying operating profit of between £975 and £1,075 million in 2026/27.

Financial review continued

Space

Store numbers and retailing space	As at 1 March 2025	New stores	Disposals/ closures	Reclassifications/ extension)	As at 28 February 2026
Supermarkets	599	10	—	—	609
Supermarkets area '000 sq ft	20,930	163	—	46	21,139
Convenience	855	33	(3)	—	885
Convenience area '000 sq ft	2,054	78	(13)	1	2,120
Sainsbury's total store numbers	1,454	43	(3)	—	1,494
Argos stores	203	1	(3)	—	201
Argos stores in Sainsbury's	461	5	—	—	466
Argos total store numbers	664	6	(3)	—	667
Argos collection points	443	31	(8)	—	466

During the year, we opened ten new supermarkets (including two Co-Op conversions and three Homebase conversions) and 33 new convenience stores. We opened one new standalone Argos store, five new Argos stores in Sainsbury's and 31 new collection points.

As at 28 February 2026, Argos had 201 standalone stores, 466 stores in Sainsbury's and 466 collection points, giving a total of 1,133 points of presence.

Subject to final planning consent, we expect to open around ten supermarkets in 2026/27, complementing our existing organic supermarket growth pipeline. In addition, we expect to open around 20 more convenience stores. Overall, we expect a net space growth impact on retail sales of around 0.5 per cent in 2026/27.

Financial Services

During the year we successfully completed the sale and migration of our Core Banking Products, migrated the ATM business and sold our Travel Money operations. Together with the previously sold Argos Financial Service and Mortgage businesses, these divestments have been classified as discontinued operations and are now reported as items excluded from underlying results. Together they form part of the single, co-ordinated strategy to transition towards a distributed financial services model which was announced in January 2024. The prior year has been restated to reflect this.

We also completed the sale of our Car and Home insurance businesses. These continue to be reported within continuing operations as we still earn commission income, alongside our wider insurance offering across Pet, Life and Travel.

Financial Services results 12 months to 28 February 2026	2026	2025	Change %
Underlying revenue (£m)	96	142	(32.4)
Underlying operating profit / (loss) (£m)	—	(22)	100.0

Financial Services underlying revenue decreased by 32.4 per cent, primarily due to reduced treasury assets interest, linked to the strategic exit from core banking services.

Underlying operating loss decreased by £22 million to break-even, reflecting reduced wholesale funding and deposit platform cost as we move to a distributed Financial Services model.

Following completion of the exit from core banking, Financial Services will no longer be reported as a separate operating segment. The ongoing Financial Services contribution will be generated from Argos Care, commission income from Insurance, Travel Money, ATMs and white label banking products, alongside income from the NewDay Argos Pay partnership.

Underlying net finance costs

Underlying net finance costs	52 weeks to 28 February 2026 £m	52 weeks to 1 March 2025 £m	Change %
Non-lease interest costs	(64)	(76)	15.8
Non-lease interest income	23	29	(20.7)
Net finance costs on lease liabilities	(266)	(258)	(3.1)
Total underlying net finance costs	(307)	(305)	(0.7)

Underlying net finance costs increased slightly to £307 million (2024/25: £305 million). This includes £41 million of net non-lease cost (2024/25: £47 million); with the reduction primarily driven by lower interest costs incurred on our inflation-linked amortising loan due in 2031. This was partly offset by a decline in interest income, driven by lower interest rates.

Net financing costs on lease liabilities rose to £266 million (2024/25: £258 million), reflecting higher costs associated with equipment leases and property regears and rent reviews, which increased lease liabilities.

We expect underlying net finance costs in 2026/27 to be around £320 million.

Financial review continued

Items excluded from underlying results before tax

Items excluded from underlying results	Note	52 weeks to 28 February 2026 £m	52 weeks to 1 March 2025 £m
Continuing operations:			
Retail restructuring programmes		(74)	(128)
IAS 19 pension income		33	28
Other		(50)	14
Financial Services phased withdrawal		(8)	(16)
Items excluded from underlying results – continuing operations	5	(99)	(102)
Discontinued operations:			
Financial Services phased withdrawal	11.1	(41)	(82)
Financial Services gain/(loss) on disposal	11.2	12	(141)
Items excluded from underlying results – discontinued operations		(29)	(223)
Total items excluded from underlying results		(128)	(325)

Items recognised in reported profit before tax which, by virtue of their size and/or nature, do not reflect the underlying performance are excluded from the underlying results and shown in the table above.

We recognised retail restructuring programme costs of £74 million in the year, with £41 million associated with the Sainsbury's Next Level strategy, launched in February 2024. These Next Level Sainsbury's strategy costs include redundancy costs associated with updating our central management structures and costs associated with the closures of food counters and conversions of cafes and bakeries.

Other items include £17 million of brand amortisation, £8 million of non-underlying finance costs, a £7 million loss on fair value movements on fixed-price power purchase arrangements and a £2 million loss on property-related transactions. Other costs also include impairment of non-trading sites, reflecting rent reviews at these sites, and consultancy costs relating to corporate transaction activity, partially offset by income from a legal case relating to European truck manufacturers. In the prior year, other items included £57 million of gains on property-related transactions, predominantly driven by the completion of the Hendon mixed-use development site, together with a £2 million gain on fair value movements on fixed-price power purchase arrangements, offset by £17 million of brand amortisation and £12 million of non-underlying finance costs.

Discontinued operations consist of phased withdrawal which includes pre-tax operating loss of £16 million as well as restructuring costs and impairment of £25 million. A pre-tax gain on disposal of £12 million was recognised in relation to Financial Services.

Taxation

The tax charge for continued operations is £205 million (restated 2024/25: £186 million). The underlying tax rate was 29.2 per cent (restated 2024/25: 28.9 per cent) and the effective tax rate was 33.1 per cent (restated 2024/25: 30.6 per cent).

The underlying tax rate for the year is higher than the headline corporation tax rate of 25 per cent primarily due to the impact of depreciation on assets which do not qualify for capital allowances.

We expect the underlying tax rate in 2026/27 to remain at around 29 per cent. This rate is expected to be higher than the standard rate of corporation tax due to the ongoing impact of depreciation on assets which do not qualify for capital allowances.

Note that the comparative period has been restated to incorporate the deferred tax impact arising from a misclassification of assets between those impacting deferred tax and those which do not and an omission of the tax effects of prior year impairments and disposals. As a result, deferred tax now reflects an increase in the proportion of depreciation relating to assets qualifying for tax allowances. Further details can be found in note 2 on page 140.

Earnings per share

Statutory and underlying basic and diluted EPS increased, driven by higher earnings and a reduction in the weighted average number of shares as a result of the share buyback programme. Statutory basic EPS increased to 17.3 pence (restated 2024/25: 10.9 pence) and diluted EPS to 16.9 pence (restated 2024/25: 10.7 pence). Underlying basic EPS increased to 22.3 pence (restated 2024/25: 21.6 pence), while underlying diluted EPS increased to 21.9 pence (restated 2024/25: 21.2 pence).

Dividends and share buyback

The Board has recommended a final dividend of 9.6 pence per share (2024/25: 9.7 pence). This will be paid on 10 July 2026 to shareholders on the Register of Members at the close of business on 5 June 2026. In line with the policy to pay a progressive dividend, the proposed full-year dividend is 13.7 pence per share, an increase of 0.7 per cent (2024/25: 13.6 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 19 June 2026.

In 2025/26, we completed a £250 million share buyback programme, comprised of a £200 million core buyback and a £50 million incremental buyback to return bank disposal proceeds. We also paid a special dividend of £250 million (11.0 pence per share), with a total of £300 million of bank disposal proceeds returned to shareholders during the year. For the financial year 2026/27 we will buy back £300 million of shares, including a £200 million core buyback and an additional return of £100 million of net bank disposal proceeds. 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

Summary retail cash flow statement ^{a)}	Note)	52 weeks to 28 February 2026 £m	52 weeks to 1 March 2025 £m
Retail underlying operating profit	6	1,025	1,036
Adjustments for:			
Retail underlying depreciation and amortisation		1,186	1,156
Share-based payments and other		81	67
Adjusted retail underlying operating cash flow before changes in working capital		2,292	2,259
Decrease in underlying working capital		128	98
Retail non-underlying operating cash flows (excluding pensions)		(80)	(71)
Pension cash contributions		(27)	(45)
Retail cash generated from operations		2,313	2,241
Interest paid		(336)	(347)
Corporation tax paid		(112)	(89)
Retail net cash generated from operating activities		1,865	1,805
Cash capital expenditure		(843)	(825)
Repayments of lease liabilities		(504)	(487)
Initial direct costs on right-of-use assets		(8)	(34)
Proceeds from disposal of property, plant and equipment		41	45
Interest income		23	27
Retail free cash flow		574	531
Dividends paid on ordinary shares		(316)	(308)
Special dividend paid		(250)	—
Purchase of own shares – share buyback		(251)	(200)
Net repayment of borrowings		(59)	(79)
Other share-related transactions		(37)	(43)
Dividend received from Sainsbury's Bank		400	—
Financial Services strategic review		(59)	(52)
Net increase/(decrease) in cash and cash equivalents		2	(151)
Decrease in debt		563	566
Other non-cash and net interest movements ^{b)}		(550)	(619)
Movement in net debt	31	15	(204)
Opening net debt	31	(5,758)	(5,554)
Closing net debt	31	(5,743)	(5,758)
Of which:			
Lease liabilities	31	(5,540)	(5,494)
Net debt excluding lease liabilities		(203)	(264)

a) For reconciliation refer to Alternative Performance Measures in notes A2.1 and A2.2 on pages 204 to 205. Net debt is defined as Retail net debt. Refer to note A3.1 on page 206.

b) Other non-cash movements relate to new leases and lease modifications, foreign exchange, the cancellation of own shares once purchased and fair value adjustments relating to derivatives.

Retail free cash flow increased by £43 million year-on-year to £574 million (2024/25: £531 million), driven by improved working capital inflow and higher underlying EBITDA. We have generated £1.1 billion of retail free cash flow over the last two years and we expect to generate more than £500 million of retail free cash flow in 2026/27, in line with our commitment to generate at least £1.6 billion of retail free cash flow over the three years to 2026/27.

Adjusted retail underlying operating cash flow before changes in working capital increased by £33 million year-on-year to £2,292 million (2024/25: £2,259 million), driven by higher underlying EBITDA.

Cash inflow from reduced working capital of £128 million (2024/25: £98 million working capital reduction) was driven by an increase in payables, primarily due to improved payment terms, more than offsetting higher inventory. Retail non-underlying operating cash costs were £80 million. £73 million relates to retail restructuring cash costs, with £13 million related to the multi-year programme announced in November 2020 and £60 million associated with the Next Level Sainsbury's strategy launched in February 2024. We continue to expect total cash costs relating to the three-year Next Level Sainsbury's strategy of around £150 million, with £91 million incurred to date.

Pension cash contributions of £27 million (2024/25: £45 million) reduced £18 million year-on-year due to a funding level event occurring in 2024/25, leading to reduced contributions under the Asset Backed Contributions scheme. We expect cash contributions in 2026/27 to be around £27 million.

We paid corporation tax of £112 million in the year (2024/25: £89 million). The £23 million increase in tax payable year on year is mainly due to reduced levels of tax deductible non-underlying expenses and timing of deductions related to share based payments.

Cash capital expenditure was £843 million (2024/25: £825 million). The year-on-year increase was primarily driven by continued investment in new space and space rebalancing as well as increased investment in technology, automation, personalisation and retail media. We expect core retail cash capital expenditure in 2026/27 to be between £800 million and £850 million.

Proceeds from the disposal of property, plant and equipment were £41 million (2024/25: £45 million), of which £13 million related to the Hendon mixed use development site which completed in 2024/25. The remaining proceeds resulted from disposals, in line with our property strategy.

As at 28 February 2026, net debt was £5,743 million (1 March 2025: £5,758 million), a decrease of £15 million.

Excluding the impact of lease liabilities, non-lease net debt reduced by £61 million in the year to £203 million (1 March 2025: £264 million), benefitting from £100 million of net cash proceeds arising from the phased withdrawal from Financial Services which will not be returned to shareholders until 2026/27.

Net debt includes lease liabilities of £5,540 million, up £46 million (1 March 2025: £5,494 million).

Financial review continued

Financial ratios

Key financial ratios ^{a)}	As at 28 February 2026	As at 1 March 2025
Return on capital employed	8.9%	9.0%
Net debt to EBITDA	2.6x	2.6x
Fixed charge cover	2.7x	2.8x

a) Reconciliations are set out in notes A4.1, A3.2 and A4.2 of the APMs on page 206.

Return on capital employed (ROCE) declined 10 basis points year on year, primarily driven by lower total underlying 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 also stable.

Defined benefit pensions

At 28 February 2026, the net defined benefit surplus under IAS 19 for the Group was £525 million (excluding deferred tax). This marks a decrease of £206 million from the prior year-end date of 1 March 2025. This is primarily due to higher liabilities arising from adoption of the latest CMI mortality forecasts, higher forecast inflation and model updates required following completion of the 2024 triennial valuation, partially offset by a 10 bps increase in the discount rate driven by widening AA credit spreads.

The latest triennial valuation as at 30 September 2024 (the 2024 triennial) was completed on 20th March 2026 and showed a surplus of £171 million, including the estimated value of the Scheme's entitlements under the asset backed contribution (ABC) structure. Excluding these entitlements, the surplus was £15 million. The 2024 triennial, among other actuarial updates, assumes higher inflation volatility, which has the effect of reducing expected liabilities. This may result in an earlier end to contributions under the ABC structure. To provide additional assurance to the Scheme in that context, the Group has established an escrow account in favour of the Scheme, which will expire no later than 2048. Funds will be deposited into the escrow account, and either be released to the Group, or contributed to the Scheme, depending on agreed funding triggers. This arrangement, coupled with the ABC arrangement, will act to protect the Scheme's access to funds while reducing the risk that the Company might overfund the Scheme. There are no funds deposited in the escrow arrangement as at 28 February 2026.

We expect total defined benefit pension scheme cash contributions to be around £27 million in 2026/27 (2025/26: £27 million).

	Sainsbury's as at 28 February 2026 £m	Argos as at 28 February 2026 £m	Group as at 28 February 2026 £m	Group as at 1 March 2025 £m
Retirement benefit obligations				
Present value of funded obligations	(5,049)	(774)	(5,823)	(5,575)
Fair value of plan assets	5,454	917	6,371	6,329
Pension surplus	405	143	548	754
Present value of unfunded obligations	(23)	—	(23)	(23)
Retirement benefit surplus	382	143	525	731
Deferred income tax liability	(158)	(36)	(194)	(218)
Net retirement benefit surplus	224	107	331	513



Bláthnaid Bergin

Chief Financial Officer
22 April 2026

Principal risks and uncertainties

We are a resilient, values-led business. 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 and internal control 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	Stakeholder input
1. Risk identification	<ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> Strategic risks that are born out of the choices we make and our external environment, for example change delivery or the 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 	<ul style="list-style-type: none"> Operating Board Governance forums Divisional leadership teams Audit and Risk team
2. Risk assessment	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Operating Board Governance forums Divisional leadership teams Audit and Risk team
3. Risk response	<ul style="list-style-type: none"> Manage risks by implementing mitigation plans and controls aligned with our risk appetite and tolerances The implementation of the risk management and internal control 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 	<ul style="list-style-type: none"> Operating Board Governance forums Divisional leadership teams Audit and Risk team
4. Monitoring and reporting	<ul style="list-style-type: none"> Monitor and report to the relevant governance forums on risks, key risk indicators, associated mitigation and management plans, material control effectiveness and changes to the internal/external environment 	<ul style="list-style-type: none"> Board Audit Committee Operating Board Business leaders Audit and Risk team

Principal risks and uncertainties continued

The Board has overall responsibility for risk management, the system of internal control and reviewing the effectiveness of these at least annually. The Board has carried out a robust assessment of the Company's emerging and principal risks, including those that would threaten its business model, future performance, solvency or liquidity. As such, it has approved our principal risks disclosure, as set out on pages 42 to 47. Certain responsibilities have been delegated to the Audit Committee, as outlined on page 76.

Board Approval of risk disclosures	<ul style="list-style-type: none"> • Annual assessment of system of internal control • Principal risk and uncertainty disclosures
Audit Committee Corporate risk updates, deep dives and review of risk framework	<ul style="list-style-type: none"> • Assessment and review of corporate and emerging risks • Risk deep dives received • Risk policy and framework approved • Internal Audit reporting
Operating Board Corporate risk updates and deep dives	<ul style="list-style-type: none"> • Corporate risk map updated and actions monitored • Risk deep dives received • Emerging risk map reviewed
Governance forums Risk identification and monitoring	<ul style="list-style-type: none"> • Divisional risks relevant to forums' area of scope received • Governance forum risk map reviewed
Divisional leadership teams Bottom-up risk identification	<ul style="list-style-type: none"> • Divisional risk maps reviewed and challenged • Divisional emerging risk map reviewed • Monitor risk actions

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 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 (including material controls) 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. 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, 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, and that they also attest to the operating effectiveness of material controls; 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 team is involved in each process. It provides the Audit Committee with a risk management update at least twice a year to support its fulfilment of 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.

The Audit and Risk teams 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 to allow 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. 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:

- Consumer expectations are rapidly shifting due to demographic change, evolving health priorities and new shopping behaviours, creating both risks and opportunities for innovation and market growth
- Continued national and global uncertainty can impact the communities we serve as well as our suppliers, operations and colleagues
- Technology acceleration – including the emergence of agentic AI – presents both risks and opportunities across our customer proposition, operations, transformation programmes and wider market sector, creating new exposures while offering potential to enhance productivity and impact customer experience

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.

Overall, the principal risks are consistent with last year, with four changes to note. The net risk exposures for 'Data Security' and 'Political and Regulatory Environment' have increased due to incidents in the retail sector in 2025 and the evolving regulatory landscape respectively. Two principal risks have been removed, including Sainsbury's Bank, reflecting changes to the financial services business model. 'Financial and Treasury' is no longer considered a principal risk to the Group due to the status of the Group balance sheet, investment grade credit rating and access to diverse funding options.

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 18 to 19) and continue to highlight the link with the strategy of the business, as follows:

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.



First choice for food



Loyalty everyone loves



More Argos, more often



Save and invest to win

Business continuity, operational resilience and major incident response V

Risk	Mitigations
<p>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.</p> <p>Business disruptions are actively managed either through day-to-day ways of working or, if needed, through the Incident Response Team (IRT).</p>	<ul style="list-style-type: none"> 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, 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 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
<p>Direct oversight: Operating Board</p>	
<p>Link to strategy</p>	
<p>Link to key performance indicators: N/A</p>	
<p>Movement: </p>	

Principal risks and uncertainties continued

Business strategy and change V

Risk	Mitigations
<p>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.</p> <p>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.</p> <p>Direct oversight: Business Performance Review, Operating Board</p> <p>Link to strategy </p> <p>Link to key performance indicators: All metrics</p> <p>Movement: </p>	<ul style="list-style-type: none"> Our Next Level Sainsbury's strategy, as set out in this strategic report, is focused on delivering our purpose through achieving four key outcomes: <ul style="list-style-type: none">  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 V

Risk	Mitigations
<p>It is essential that the security of customer, colleague and Company confidential data is maintained. A major breach of information security could have a significant operational, financial and reputational impact on the business.</p> <p>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.</p> <p>Direct oversight: Data Governance Committee</p> <p>Link to strategy </p> <p>Link to key performance indicators: N/A</p> <p>Movement: </p>	<ul style="list-style-type: none"> A Data Governance Committee (DGC) is in place to oversee the management of colleague, customer and commercial data, information security and associated awareness and training. Deep dives on specific areas of our control environment are performed through the year and metrics to measure alignment to our risk appetite are reviewed in each meeting The Data Governance and Information Security function works as part of 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 and governance 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 that robust governance and control frameworks are implemented. This includes 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 bi-monthly 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

Environment and social sustainability

Risk	Mitigations
<p>Plan for Better was launched in 2021 and puts our responsibilities towards our planet and people at the core of our purpose and business.</p> <p>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 UK food system.</p>	<ul style="list-style-type: none"> • 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 • The Plan for Better Acceleration Squad 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 • Sainsbury's has disclosed against the Task Force on Climate-related Financial Disclosures since 2021 and in 2024 signed up to become an adopter of the Taskforce on Nature-related Financial Disclosures. This framework will be utilised to build an understanding of climate and nature-related risks and opportunities, which are utilised to inform strategy and decision-making processes
<p>Direct oversight: Corporate Responsibility and Sustainability Committee, Plan for Better Acceleration Squad</p>	
<p>Link to strategy</p> 	
<p>Link to key performance indicators: Plan for Better commitments</p>	
<p>Movement: →</p>	



Safety and security

Risk	Mitigations
<p>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.</p> <p>Rising levels of retail crime and growing threats to colleagues and the security of assets reinforce the need for robust controls, a strong culture of safety and vigilance across all our operations.</p>	<ul style="list-style-type: none"> • 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 • The Colleague Safety and Total Loss Steering Committee was introduced this year to provide strategic oversight and direction on colleague safety, retail crime and asset protection, ensuring a coordinated approach to reduce harm and prevent loss across the business • 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 • 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, CCTV and trials of facial recognition technology. Retail colleagues received updated Keeping Colleagues Safe training and incident reporting remains a priority to ensure data remains up to date
<p>Direct oversight: Group Safety Committee</p>	
<p>Link to strategy</p> 	
<p>Link to key performance indicators: N/A</p>	
<p>Movement: →</p>	

Principal risks and uncertainties continued

Political and regulatory environment

V

Risk	Mitigations
<p>Our business operations are impacted by a wide range of legal and regulatory requirements. There remains an increasing trend of industry focus, regulation (often with uncertainty around timelines, variable adoption in devolved nations and impact) and enforcement action impacting all areas of our business.</p> <p>This adds significant cost as we respond to requirements, drives complexity into our business processes and increases the risk of non-compliance, which could lead to fines, criminal penalties for Sainsbury's or our colleagues or litigation, for example, class actions such as the ongoing equal value claim.</p> <p>Key regulatory risks impacting our business operations include the Competition Act 1998, 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.</p> <p>Direct oversight: Operating Board</p> <p>Link to strategy</p>  <p>Link to key performance indicators: N/A</p> <p>Movement: </p>	<ul style="list-style-type: none"> • Assessment of regulatory and compliance requirements continues to directly inform our strategic planning and investment choices, which are embedded within our Next Level Sainsbury's strategy • 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 <ul style="list-style-type: none"> • We liaise with external parties and our internal stakeholders to monitor changes to existing regulations that would impact the business, so that we can respond appropriately. During the year we have: <ul style="list-style-type: none"> – Continued to evaluate the impact of the post-Brexit regulatory and enforcement regime, the impact of corporate governance reform and changes to business rates, the apprenticeship levy and health regulations – 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

Product safety and sourcing



Risk	Mitigations
<p>Failure to manage safety and sourcing risks for both food and non-food products can lead to injury or loss of life, breach of regulation and/or reputational damage.</p> <p>Direct oversight: Group Safety Committee, Plan for Better Acceleration Squad, Corporate Responsibility and Sustainability Committee</p> <p>Link to strategy </p> <p>Link to key performance indicators: N/A</p> <p>Movement: </p>	<ul style="list-style-type: none"> The Group Safety Committee receives regular reports on product safety from the Director of Food Technical and the Director of Commercial Operations and Development – General Merchandise and on operational food safety risks from the Director of Occupational Health, Safety and Insurance. In addition, the Corporate Responsibility and Sustainability Committee discusses matters related to product sourcing risk, including supply chain transparency, Modern Slavery and human rights 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 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 Safety processes are in place in our depots and stores covering refrigeration and quality management controls to ensure the safety and integrity of 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 product risks in each area for our own brand products <ul style="list-style-type: none"> 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 launch 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 products from sale if required

Principal risks and uncertainties continued

Trading environment and customer expectations V

Risk	Mitigations
<p>We operate in a highly competitive market during a time of higher economic and geopolitical uncertainty. The business, across all brands, must continue to ensure it remains competitive and evolves to meet customer expectations.</p> <p>With the outlook set to remain challenging, we need to respond appropriately and at pace to external market conditions while maintaining clear focus on delivering our strategic objectives.</p> <p>We also need to be mindful of the ongoing risk of supplier failure, either through insolvency or through an inability to deliver products due to global supply chain challenges.</p>	<ul style="list-style-type: none"> We have a wide, differentiated portfolio of brands, including Sainsbury's, Argos, Habitat, Tu clothing, and Nectar, 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 service, 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 geopolitical 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
<p>Direct oversight: Customer, Commercial and Channels Forum, Operating Board</p>	
<p>Link to strategy</p>	
<p>Link to key performance indicators: Food volume growth</p>	
<p>Movement: </p>	

Colleague engagement, retention and capability

Risk	Mitigations
<p>The business employs around 140,000 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 (such as AI) is a key area of focus, given the challenging labour market.</p> <p>The macroeconomic environment and regulatory changes, such as the Employee Rights Bill, require a focus on efficient operations, which may include change initiatives that could impact trust or engagement with our colleagues.</p>	<ul style="list-style-type: none"> 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 with above inflation pay rises for hourly paid colleagues. 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 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 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 national, regional and local Make It Better Together forums and leader listening sessions. 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 There are a wide range of opportunities available to colleagues to develop with specific talent programmes in place across operational, early careers, professional and executive roles An impact assessment of the Employee Rights Bill has been completed and specific actions have been developed to address the identified areas of impact. These actions are now being progressed positively in collaboration with unions and employee representatives
<p>Direct oversight: Operating Board</p>	
<p>Link to strategy</p>	
<p>Link to key performance indicators: Colleague engagement</p>	
<p>Movement: </p>	

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 51. The financial position of the Group, its cash flows and liquidity are highlighted in the financial review on pages 34 to 39. Details of financial covenants are set out in note 27.4 on page 176.

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 typically over three years, with a further year of indicative movements. As part of the corporate 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 with the level of committed facilities over the planning period.

The most recent corporate plan was approved in March 2026, 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, model and principal risks.

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 is expected to deliver further grocery market volume share gains.
- **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 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 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. The committed Revolving Credit Facility, which enables the Group to maintain sufficient levels of contingent funding, has two £500 million facilities. Facility A has a maturity of December 2029 and Facility B has a maturity of December 2028. As at 28 February 2026, the Revolving Credit Facility was undrawn. 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 2024/25 of £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 and remain in issuance. In addition, the Group has in place an inflation-linked amortising loan with a principal of £378 million outstanding as at 28 February 2026 and a final repayment date of April 2031.

Previously, additional consideration was given to the credit, liquidity and capital adequacy of the Bank given the phased withdrawal from Financial Services and transition to a distributed model. Following the completed transactions with NatWest, NewDay, NoteMachine, Allianz and Fexco in the current and prior year, the current capital position and the progress made on transition, the Directors no longer deem this a material consideration in making an assessment of the Group's viability.

2. The assessment period

The Directors have determined that the three years to February 2029 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 typically 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 have 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 40 – 47). The scenarios were overlaid into the corporate plan to assess the potential impact on net debt and the Group's financial covenants of one or more of these crystallising over the assessment period and were 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. Mitigating actions to maintain funding headroom were considered as part of the assessment as required. These include reducing any non-essential capital and operating expenditure, 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 40 – 47 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.

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

The scenarios on the next page 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 first two years of the plan period. In the final year, headroom is eroded on an isolated occasion at the end of the review period when all scenarios are modelled in combination prior to any mitigating actions by management. However, management does have significant controllable mitigating actions available as detailed above with which to respond to ensure that the Group maintains sufficient headroom and remains viable.

Statement 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
<p>Scenario 1 - Recessionary scenario</p> <p>With sustained macroeconomic pressures, consumers continue to experience elevated levels of inflation and high interest rates. External forecasts indicate that this could continue, particularly given recent escalation in geopolitical pressures. This has the potential to impact consumer confidence and disposable incomes, contributing to a reduction in consumer spend on discretionary items across our general merchandise and clothing business and downtrading in food.</p> <p>Assumptions:</p> <ul style="list-style-type: none"> Sales – volume losses more severe than the 2008 recession phasing have been applied to forecast sales. 	<ul style="list-style-type: none"> Trading environment and customer expectations
<p>Scenario 2 - Data and legal breaches and regulatory changes</p> <p>Cyber incidents suffered by competitors within the retail industry have caused significant operational disruption. It is plausible that the Group could suffer a similar incident requiring additional and rapid expenditure to maintain operations as best as possible while simultaneously suffering a sales decline due to impacted operations.</p> <p>Further, the impact of any regulatory fines has been considered. Examples considered include the General Data Protection Regulation (GDPR) fine for data breaches and fines levied by the Groceries Supply Code of Practice (GSCOP).</p> <p>Assumptions:</p> <ul style="list-style-type: none"> Sales – volume losses due to implementation of a major incidence response plan resulting from a cyber attack Costs – amount paid for regulatory fines 	<ul style="list-style-type: none"> Data security Product safety and sourcing Political and regulatory environment Business continuity, operational resilience and major incidence response
<p>Scenario 3 - Failure to deliver sustainable cost savings</p> <p>We considered delays in delivering the Save and invest to win programme and delivering further savings beyond the current strategy cycle, modelling impacts of c. £100 million in the first two years of the assessment period and c. £200 million in the final year.</p> <p>Assumptions:</p> <ul style="list-style-type: none"> Costs – additional costs as result of failure to deliver cost savings 	<ul style="list-style-type: none"> Business strategy and change
<p>Scenario - Reverse stress test</p> <p>In addition to the severe but plausible scenario modelling detailed above, the incremental level of forecast sales decline required before the Group fully utilises its available funding and mitigations, or breaching its financial covenants, was considered. The required reduction was considered extreme and implausible.</p>	

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 February 2029.

The impact of geopolitical events was considered, specifically the conflict in the Middle East which has escalated subsequent to the Group's balance sheet date. The Group has an incident response team in place which monitors the situation and performs scenario modelling. Severe operational impacts are considered unlikely due to limited sourcing from the region, our use of hedging and the Group's ability to prioritise fuel for our own operations. Therefore, the primary impact of the conflict is expected to be increased oil price leading to potentially inflated logistic and supply chain costs. Inflationary pressures are already modelled in Scenario 1 documented above and at a higher level than the current expected impact of this conflict. Thus it was concluded that the impact of conflict in the Middle East does not impact the conclusions reached over going concern and viability.

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 202.

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 <https://corporate.sainsburys.co.uk/>

Our commitment	Our approach	Where to find more information and outcomes
<h3>Colleagues</h3>	<p>We want to be a place where people love to work and shop. This means being an inclusive employer where colleagues are treated fairly and with respect and encouraged to develop 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.</p>	<ul style="list-style-type: none"> • Chair's letter on page 4 • Plan for Better report on page 30 • Our people and culture on page 20 • Engaging with our stakeholders on page 24 • Section 172 statement on page 64 • Operational KPIs on page 18 • Nomination and Governance Committee report on page 67 • Annual statement from the Remuneration Committee Chair on page 81 • Gender and Ethnicity Pay Reports on corporate.sainsburys.co.uk
<h3>Environment</h3>	<p>Our sustainability plan, Plan for Better, is integrated across our business to ensure that we achieve our sustainability goals. Our Better for the planet pillar includes our environmental targets, ambitions and priority areas of focus. Progress against these targets is described in this Annual Report and Accounts and in our standalone Plan for Better Report.</p>	<ul style="list-style-type: none"> • Plan for Better report on page 30 • Task Force on Climate-related Financial Disclosures on page 104 • Engaging with our stakeholders on page 24 • Section 172 statement on page 64 • Corporate Responsibility and Sustainability Committee Report on page 71 • Updated Streamlined Energy and Carbon Reporting on page 121 <p> Further information, including the following disclosures and policies, can be found at https://corporate.sainsburys.co.uk/sustainability</p>
<h3>Climate-related Financial Disclosures</h3>	<p>We have embedded the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) within our Plan for Better to strengthen our climate resilience. Climate-related Financial Disclosures (CFD), in accordance with Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 are included within our TCFD report.</p>	<ul style="list-style-type: none"> • Task Force on Climate-related Financial Disclosures on page 104
<h3>Community</h3>	<p>We have a long history of building partnerships and delivering great impact in our communities, locally and internationally. Our business relies on strong, resilient communities and we're committed to supporting social cohesion, economic prosperity and inclusive growth. We have presence in thousands of communities across the UK and our Better for everyone pillar aims to help positively impact those in need through fundraising, volunteering, donations and raising awareness.</p> <p>Alongside our community investment, we make positive economic contributions through our responsible approach to tax. We contributed approximately £2.5 billion in cash taxes borne and collected this year.</p>	<ul style="list-style-type: none"> • Chair's letter on page 4 • Plan for Better report on page 30 • Engaging with our stakeholders on page 24 • Section 172 statement on page 64 • Corporate Responsibility and Sustainability Committee report on page 71 • Groceries Supply Code of Practice • Policy on Whistleblowing <p> Further information can be found at https://corporate.sainsburys.co.uk/Addressing-food-poverty</p>

Non-financial and sustainability information statement continued

Our commitment	Our approach	Where to find more information and outcomes
<h3>Human rights</h3>	<p>At Sainsbury's, we fully recognise our responsibility as a company to respect and protect human rights throughout all our operations. We have a long history of setting high standards and working collaboratively with our suppliers to ensure they are met, and we work hard to embed respect for human rights and ethical practices throughout our business.</p> <p>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 key human rights risks and set ambitious commitments to drive forward progress in these priority areas: forced labour, sustainable livelihoods, safe and healthy working environments, discrimination and grievance mechanisms. Through our due diligence processes, we seek to identify, prevent and, where needed, mitigate and remediate adverse human rights risks that are linked to our operations, products or services.</p>	<ul style="list-style-type: none"> • Chair's letter on page 4 • Plan for Better report on page 30 • Engaging with our stakeholders on page 24 • Section 172 statement on page 64 • Corporate Responsibility and Sustainability Committee report on page 71 • Modern Slavery Statement • Policy on Ethical Sourcing • Policy on Human Rights • Policy on Whistleblowing • Policy on Home Work • Policy on Prison Labour <p>Further information can be found at https://corporate.sainsburys.co.uk/Championing-human-rights</p>
<h3>Anti-bribery and corruption</h3>	<p>Our values form the framework which guides the behaviours of all colleagues and suppliers across the business. We expect all our colleagues, contractors and suppliers to act with honesty and integrity and never to engage in any activity which could be considered as accepting or giving a bribe.</p> <p>Our Policy on Anti-Bribery and Corruption provides guidance and expectations on our colleagues' responsibilities and behaviour, and our expectations to prevent bribery and fraud. We have a Disciplinary and Appeals Policy to help encourage everyone to maintain our rules and standards of conduct, attendance, capability and performance.</p> <p>Our Policy on Whistleblowing covers how to report wrongdoing when honesty and integrity are compromised.</p>	<ul style="list-style-type: none"> • Audit Committee report on page 73 • Compliance with the Grocery Supply Code of Practice on page 120 • Policy on Anti-Bribery and Corruption • Policy on Whistleblowing
<h3>Other information</h3>	<p>Other information to support this statement can be found on the following pages:</p>	<ul style="list-style-type: none"> • Business model on page 6 • Strategy overview on page 12 • Operational KPIs on page 18 • Principal risks and uncertainties on page 40 • Statement of viability on page 48 • Governance framework on page 59 • Audit Committee report on page 73

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



Bláthnaid Bergin
Chief Financial Officer
22 April 2026

Governance Report

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Introduction to the governance report

A thriving Sainsbury's is good for the UK

“

Two years into our Next Level Sainsbury's strategy, we are proud of how we have delivered for our customers, colleagues, suppliers and shareholders. With continued outperformance in our food business, more customers are shopping more of our offer, more frequently and in more locations.

Martin Scicluna
Chair



Dear Shareholder

Purpose, culture and strategy

Over the year, the Board has continued to oversee the disciplined execution of the Next Level Sainsbury's strategy. In doing so, we have remained focused on the areas that matter most to the long-term success of our business, including our customer proposition, engagement with our colleagues, operational resilience and financial discipline. Significant strides have been made to develop a distinctive and high impact sustainability agenda, which underpins our strategy. This has delivered meaningful outcomes across carbon reduction, responsible sourcing and health and nutrition.

The Board is clear that consistent performance at Sainsbury's is supported by clear accountability, effective controls and a strong culture. We monitor culture and behaviours across Sainsbury's through our colleague engagement surveys, structured listening forums and direct engagement with our colleagues. The Board discusses culture regularly and considers these insights when making decisions and providing oversight of management.

Corporate governance and risk oversight

Effective governance underpins the delivery of our strategy and our long-term performance. The Board's role is to provide clear oversight, maintain high standards of governance and ensure that the Group remains resilient, well managed and focused on delivering sustainable value.

During the year, we continued to review and update our governance framework to ensure it aligns with the principles of the UK Corporate Governance Code 2024. The updated framework has now been implemented and reinforces our commitment to maintaining high standards of governance and oversight across Sainsbury's.

The Board, supported by the Audit Committee, maintains close oversight of our risk management framework and material controls. The Board received updates from the Audit Committee Chair which included insight into cyber risks and the mitigation

measures the Group has implemented in response to an evolving threat landscape. Further detail is provided in the Audit Committee report and principal risks and uncertainties section of this Annual Report.

Board effectiveness

As Chair, I am responsible for ensuring that the Board remains effective, well balanced and appropriately skilled. I am pleased to report that an externally facilitated review of the Board and its Committees confirmed that we have a high calibre and effective Board, operating in line with first-class corporate governance. The findings from this review are informing our ongoing focus on strategy, Board performance and succession planning.

Remuneration Policy

As part of our normal three-year cycle, the Directors' Remuneration Policy is being put to shareholders for approval at this year's Annual General Meeting. The Board and the Remuneration Committee have reviewed the policy to ensure it continues to support the delivery of Sainsbury's strategy, aligns executive reward with long-term performance and the experience of our colleagues, and reflects the views of shareholders and wider stakeholders. Further detail on the policy and the Committee's approach is set out in the remuneration section of this report.

Year ahead

As we go into 2026/27, the Board remains focused on effective oversight of strategy delivery, risk and resilience at Sainsbury's, while continuing to engage constructively with shareholders and other stakeholders.

I would like to thank my fellow Board members for their commitment and contribution during the year, including those who have stepped down and those who have joined the Board.

Martin Scicluna
Chair

Governance at a glance

Our governance helps the Board make clear decisions, challenge effectively and keep a close link between our purpose, culture and strategy. During the year, the Board focused on keeping our customer offer strong while managing inflationary pressures and making disciplined choices on capital allocation and returns to shareholders, whilst continuing to deliver for our colleagues and suppliers.

Our year

Key Board decisions

- Approved capital allocation decisions to return over £800 million net proceeds to shareholders through a progressive dividend, a £250 million share buyback and a special dividend from the exit of banking operations
- Approved an above inflation investment in colleague hourly pay
- Renewed the £5 billion Euro Medium Term Note (EMTN) Programme which provides a platform for accessing the public bond markets
- Explored the potential sale of Argos to JD.com and made the decision to end the negotiation, in the interest of our shareholders, colleagues and broader stakeholders
- Approved accelerated investment in Nectar360 as part of the Loyalty Everyone Loves strategic pillar
- Approved roll out of Your Nectar Prices across all shopping channels

UK Corporate Governance Code 2024

The Board considers that the Company has applied the principles and complied with the provisions of the UK Corporate Governance Code 2024 during the year.

Further information on how the Board has applied the principles of the Code, and how the provisions have been complied with, is set out in the Governance Report.

Where to find more:

- 👁 **Board leadership and purpose** on page 61
- 👁 **Board composition and succession** on pages 55 to 59 and 67 to 68
- 👁 **Audit, risk and internal control** on pages 40 to 47 and 73 to 80
- 👁 **Remuneration** on pages 81 to 103

Highlights

24.8p

per share paid to shareholders in 2025/26 including 11.0p as a special dividend

👁 **Read more** on page 37

over £800m

returned to shareholders

👁 **Read more** on page 4

£5bn

EMTN programme renewed

👁 **Read more** on page 54

2

Non-Executive Directors onboarded

👁 **Read more** on page 68



Governance at a glance continued

Our Board

What we bring to the Board

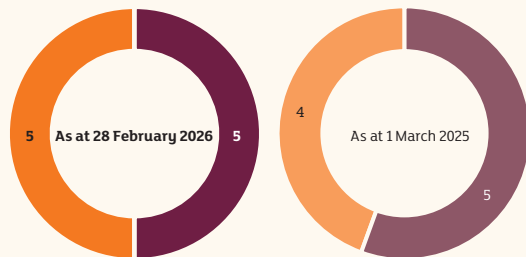
The Board benefits from a wide range of backgrounds and strengths. The charts on this page provide an overview of the Board members' specific skills, experience and diversity.

Read more on pages 56 to 57

Board composition

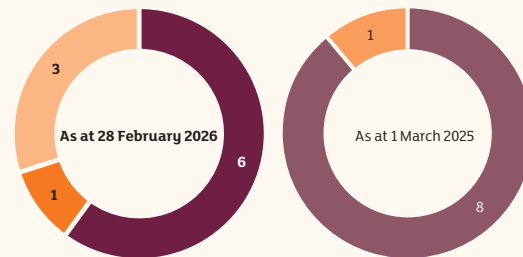
Board gender diversity

● Men ● Women



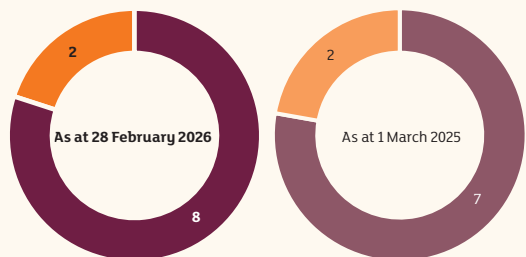
Board ethnic diversity

● White ● Ethnically diverse ● Not specified/ prefer not to say



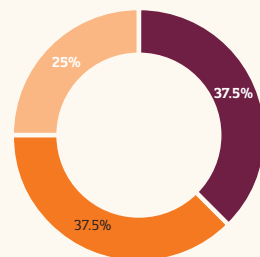
Board balance

● Non-Executive Directors ● Executive Directors



Board tenure (Non-Executive Directors and Chair)

● 0-3 years ● 4-6 years ● 7-9 years



Board and Committee attendance (scheduled meetings)

The Board and Committees were well attended throughout the year.

	Board	Audit	CR&S	Norm & Gov	Remuneration
Martin Scicluna ^{a)}	9/9	–	3/3	1/1	–
Bláthnaid Bergin	9/9	–	–	–	–
Jo Bertram	9/9	–	3/3	2/2	–
Katie Bickerstaffe ^{b)}	4/5 ^{b)}	–	1/1 ^{b)}	–	–
Steve Hare ^{c)}	5/5	2/2 ^{d)}	–	–	–
Brian Cassin ^{d)}	4/4	2/2 ^{d)}	–	1/1	–
Jo Harlow	9/9	–	3/3	2/2	2/2
Adrian Hennah	9/9	4/4	–	2/2	2/2
Tanuj Kapilashrami ^{e)}	8/9	–	–	1/2	2/2
Simon Roberts	9/9	–	3/3	–	–
Keith Weed	9/9	4/4	3/3	2/2	–

Attendance disclosure: Attendance figures show the number of meetings attended during the financial year out of the total number of scheduled meetings that the Director was eligible to attend. Only formally scheduled meetings of the Board and its Committees are included. Strategy days, Board calls and meetings outside the reporting period are excluded.

- a) Martin recused himself from the January 2026 Nomination and Governance Committee meeting.
- b) Katie Bickerstaffe joined the Board in July 2025. Katie was unable to attend the December Board meeting due to prior business commitments.
- c) Steve Hare joined the Board in July 2025.
- d) Brian Cassin resigned from the Board in July 2025.
- e) Tanuj Kapilashrami was unable to attend the December Board meeting due to prior business commitments.

Board skills matrix as at 22 April 2026

During the year, the Board continued to strengthen its capability in digital and data, supported by targeted training and external briefings.

Skills	Number of Directors with this as a skill	As a top 5 skill	As a skill
Corporate transactions	7	3	4
Sustainability	8	3	5
Ecommerce/technology	8	3	5
Operations/general retailing experience	6	2	4
Risk management/internal audit	9	6	3
Remuneration	7	4	3
Finance/accounting/audit	7	4	3
Financial Services	4	4	0
Consumer/customer services	7	5	2
HR/people	9	7	2
Current or recent CEO experience	5	3	2
Brand/marketing	7	1	6
Digital/online	6	2	4
Strategy development/implementation	10	9	1
AI/cyber security	5	1	4

Board of Directors



Martin Scicluna

Chair



Date appointed:

November 2018 (Chair from March 2019)

Key competencies: 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. 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.

External appointments: None.

Previous roles:

- Chairman, RSA Insurance Group plc
- Chairman, Great Portland Estates plc
- Senior Independent Director and Chair of the Audit Committee, Worldpay Inc.
- Non-Executive Director and Chair of the Audit Committee, Lloyds Banking Group plc,
- Chairman, Deloitte LLP
- Partner, Deloitte LLP

Tenure: 7–9 years



Simon Roberts

Chief Executive



Date appointed:

June 2020

Key competencies: Simon has over 35 years' retail sector experience, having started his career on the shop floor. Since joining Sainsbury's in 2017 as Retail & Operations Director, Simon has championed a people-first, purpose-driven approach, placing colleagues, customers, and communities at the heart of the business. A passionate advocate for UK farmers and suppliers, Simon is focused on creating long term partnerships with the people who make our food. Under Simon's leadership, Sainsbury's has also doubled down on its commitment to tackling food poverty through impactful partnerships with charities including Comic Relief and Fareshare.

External appointments:

- President of IGD
- Member of the Government's Food Strategy Advisory Board
- Advisory Board Member of Diversity in Retail
- Member of the Government's Retail Sector Council

Previous roles:

- Executive Vice President, Walgreens Boots Alliance
- President, Boots UK and Ireland
- Chair, Institute of Customer Service

Tenure: 4–6 years



Bláthnaid Bergin

Chief Financial Officer

Date appointed:

March 2023

Key competencies: Bláthnaid brings strong financial leadership and international experience to the Board. She supports the development and execution of the Group's strategy through disciplined capital allocation, robust financial control and effective risk management. Her background in complex, global organisations and her audit committee experience enhance the Board's oversight of financial performance, reporting and investor engagement. Bláthnaid's background includes significant experience in financial services, audit and internal control, supporting disciplined risk management and high quality financial reporting in complex organisations.

External appointments: Non-Executive Director of Haleon plc.

Previous roles:

- Senior finance leadership roles, Aviva and RSA
- Senior finance roles, GE (working across Europe, Asia and Australia)
- Non-Executive Director, Chair of the Audit Committee and Senior Independent Director for Artemis Alpha Investment Trust

Tenure: 1–3 years



Jo Bertram

Non-Executive Director



Date appointed:

July 2022

Key competencies: Jo is a highly talented strategic business leader with significant experience leading transformation and change. 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.

External appointments:

- CEO, O2 Daisy
- Director of O2 Daisy subsidiary companies

Previous roles:

- Managing Director, Business & Wholesale, Virgin Media O2
- Senior leadership roles, O2
- Regional General Manager, Northern Europe, Uber
- Various roles at McKinsey & Company and Accenture

Tenure: 1-3 years



Katie Bickerstaffe

Non-Executive Director



Date appointed:

3 July 2025

Key competencies: Katie is a highly regarded retail and consumer business leader, bringing strong perspectives on digital business models and transformation programmes. Katie's strong perspectives on digital transformation will greatly contribute to our strategic direction.

External appointments:

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

Previous roles:

- Co-CEO of Marks and Spencer Group plc
- Executive Chair and CEO Designate at SSE
- CEO, UK & Ireland at Dixons Carphone
- Various senior roles at Somerfield Stores group, Dyson, PepsiCo and Unilever

Tenure: Less than one year

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

More information about the skills, experience and competencies of our Board and Operating Board can be found at <https://corporate.sainsburys.co.uk/>

Tenures are as at 28 February 2026

Board of Directors continued



Steve Hare

Non-Executive Director

A N

Date appointed:
3 July 2025

Key competencies: Steve is a very experienced leader of digital and tech businesses. Steve built over 10 years' experience leading the finance function for three listed UK companies, 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. Steve's expertise in leading tech businesses will greatly contribute to our strategic direction.

External appointments: CEO of Sage Group plc

Previous roles:

- Operating Partner and Co Head of the Portfolio Support Group, Apax Partners
- Chief Financial Officer, Invensys plc
- Group Finance Director, Spectris plc
- Chief Financial Officer, Marconi plc

Tenure: Less than one year



Jo Harlow

Non-Executive Director

C N R

Date appointed:
September 2017

Key competencies: Jo brings a wealth of experience in consumer-facing businesses and the telecoms and technology industries, both in the UK and internationally. Jo has broad experience from executive and nonexecutive roles. Jo was previously Chair of the Corporate Responsibility and Sustainability Committee and has helped the business deliver and evolve its sustainability strategy.

External appointments:

- Senior Independent Director and Chair of the Remuneration Committee of Halma plc
- Senior Independent Director and member of the Remuneration and Nominations Committees at Centrica plc
- Director of Chapter Zero

Previous roles:

- Non-Executive Director and Chair of the Remuneration Committee, InterContinental Hotels Group plc
- Corporate Vice President, Phones Business Unit, Microsoft Corporation
- Executive Vice President, Smart Devices, Nokia
- Senior management roles, Nokia
- Marketing, sales and management roles, Reebok International Limited and Procter & Gamble

Tenure: 7–9 years



Adrian Hennah

Senior Independent Director
(appointed 3 July 2025)

A N R

Date appointed:
April 2021

Key competencies: Adrian has significant financial and strategic expertise from leading the performance and strategy of many large companies. 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

External appointments:

- Non-Executive Director of Oxford Nanopore Technologies plc
- Non-Executive Director of Unilever plc
- Trustee of Our Future Health

Previous roles:

- Non-Executive Director and Chair of the Audit Committee, RELX plc,
- Chief Financial Officer, Reckitt Benckiser plc
- Chief Financial Officer, Smith & Nephew plc
- Chief Financial Officer, Invensys plc
- Finance and operations roles, GlaxoSmithKline
- Audit and consultancy roles, PwC and Stadtsparkasse Köln

Tenure: 4–6 years



Tanuj Kapilashrami

Non-Executive Director

N R

Date appointed:
July 2020

Key competencies: Tanuj is an international banker with significant experience in strategy, transformation, talent and change management, both in the UK and globally. Tanuj is a valuable member of the Board as the business continues to adapt and support its colleagues in a rapidly changing marketplace

External appointments:

- Chief Strategy and Talent Officer of Standard Chartered Bank
- Member of Standard Chartered Foundation Board of Trustees
- Member of the Asia House Board of Trustees
- Director of Mindbeat Global Limited

Previous roles:

- Director, Financial Services Skills Commission Limited
- Chief Human Resources Officer, Standard Chartered
- Senior HR leadership roles across global and regional markets, HSBC
- Board member of Vault22
- Associate Non-Executive Director of the Board of NHS England

Tenure: 4–6 years



Keith Weed CBE

Non-Executive Director

A C N

Date appointed:
July 2020

Key competencies: 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 plays an important role in Sainsbury's plan to become First choice for food and delivering on our Plan for Better. He has an excellent understanding of both sustainability and digital, and the ways that technology is transforming businesses

External appointments:

- Non-Executive Director of WPP plc
- Independent Non-Executive Director of i-Genie
- Trustee Director of Business in the Community
- Trustee Director of the Leverhulme Trust
- President of the Royal Horticultural Society
- Trustee of Grange Park Opera

Previous roles:

- Chief Marketing and Communications Officer, Unilever plc
- Senior leadership roles across multiple businesses, Unilever plc
- Leadership of the global sustainability programme, Unilever plc

Tenure: 4–6 years



Nick Grant

General Counsel and
Company Secretary

Date appointed:
July 2020

Key competencies: 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. Prior to this appointment Nick was 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.

Changes in the year

Brian Cassin

Brian retired from the Board at the 2025 AGM

A N until July 2025

Date appointed:

April 2016 (Senior Independent Director from July 2022 to July 2025)

Key competencies: Brian contributed significant experience of running a FTSE 100 company, alongside deep expertise in data, analytics and regulated markets. He provided strong independent challenge and counsel during his nine-year tenure.

Board roles and responsibilities

The Board comprises the Chair, two Executive Directors and seven independent Non-Executive Directors, supported by the Company Secretary. The respective roles of the Chair and the Chief Executive are set out in writing and agreed by the Board. Our Board and Committee meetings were held in person and remotely during the year, enabling agile and effective decision-making. Between meetings, the Chair also held regular calls 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. In addition to scheduled meetings, during the year, the Chair and Non-Executive Directors met without the Executive Directors present, and the Senior Independent Director met with the Non-Executive Directors without the Chair or Executive Directors present. Further details of the specific skills and experience of the Board are set out on pages 55 to 57. The Board is supported by the Company Secretary.

Chair	Chief Executive	Chief Financial Officer	Senior Independent Director	Independent Non-Executive Directors	Company Secretary
<p>Martin Scicluna</p> <p>As Chair, Martin is responsible for leading the Board and ensuring its overall effectiveness. This includes promoting high standards of corporate governance, encouraging open and constructive debate and ensuring that the views of shareholders and other key stakeholders are understood by the Board.</p> <p>The Chair also oversees the annual evaluation of the performance of the Board, its Committees and individual Directors and ensures that the outcomes are acted upon.</p>	<p>Simon Roberts</p> <p>As Chief Executive, Simon is responsible for the day-to-day management of the business and for leading the delivery of the strategy approved by the Board. This includes proposing strategy and business plans, leading and motivating senior management and ensuring the effective implementation of Board decisions.</p> <p>As Chief Executive, Simon is also responsible for maintaining the effectiveness of the Group's risk management and internal control framework.</p>	<p>Bláthnaid Bergin</p> <p>As Chief Financial Officer, Bláthnaid supports Simon in developing and delivering the Group's strategy and is responsible for the Group's financial management and performance.</p> <p>This includes oversight of financial policies and practices, risk management and key financial functions, including Pensions, Tax, Treasury and Internal Controls.</p>	<p>Adrian Hennah (appointed 3 July 2025) Brian Cassin (retired 3 July 2025)</p> <p>As Senior Independent Director, Adrian acts as a sounding board for Martin and is available to engage with shareholders where required. The Senior Independent Director also leads the annual appraisal of the Chair.</p>	<p>Jo Bertram Jo Harlow Adrian Hennah Tanuj Kapilashrami Keith Weed CBE Katie Bickerstaffe (appointed 3 July 2025), Steve Hare (appointed 3 July 2025)</p> <p>The independent Non-Executive Directors bring external perspective, independence and constructive challenge to Board discussions. They support the Executive Directors while holding them to account and monitor delivery of the agreed strategy within the risk framework set by the Board.</p>	<p>Nick Grant</p> <p>As Company Secretary, Nick advises the Board and the Chair on governance matters and supports the effective operation of the Board. This includes ensuring that Board procedures are followed, the governance framework remains effective and Directors receive accurate, timely and clear information.</p>

Governance framework

Our governance framework supports the Board in promoting the long-term success of J Sainsbury plc

It is designed to ensure clear accountability, effective decision-making and strong oversight, while enabling the business to deliver its strategy in line with our purpose, culture and values. The framework reflects the principles of the UK Corporate Governance Code 2024 and supports the Board in meeting its governance responsibilities.

Through this framework, the Board seeks to balance effective oversight with appropriate delegation. This enables the Board to focus on the most important issues facing the Group, while allowing management to operate with clarity and accountability. The framework underpins the governance disclosures in this Annual Report and is kept under review to ensure it continues to reflect best practice and the evolving needs of the business.

Board of Directors

The Board is responsible for the overall leadership of the Group. It sets strategy, oversees performance and risk, and ensures that the interests of shareholders and wider stakeholders are taken into account in decision-making. The Board and its Committees operate to a forward programme of meetings, ensuring sufficient time is allocated to key matters and that Board time is used effectively. Agendas remain flexible so that emerging issues can be considered at the appropriate time.

The Board is accountable for risk management, strategy and target setting of our principal environmental risk, 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 has adopted a formal schedule of matters reserved for its attention. It is reviewed annually to ensure it remains appropriate and effective. This can be viewed on our corporate website: <https://corporate.sainsburys.co.uk/investors/corporate-governance>.

Board Committees

The Board is supported by a number of committees, each with clearly defined roles and responsibilities. The Board has delegated specific responsibilities to its Committees, each of which operates under agreed Terms of Reference. The Committee Chairs provide regular updates to the Board on Committee meetings and activities. Whilst the committees have authority to consider specific matters in detail, responsibility for decisions remains with the Board as a whole.

Audit Chair: Adrian Hennah	Corporate Responsibility and Sustainability Chair: Keith Weed	Nomination and Governance Chair: Martin Scicluna	Remuneration Chair: Jo Harlow
Supports the Board in overseeing the integrity of the Group's financial reporting and metrics, including climate-related metrics, the effectiveness of internal controls and risk management, and the relationship with the external auditor.	Supports the Board in overseeing the Group's sustainability strategy, monitoring progress and performance against our targets and ambitions, as well as the business's engagement with stakeholders on sustainability and corporate responsibility matters.	Supports the Board on matters relating to Board composition, succession planning, evaluation and broader governance arrangements, helping to ensure the Board has the right balance of skills, experience and independence.	Supports the Board in setting remuneration policy and determining remuneration outcomes for Executive Directors and senior management, including sustainability targets. The remuneration policy is aligned with strategy, performance and long-term shareholder value.

The Board is kept informed of the work of its Committees through reports from Committee Chairs following each meeting. Non-Committee members may attend Committee meetings where this supports Board oversight and decision-making. Where a Director is unable to attend a Board meeting, the Chair engages with the Director in advance to ensure their views are considered and provides an update on the outcomes.

 Further information on attendance is set out on page 55

 The principal role and responsibilities of each of the Committees and their respective terms of reference, which are reviewed annually, can be found on our corporate website at: <https://corporate.sainsburys.co.uk/investors/corporate-governance/>

Governance framework continued

Operating Board

The Operating Board is responsible for the day-to-day management of the Group and for implementing the strategy approved by the Board. This includes oversight of the sustainability strategy, adapting to new regulatory requirements and trends and approving major investments, including capital allocation. Matters not reserved to the Board are delegated in accordance with the governance framework.

Simon Roberts

Chief Executive

Bláthnaid Bergin

Chief Financial Officer

Rhian Bartlett

Chief Commercial and Sustainability Officer

Graham Biggart

Managing Director Argos and Chief Strategy Officer

Tracey Clements

Chief Retail, Logistics and Supply Chain Officer

Patrick Dunne

Chief Property and Procurement Officer,
and MD Smart Charge

Mark Given

Chief Technology, Marketing and Data Officer



More details about our Operating Board members can be found at: <https://corporate.sainsburys.co.uk>

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	Group Data Governance Committee	Group Safety Committee	Plan for Better Acceleration Squad	Customer, Commercial and Channels Forum
<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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 Chief Information Security Officer and Director of Data Governance, to the Operating Board, Audit Committee and Board 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Leads operational execution of our Plan for Better strategy Oversees Plan for Better activities in relation to this strategy to ensure delivery Reviews climate-related risks and mitigations Provides assurance to the Operating Board and Board Committees, with cross-divisional representation at the senior leadership level 	<ul style="list-style-type: none"> 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

Operating Board changes

In September, Tracey Clements joined the Operating Board as Chief Retail, Logistics and Supply Chain Officer, Sainsbury's a role that brought together, under one leader, Sainsbury's Retail, Digital, Customer Experience, Supply Chain and Logistics.

In addition, Mark Given became Chief Technology, Marketing and Data Officer to bring our Technology, data and insights and Nectar 360 Loyalty business together, and Rhian Bartlett become Chief Commercial and Sustainability Officer to fully integrate commercial and sustainability outcomes.

To ensure Sainsbury's and Argos have the focus they need to succeed, in May 2026, Graham Biggart's role will change from Managing Director Argos and Chief Strategy Officer to being fully focused on leading Argos as Managing Director, with a dedicated leadership team.

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.

Board activities

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.

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

 **The timeline of Board activities during the year can be found on page 63**

Board priorities during the year

During the year, the Board focused its time and attention on a number of key priorities which it considered critical to the long-term success of the Group. In particular, the Board prioritised:

- Delivering the second year of the Next Level Sainsbury's strategy, including agreeing the key choices, investments and organisational changes required to support execution
- Strengthening the resilience of the Group, with a particular focus on capital allocation, balance sheet strength and financial flexibility


- Supporting colleagues through a continued focus on pay, safety, leadership capability and succession
- Ensuring that sustainability considerations, including Plan for Better, were embedded within core strategic and commercial decision-making rather than treated as standalone activity
- Oversight of risk management, including key risk areas such as cyber security and data governance

These priorities shaped the Board's agenda, discussions and decisions throughout the year.

How the Board makes decisions

The Board's role is to provide clear leadership, challenge and oversight, and to make decisions that support the long-term success of the Group. During the year, the Board considered a number of complex matters where there were multiple potential courses of action and differing stakeholder impacts.

In reaching its decisions, the Board sought to understand the relevant insight and evidence, tested assumptions and options presented to them, and considered the implications for customers, colleagues, suppliers, communities and shareholders. Where appropriate, the Board requested further analysis or alternative proposals before reaching a decision.

 **Further detail on how stakeholder views informed the Board's discussions is set out in the s.172 statement on pages 64 to 65**

“
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



Matters considered by the Board

1. Strategy Outcome

- Considered progress against the strategic plan and the impact of inflationary pressures, increased costs and interest rate changes 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
- Considered and approved the key strategic choices, investments and organisational changes proposed to support delivery of the Next Level Sainsbury's strategy
- Considered external market developments and their impact on customer needs and behaviours
- Assessed how the Next Level Sainsbury's strategy was delivering for shareholders and wider stakeholders
- Considered key investment choices including people, technology and value
- 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
- Oversaw the phased withdrawal from core banking and changes to the Group's financial services offering
- Used learnings from external cyber incidents to support the continued strengthening of the Group's cyber security and resilience

Benefits and consideration

- These matters enabled the Board to confirm that the Group's strategic direction remained appropriate and supported long-term sustainable value creation
- Staying connected to our shareholders has enabled the Board to make deliberate decisions on value investment, colleague pay and ensuring the longevity of our supply chain

 **Further information on the Group's strategy can be found on page 12**

Strategy update

Next Level Sainsbury's

The Board structured its agenda to support effective oversight of strategy execution across the year. Dedicated strategy discussions were held in June, supported by regular progress updates throughout the year. These sessions focused on the key choices required to deliver the Next Level Sainsbury's strategy, including where to invest, where to simplify and how to strengthen execution pace. This approach enabled the Board to maintain a balanced focus across strategic planning, execution and oversight, while retaining flexibility to respond to emerging issues

Focus areas

The Board discussed the short and long-term goals and the choices that the business would need to make to achieve them, including:

- 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 the final year of the strategy
- Restructuring key teams 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
- Future strategic options will be presented at the strategy review day in June

Board leadership and Company purpose continued


2. Chief Executive report and financial updates

Outcome

- The Board considered operational and financial performance updates from the Chief Executive and Chief Financial Officer at each meeting
- Periodic updates on sales, underlying retail operating profit, retail free cash flow, working capital, stakeholders and progress against KPIs
- Considered the Group's financial position, including liquidity, going concern and viability
- Monitored progress against the long-term plan and budget
- Discussed balance sheet strength and leverage targets
- Considered funding and liquidity arrangements
- Approved the capital allocation framework, including the approach to shareholder returns
- Monitored progress against the plan to exit core banking services and streamline the Financial Services proposition
- Considered the management of Group financing activities, including debt refinancing and pension plans
- Continued its Euro Medium Term Note Programme

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

 Further information can be found on pages 4 and 34

3. Risk Outcome

- Considered the effectiveness of the Group's risk management and internal control framework
- 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
- Received updates from the Audit Committee Chair on the maturity of the Group's cyber security capabilities, including the outcome of cyber testing and assurance activity during the year, including learnings from these activities and external cyber incidents

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


 Further information on the Group's internal control and risk management framework can be found on pages 73 to 80

4. Culture, diversity and inclusion Outcome

- Considered and approved further investment in retail colleague pay, taking account of affordability and retention
- Approved changes to the workforce strategy to strengthen leadership capability and support the desired culture
- Maintained focus on culture and development as a critical enabler of our longer-term success
- Considered succession planning for pivotal roles, including Board and Operating Board appointments
- Approved leadership capability initiatives 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 and inclusive 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

- Our vision is to be the most trusted retailer, where people love to work and shop. Assessment and monitoring of the Group's culture is a key factor which supports effective decision-making
- Supporting colleagues with leading pay and benefits is a key part of our strategy to drive outstanding service

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

Strategy update

Board oversight of culture

The Board recognises that culture is a critical enabler of long-term performance and sustainable growth. During the year, culture was a regular feature of Board discussions, both as a standalone topic and as part of wider strategic, operational and people-related decisions.

The Board considered a range of qualitative and quantitative insights to assess whether the desired culture was being embedded across the business. These included colleague engagement feedback, insights from the Make It Better Together panel, interactions with colleagues during site visits and updates on leadership capability, succession and reward.

The Board also considered how its decisions would reinforce the behaviours and ways of working needed to deliver the Group's strategy. In particular, discussions on colleague pay, leadership development and organisational structure reflected the Board's focus on accountability, inclusivity and continuous improvement.

The Board is mindful of the importance of leading by example. Ongoing engagement and feedback, including through the Board effectiveness review, reinforced the importance of clear expectations, open dialogue and constructive challenge in setting the tone from the top.


Board leadership and Company purpose continued

5. Plan for Better Outcome

- Reviewed our approach to Scope 1 and 2 decarbonisation and approach to measurement in Scope 3
- Reviewed our community partnership strategy to maximise impact
- Considered the future packaging strategy, including 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

 Further information on our **Plan for Better strategy** can be found on pages 30 to 33


6. 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 two of the Next Level Sainsbury's strategy
- Delivered enhanced shareholder returns through payment of a progressive dividend, a £250 million share buyback programme and a special dividend from the exit of banking operations

Benefits and consideration

- Ensures shareholder sentiment is understood and considered when making decisions

 Further information on the **Group's investment case** can be found on page 7

7. Safety and wellbeing Outcome

- Reviewed major safety incidents and the safety strategic plan, including updates on trends and the Group's safety culture
- Discussed food safety, including the impact of macro events on the global food supply chain
- Considered the impact of increasing retail crime and the adequacy of proposed actions to protect colleagues and customers
- Supported continued investment in physical, mental and financial wellbeing support, including access to wellbeing programmes and resources

Benefits and consideration

- The Board places significant importance on looking after the safety of colleagues, customers and anyone else impacted by our business
- Wellbeing support helps colleagues to perform at their best and in an environment where everyone can thrive

 Further information on **health, safety and wellbeing** can be found on pages 21 to 22

8. Governance matters Outcome

- Updates from the Chairs of the Committees to ensure alignment across the Board
- Review of regulatory and legislative reforms and implications for Sainsbury's
- Considered the findings of the Board effectiveness review and agreed actions to enhance performance and oversight
- Legal and governance updates, including material litigation and Modern Slavery
- Review and approval of statutory reporting and shareholder documentation
- Ensured compliance with the UK Corporate Governance Code 2024 and preparations for adoption of Provision 29

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

Board activities during the year


<p>March</p>	<p>Deep dive: Updates on people and technology strategy</p> <p>Discussions:</p> <ul style="list-style-type: none"> • Full-year trading performance, competitive environment and outlook for 2026 • Considered capital allocation priorities, including dividend policy and potential share buyback <p>Approvals:</p> <ul style="list-style-type: none"> • Updates to the Matters Reserved for the Board in line with the 2024 UK Corporate Governance Code • Change of the Company's registered office 	<p>September</p>	<p>Approval: Termination of discussions in relation to the sale of Argos</p> <p>Discussion: Next phase of share buyback and return of Bank proceeds to shareholders via a special dividend</p>
<p>April</p>	<p>Discussion: Working with our partners on sourcing resilience and value chain</p> <p>Announcement: Publication of 2024/25 full-year results and launch of share buyback programme</p>	<p>October</p>	<p>Discussion:</p> <ul style="list-style-type: none"> • Half-year trading performance and updated outlook • Interim and special dividends and share buyback programme • Update on core banking services exit and future financial services proposition <p>Announcement: Publication of the 2025/26 half-year results</p>
<p>June</p>	<p>Event: Held a strategy session reviewing year one of the Group's strategy, including market, customer and shareholder perspectives and reviewed strategic priorities for years two and three</p> <p>Deep dive: Review of cyber security, including external events and key learnings</p>	<p>December</p>	<p>Discussion:</p> <ul style="list-style-type: none"> • Reviewed plans for Christmas trading • 2026/27 budget
<p>July</p>	<p>Event: Annual General Meeting</p> <p>Approval: Modern Slavery Policy</p>	<p>January</p>	<p>Approval:</p> <ul style="list-style-type: none"> • Group's corporate plan and budget • Triennial pension valuation and sponsoring employer changes • Renewal of the EMTN programme and updates to the Treasury Policy <p>Announcement: Publication of the 2025/26 Christmas trading results</p>

Section 172 statement

How the Board engages with stakeholders

During the year ended 28 February 2026, our Board has acted in accordance with section 172 of the Companies Act 2006 with each Director acting in the way they considered, 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, our Directors had regard to the interests of other stakeholders, whilst maintaining high standards of business conduct. Examples of how our Directors applied these matters in their decision-making are included throughout this Annual Report.

Section 172 duties	Relevant disclosure and page number		
The likely consequences of Board decision-making in the long term	<ul style="list-style-type: none"> Business model on page 6 Chair's letter on page 4 Our purpose in action on page 10 Chief Executive's statement on page 8 Strategy overview on page 12 Delivering on our outcomes on page 13 	<ul style="list-style-type: none"> Plan for Better report on page 30 Our people and culture on page 20 Engaging with our stakeholders on page 24 Key performance indicators on page 18 Financial review on page 34 Principal risks and uncertainties on page 40 	<ul style="list-style-type: none"> Statement of viability on page 48 Introduction to the governance report on page 53 Governance framework on page 59 Board leadership and Company purpose on page 61 Annual report on remuneration on page 94
The interests of our colleagues	<ul style="list-style-type: none"> Business model on page 6 Chair's letter on page 4 Our purpose in action on page 10 Chief Executive's statement on page 8 	<ul style="list-style-type: none"> Plan for Better report on page 30 Our people and culture on page 20 Engaging with our stakeholders on page 24 Key performance indicators on page 18 	<ul style="list-style-type: none"> Introduction to the governance report on page 53 Governance framework on page 59 Board leadership and Company purpose on page 61 Annual report on remuneration on page 94
The need to foster our business relationships with suppliers, customers and others	<ul style="list-style-type: none"> Business model on page 6 Our purpose in action on page 10 Chief Executive's statement on page 8 Strategy overview on page 12 	<ul style="list-style-type: none"> Delivering on our outcomes on page 13 Engaging with our stakeholders on page 24 Key performance indicators on page 18 Introduction to the governance report on page 53 	<ul style="list-style-type: none"> Governance framework on page 59 Board leadership and Company purpose on page 61 Corporate Responsibility and Sustainability Committee report on page 71
The impact of our operations on the community and the environment	<ul style="list-style-type: none"> Our purpose in action on page 10 Chief Executive's statement on page 8 Strategy overview on page 12 Delivering on our outcomes on page 13 	<ul style="list-style-type: none"> Plan for Better report on page 30 Climate change and Task Force on Climate-related Financial Disclosures (TCFD) on page 104 Principal risks and uncertainties on page 40 Governance framework on page 59 	<ul style="list-style-type: none"> Board leadership and Company purpose on page 61 Nomination and Governance Committee report on page 67 Corporate Responsibility and Sustainability Committee report on page 71
The desirability of maintaining a reputation for high standards of business conduct	<ul style="list-style-type: none"> Strategy overview on page 12 Delivering on our outcomes on page 13 Engaging with our stakeholders on page 24 Key performance indicators on page 18 Principal risks and uncertainties on page 40 	<ul style="list-style-type: none"> Non-financial and sustainability information statement on page 50 Introduction to the governance report on page 53 Board leadership and Company purpose on page 61 Governance framework on page 59 	<ul style="list-style-type: none"> Nomination and Governance Committee report on page 67 Annual report on remuneration on page 94
The need to act fairly between shareholders	<ul style="list-style-type: none"> Engaging with our stakeholders on page 24 Introduction to the governance report on page 53 Board leadership and Company purpose on page 61 Audit Committee report on page 73 		

 More information on the Group's engagement with stakeholders can be found in Engaging with our stakeholders on pages 24 to 29

Board stakeholder engagement

How the Board engages with stakeholders

The Board receives regular updates on each of our stakeholder groups during the year, enabling a deep understanding of risks and opportunities aligned to the Group's strategy.

With colleagues:

Throughout the year, the Board engaged closely with colleagues through regular meetings with our workforce advisory panel, the National Make It Better Together group, providing direct insight into colleague experience across the business. These insights informed Board discussions on culture, leadership capability and colleague priorities.

Workforce panel feedback and sentiment tracking highlighted ongoing cost of living pressures and demand for frontline skills development. The Board approved a sector-leading pay increase and investment in wellbeing and capability programmes, supporting stronger colleague retention and continued delivery of high quality customer service.

With customers:

Board members spent time in stores during the year, engaging directly with customers and observing customer journeys. These visits provided first-hand insight into how customers shop, what matters most to them and how value, quality and availability are experienced in practice, informing Board discussions on strategic priorities.

Customer dashboards and Nectar insight highlighted sustained sensitivity to essential-item pricing and friction in checkout journeys. In response, the Board approved price investment to bring prices down for customers and prioritised digital improvements to support value, availability and ease of shopping, contributing to improved availability during peak trading and stronger customer loyalty, supporting volume growth and market share gains.

With suppliers:

During the year, members of the Board met with a number of suppliers, including a supplier dinner and site visits. This facilitated the Board's understanding of the challenges faced and support that can be provided.

Supplier surveys, including the GSCOP and Advantage Surveys, provided key insights and underlined the need to prioritise investment in logistics capability and to extend long-term agricultural and supplier partnerships. These actions strengthened supply chain resilience and supported progress on sustainability collaborations and security of supply. See Plan for Better report on page 30 for more details.

With shareholders:

Throughout the year, the Board engaged extensively with our shareholders to ensure their understanding of investor viewpoints and to discuss performance, strategy and industry dynamics. Members of the Board also engage with shareholders through formal reporting channels which ensure equal access to information, such as our results presentation webcasts, Analyst Q&A calls and our corporate website, as well as engaging with shareholders at our hybrid Annual General Meeting.

The Board's discussions on returns to shareholders took into consideration shareholder feedback alongside the Group's long-term investment needs. The Board approved the continuation of the share buyback programme and a special dividend. A decision was taken not to pursue a share consolidation on the basis that this would not be in the best interests of all of the Group's shareholders. The Board considered the interests of all shareholders when setting dividend and buyback parameters, including the timing and method of returning capital so that retail and institutional investors could participate equitably.

 More information on the Group's engagement with stakeholders can be found in [Engaging with our stakeholders](#) on pages 24 to 29

Decision in action

Colleague pay

The Board approved an above inflation pay increase for hourly paid retail colleagues for the year ahead, reflecting its continued focus on supporting colleagues and maintaining a competitive reward proposition. In reaching its decision, the Board considered colleague feedback, cost of living pressures, productivity, affordability and the long-term sustainability of the business.

Trends in the health space

The Board received updates on the trends and external factors shaping the health and nutrition space, prompted by shifting customer behaviour towards healthy options, particularly fibre and high protein diets. Insights from the discussions supported management in developing initiatives that help customers make healthier and more sustainable choices.

Supplier visit

In April 2025, the Board visited Pilgrim's, one of the Group's farming partners which has been supplying chicken to Sainsbury's for over 60 years. The visit explored how our suppliers are delivering on the sustainability agenda, as well as the challenges they face to achieve this.

Strategic review of Argos

During the year, the Board considered an external approach relating to a potential sale of Argos. In line with its responsibilities, the Board assessed the strategic rationale for the proposal, the long-term implications for the Group and the potential stakeholder impact.

Following further engagement and a material change in the terms proposed, the Board concluded that the proposal was not in the best interests of the Group's shareholders, colleagues and broader stakeholders. Accordingly, the Board terminated the discussions.

This decision reflected the Board's disciplined approach to capital allocation and its commitment to protecting the strength, heritage and future potential of the Argos brand.

Board effectiveness review

The Board monitors its performance and effectiveness through an annual evaluation of the Board as a whole, its Committees and individual Directors.

The Chair and Board work throughout the year to strengthen and enhance the performance of the Board, ensuring that the Board’s skills and capabilities are aligned to the Group’s strategy.

In 2025/26, the Board undertook an externally facilitated Board effectiveness review. The review took a forward-looking perspective, focusing on how the Board needs to continue evolving to support the Group’s strategic priorities, both in the final year of the Next Level Sainsbury’s strategy and over the coming years. These effectiveness reviews operate on a three-year cycle as shown below. An externally facilitated Board effectiveness review provides the Board with an independent assessment of the performance of the Board.

In 2025/26 the Board engaged Elaine Sullivan and Andrew Lowenthal of Manchester Square Partners to carry out the review. Neither Manchester Square Partners nor the individual facilitators has any other material connection with the Company or its Directors and the Board was satisfied as to their independence. Individual contributions were treated as confidential and non-attributable. During 2026/27, an internal effectiveness review will be undertaken.



Progress made against 2024/25 actions

Actions identified through the 2024/25 internal review were embedded into the Board and Committee forward agendas and monitored during the year to ensure they translated into practical changes in how the Board operates.

2024/25 focus area	Action taken during the year
Customer voice	Board visibility of customer insight was broadened by introducing regular updates on customer sentiment and feedback into our meetings.
Colleague engagement	Members of the Board provide mentorship to senior leaders and rising talent within the business. In addition, senior management at the layer below the Operating Board regularly present agenda items to the Board.
Skills and experience	Katie Bickerstaffe and Steve Hare joined the Board in 2025, strengthening both retail and technology expertise on the Board.
Succession planning	To increase the Board’s focus on succession planning and talent development of senior management, the number of Nomination and Governance Committee meetings was increased to four per year. Talent and succession planning was added as a standing agenda item for the Committee.

2025/26 Effectiveness review

An overview of the external effectiveness review is set out below:



Focus of the review

- Strategy development and strategic priorities
- Operational challenges, perceived risks and risk management
- Finance and key performance indicators
- Relationship with stakeholders
- Talent management and succession planning
- Purpose, values and culture
- Board role and dynamics
- Board composition, succession and engagement

Findings of the review

The review concluded that the Board is a strong, high calibre and effective Board, with strong and effective leadership by the Chair. It noted that there were high levels of engagement, trust and collaboration between Executive and Non-Executive Directors, enabling robust challenge and effective decision-making. The Board’s culture was positive and aligned with the Group’s values, characterised by openness, respect and a shared commitment to long-term success. The Directors were found to have a well-balanced mix of skills and experience around the Board table, with recent appointments further strengthening retail and technology capability. Overall, the review confirmed that the Board is well placed to support delivery of the final year of the Group’s Next Level Sainsbury’s strategy, while identifying clear areas of focus to ensure it continues to evolve and remain effective over the longer term.

Actions for 2026/27:

- Ensure sufficient time in the Board agenda for forward-looking, exploratory discussion as the Board supports development of the next phase of the Group’s strategy
- Maintain focus on people, talent and succession planning to ensure future leadership capability remains aligned with the Group’s evolving needs
- Continue to refine Board agendas and ways of working to balance early engagement on emerging topics with effective challenge once proposals are sufficiently developed
- Strengthen the prominence of customer insight and customer experience in Board discussions
- Continue to ensure that risk management and risk appetite are explicitly considered in prioritisation and decision-making

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 2025/26, which sets out the Committee's work during the year and how we have supported the Board in maintaining the right balance of skills, experience and governance oversight.

Board composition, succession and talent

Board composition and succession planning remained a key focus for the Committee this year, with the Group entering the final year of the Next Level Sainsbury's strategy and starting to plan for our next phase of growth. In July 2025, Katie Bickerstaffe and Steve Hare joined the Board as Non-Executive Directors following a rigorous and transparent appointment process and the Committee oversaw their onboarding and tailored induction to support their early and effective contribution. Further detail on their induction programmes is set out later in this report.

I am pleased to announce that Katie and Steve joined the Nomination and Governance Committee this year. Their experience and perspectives have been welcomed and have supported the Committee's discussions.

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.

Board effectiveness review

The Committee also oversaw an externally facilitated Board and Committee effectiveness review during the year and I am pleased to confirm that the review found that the Board and all of its Committees were operating effectively. The process and outcomes of the review are discussed in more detail later in this report and on page 66.

Looking ahead

We will continue to focus on succession planning and Board composition, ensuring effective decision-making and the right set of skills and capabilities as we move into the next phase of our strategy.

Martin Scicluna

Chair, Nomination and Governance Committee

Priorities for next year

- Implementation of actions arising from the externally facilitated Board effectiveness review
- Continued oversight of the business's diversity, equity and inclusion strategy
- Review of talent and succession planning for the Board and senior management
- Ensuring continued compliance with the UK Corporate Governance Code 2024

Committee governance

The Committee consists of the Chair of the Board and the seven independent Non-Executive Directors. The Chair of the Board is also the Chair of the Committee, and the Company Secretary or his 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 a number of ad hoc meetings for the Committee to discuss succession planning. Attendance at the scheduled Nomination and Governance Committee meetings can be found on page 55.

Key activities in 2025/26

In addition to the matters referred to above, the Nomination and Governance Committee has carried out all activities in accordance with its Terms of Reference, including the following activities:

Committee activity	Outcome
Reviewed talent and succession planning for the Operating Board and senior management	Provided the Board with assurance that appropriate succession plans are in place to support leadership continuity.
Reviewed and approved the Directors' register of interests	Ensured appropriate processes are in place for the identification, disclosure and management of actual and potential conflicts of interest.
Reviewed the Company's governance framework	Confirmed continued alignment with the UK Corporate Governance Code 2024 and relevant best practice.
Considered the performance and independence of Directors and recommended annual election and re-election at the AGM	Supported Board accountability to shareholders and compliance with applicable legal and regulatory requirements.
Reviewed and approved the Board Diversity Policy	The Committee confirmed that the Board Diversity Policy remains appropriate and that progress against the Board's diversity objectives will continue to be monitored on a regular basis.

Nomination and Governance Committee report continued

Succession planning

Talent development

The Committee oversees the development of a strong and diverse pipeline for senior leadership roles across the short, medium and longer term. Throughout the year, we reviewed succession plans at executive and senior management level, monitored the progress of future leaders and assessed the depth of talent across the Group to ensure we continue to build a resilient and diverse management pipeline.

Members of the Board provide mentorship to senior leaders and rising talent within the business and we continue to invest in leadership development programmes.

Appointments to the Board

The Committee follows a formal, rigorous and transparent process for Board appointments, informed by the Board skills matrix, succession planning priorities and the need to maintain an appropriate balance of skills, experience, independence and diversity. Egon Zehnder was engaged by the Committee as the external executive search consultant. It 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.

Induction

Induction programmes for new Directors during the year were tailored to reflect their experience and backgrounds, combining briefings with senior leaders, governance and risk deep dives and operational site visits to support early and effective contribution.

New Director inductions

The Committee recognises the importance of supporting new Non-Executive Directors as they join the Board and begin contributing to the delivery of our strategy. During the year, the Committee

oversaw the tailored induction programmes for Katie Bickerstaffe and Steve Hare, shaped around their respective experience and the perspectives they bring to the Board.

Katie Bickerstaffe

Katie Bickerstaffe brings deep experience in consumer-focused businesses, digital transformation and organisational leadership. Her induction was therefore shaped to support her understanding of how Sainsbury's strategy is delivered day to day in a large-scale retail and supply chain environment, and how sustainability and stakeholder considerations are built into commercial decision-making. The programme focused on engagement with senior leaders across Commercial, Strategy, Sustainability, Data and Risk teams, alongside site visits to build first-hand insight into the Group's operations. This approach supported her early contribution to Board discussions and to her roles on the Nomination and Governance Committee and the Corporate Responsibility and Sustainability Committee.

Steve Hare

Steve Hare joined the Board with significant experience as a listed company chief executive and finance leader. His induction therefore focused on building a detailed understanding of Sainsbury's operating model and customer proposition and the practical drivers of performance and risk in a complex retail business. Alongside meetings with senior leaders responsible for finance, audit, risk and governance, the programme included extensive exposure to stores, depots, suppliers and customer journeys. This helped Steve build on his existing board and financial expertise by developing a clear understanding of how the Next Level Sainsbury's strategy is delivered in practice, supporting his contributions to the Board and his work on the Audit Committee and the Nomination and Governance Committee.

Committee effectiveness review

An independent external evaluation of the effectiveness of the Board and its Committees was conducted during the year in line with the UK Corporate Governance Code. The review was facilitated by Manchester Square Partners.

The review concluded that the Nomination and Governance Committee operates effectively and plays an important role in supporting the Board's governance, composition and succession planning responsibilities. The Committee was seen as well chaired, with all Non-Executive Directors engaged in its work. The review highlighted confidence in the Committee's oversight of Board composition and its thoughtful approach to maintaining an appropriate balance of skills, experience and diversity. Overall, the Committee was viewed as making a strong contribution to the ongoing effectiveness and stability of the Board. Further details can be found on page 66

Continuing professional development and training

The Committee supported ongoing Board effectiveness through a focused programme of training, business engagement and external insight. Key training and development activities during the year are summarised on the right-hand side.

Spotlight

Key Training and Development for Board in 2025/26

- **Mandatory governance and conduct training:** Equipped Directors with essential regulatory, ethical and information security knowledge to support compliant and responsible Board level decision making.
- **Safety teach in:** Strengthened the Board's oversight of colleague/customer safety, critical incident preparedness and food safety governance to enhance risk management.
- **Supplier site visit:** Provided operational insight into sourcing practices and risks to reinforce supply chain oversight and understanding of supplier standards.
- **Sourcing resilience and supply chain risk:** Enhanced the Board's understanding of structural and operational supply chain risks, strengthening its ability to challenge and support management on sourcing vulnerabilities, business resilience and upcoming transformation and strategic decisions.
- **Technology and workforce strategy development sessions:** Built Board understanding of key strategic enablers – technology, data literacy and workforce capability – to support robust challenge and oversight.

Nomination and Governance Committee report continued

Governance framework and regulatory developments

To ensure continued compliance with the UK Corporate Governance Code 2024 and evolving best practice, the Committee reviewed the Group's governance framework during the year. This included the Matters Reserved for the Board, Committee Terms of Reference and the role descriptions of the Chair, Chief Executive Officer and Senior Independent Director. The Committee recommended a number of updates to the Board to ensure continued alignment with best practice. The Committee also monitored compliance with legal and regulatory requirements and considered the impact of emerging regulatory developments, including the Economic Crime and Corporate Transparency Act.

To support more effective oversight, the Committee agreed to increase the number of its scheduled meetings from two to four per year.

Independence, conflicts and time commitment

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.

The Committee reviewed Directors' conflicts of interest and external commitments and was satisfied that appropriate processes remain in place to identify, manage and disclose any actual or potential conflicts, and that Directors continue to have sufficient time to discharge their responsibilities effectively.


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 review process. The Committee concluded that there were no reasons identified to prevent any Director from being recommended for re-election at the 2026 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.

In 2025 we 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 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. Our progress towards these targets is supported by regular monitoring and talent interventions designed to support the progress of women and those from ethnically diverse backgrounds.

 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: corporate.sainsburys.co.uk.

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 we serve.


Monitoring and reporting

As at 28 February 2026, 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 50 per cent.

As at 28 February 2026, 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.

 More information on the Board's diversity targets can be found on page 120

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 23, including diversity information of our senior leadership and management positions

Board diversity objectives

The Board aims to maintain a level of at least 50 per cent female representation on the Board and in senior management¹. It is recognised that there may be periods of change on the Board when this number may be smaller while the Board is refreshed. However, it is the Board's longer-term intention to maintain this balance.

The Board supports the recommendations set out in the Parker Review and intends to maintain at least one Director who identifies as ethnically diverse.

Five of our ten Board Directors are women (50 per cent) and one identifies as ethnically diverse. In making its recommendations to the Board, the Committee has due regard to the UK Corporate Governance Code 2024 and other best practice and will consider the balance of skills, experience, independence and knowledge of the Board, its diversity in the broadest sense, how the Board works together as a team and other factors relevant to its effectiveness.

Nomination and Governance Committee report continued

Diversity, equity and inclusion continued

The Board continues to review the development of the pipeline of both ethnically diverse and female senior management within the business. Three of the seven members of our Operating Board are women.

The Board supports and encourages initiatives that strengthen the pipeline of talent in the Company, including:

- A comprehensive talent management review which is presented and discussed by the Board
- Highly personalised plans and initiatives 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 management mentoring schemes sponsored by Board and Operating Board members

Objective	Implementation	Progress
Maintain a level of at least 40 per cent female representation on the Board and senior management^{a)}	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 Through our in-house executive team and selected partnerships with executive search firms and market intelligence organisations, we deliver a diverse range of candidates for all Director roles	As at 28 February 2026, five of our ten Board Directors are female (50 per cent)
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 Through our in-house executive team and selected partnerships with executive search firms and market intelligence organisations, we deliver a diverse range of candidates for all Director roles	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 Through our in-house executive team and selected partnerships with executive search firms and market intelligence organisations, we deliver a diverse range of candidates for all Director roles	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	Three of the seven members of our Operating Board are women

a) The definition of 'senior management' in the UK 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 180 senior management 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 approx. 180 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.

Corporate Responsibility and Sustainability Committee report



Dear Shareholder

It has been a busy and purposeful year for the Committee as we continued to oversee the delivery of our Plan for Better commitments.

Our focus remained on ensuring that sustainability is firmly embedded in the delivery of the Group's strategy by using our scale, influence and resources to drive positive change across the food system.

The Committee's work this year has focused on the sustainability foundations that underpin this – climate transition planning, long-term supplier partnerships and food system resilience, healthier choices and community impact.

The Committee oversaw strong progress across our community programmes, including an uplift in food redistribution and more than £8.7 million raised for Comic Relief, reinforcing our ambition to tackle food poverty and support families across the UK.

During the year we reviewed progress across the sustainability priorities most material to the business. Deep dive discussions strengthened our understanding of how customers, investors, suppliers and communities experience our sustainability agenda and helped shape the areas of focus in the year ahead. We also continued to monitor emerging regulation to ensure the Group remains well prepared for future reporting requirements.

This year, the Committee has overseen our work with farmers and suppliers to strengthen the supply of good food, help tackle the climate, nature and labour challenges the sector faces and raise animal welfare

standards. The Committee's visit to Pilgrim's, one of the Group's chicken suppliers, provided valuable first-hand insight into how our partners are delivering high welfare and sustainability standards and reinforced the importance of long-term relationships in supporting resilience across the food system.

Committee changes

We were pleased to welcome Katie Bickerstaffe to the Committee this year, bringing further commercial and stakeholder insight that has strengthened our discussions.


Committee effectiveness

Following the externally facilitated effectiveness review, I am pleased to report that the Committee was found to operate effectively, with strong oversight and constructive challenge.

I would like to thank my Committee colleagues, Jo Bertram, Katie Bickerstaffe, Jo Harlow, Simon Roberts and Martin Scicluna and all the members of management who attend, report to and support the Committee for their commitment and engagement, which has enabled the Committee to operate effectively over the year.

Keith Weed

Chair, Corporate Responsibility and Sustainability Committee

 Further information on the Group's sustainability agenda can be found on pages 30 to 33 and on <https://corporate.sainsburys.co.uk/>

Committee governance

The Committee consists of the Chair of the Board, four Non-Executive Directors and the Chief Executive. The Committee is chaired by Keith Weed, and the Company Secretary or his nominee acts as the Secretary of the Committee.

Other attendees include the Chief Commercial and Sustainability Officer, Director of Corporate Affairs and Director of Sustainability.

The Committee held four meetings in the year. Attendance at the Corporate Responsibility and Sustainability Committee meetings can be found on page 55.

Priorities for next year

- Oversight of delivery of the Group's sustainability strategy, including progress towards net zero across Scope 1, 2 and 3
- Monitoring of regulatory and stakeholder developments, including packaging and extended producer responsibility
- Oversight of human rights and supply chain due diligence
- Consideration of health and resilience priorities relevant to the Group's strategy
- Oversight of sustainability-related performance and reporting, including year-end disclosures and forward priorities

Key activities in 2025/26

Committee activity	Outcome
Approved the year-end results and reporting for 2024/25	Provided assurance to the Board on the integrity, balance and completeness of the Group's 2024/25 sustainability-related disclosures, including approval of year-end Corporate Responsibility and Sustainability reporting for publication.
Reviewed the Plan for Better metrics and targets, including priorities for 2025/26	Confirmed that the proposed Plan for Better priorities, metrics and targets were appropriately aligned to the Group's strategy and long-term value creation and endorsed the suitability of proposed sustainability-related measures for inclusion in executive incentive arrangements.
Received regular updates on key stakeholders and how they align to our sustainability agenda	Enhanced the Committee's understanding of progress, risks and opportunities across the value chain, including climate transition, health, responsible sourcing and human rights, and supported the challenge and assurance the Committee provided to the Board.
Approved updates to the Committee's Terms of Reference	Approved updates to the Committee's Terms of Reference, ensuring continued clarity of remit, responsibilities and alignment with evolving governance and regulatory expectations.
Received updates on the Group's packaging strategy, Scope 1, Scope 2 and Scope 3 carbon emissions reduction, animal health and welfare and the Group's work on human rights	The Committee has clear oversight of the Plan for Better strategy, gaining clarity on priority areas of focus for the future.
Received updates on changes to UK sustainability reporting requirements, including on readiness and future approach	Considered changes in UK sustainability reporting requirements and received assurance on the Group's preparedness and planned approach to future regulatory and disclosure developments.

Corporate Responsibility and Sustainability Committee report continued

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 104 to 115.

The Committee reviewed the Plan for Better results which included the performance, targets and priorities for the upcoming year.

In addition, the Committee received deep dive presentations across a number of material issues, which support the Committee in overseeing and challenging management in the delivery of our sustainability targets.

These sessions enhanced the Committee's understanding of progress, risks and opportunities across the value chain, including climate transition, health, responsible sourcing and human rights, and supported the challenge and assurance the Committee provided to the Board.

Specific topics considered are set out below:

Updates on the Group's community and partnership work, including an update on the future ambition of the Group's Comic Relief partnership	Provided oversight of the Group's community and partnership activity, including endorsement of the strategic ambition and long-term direction of the Comic Relief partnership to maximise social impact. This work continues to reinforce the Group's commitment to making good food accessible to everyone and supporting families across the UK.
Discussed the approach, progress and priorities of the Group's human rights work	Reviewed the Group's approach to human rights, gaining assurance over progress to date and clarity on priority areas of focus to support responsible business practices across the value chain. Further information can be found on page 24 to 29.
Received updates on our approach to achieving net zero, including challenges, climate transition planning and emissions reduction plans and roadmaps for Scope 1, 2 and 3 emissions	Provided oversight of the Group's climate strategy, including net zero planning, emissions reduction roadmaps and transition challenges, and considered the robustness of the approach to Scope 3 emissions reporting and disclosure. Further information can be found on pages 104 to 115.
Reviewed the Group's revised packaging strategy and targets	Reviewed and provided challenge on the Group's updated packaging strategy and targets, ensuring they were credible, clearly articulated and aligned with wider sustainability commitments.
Received upskill on trends and external factors in the health and nutrition space, discussing the implications of these on our future health strategy	Enhanced the Committee's understanding of emerging health and nutrition trends and external drivers including shifting customer expectations, supporting informed oversight of the Group's future health strategy.
Oversaw the Group's approach to responsible sourcing	Provided understanding of how the strengthening of long-term supplier partnerships support availability, resilience and high welfare standards across the food system.

Stakeholder engagement

The Committee considers the impact of the Plan for Better strategy on our key stakeholders, including customers, 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.

Further details on the stakeholder updates are set out below:

Discussed the Group's engagement with suppliers, including the results of the Groceries Code Adjudicator report and the 2025 Advantage Survey	Gained insight into stakeholder perceptions of the Group's sustainability performance and identified priority areas of focus to inform future engagement and Plan for Better activity. More information on our engagement with suppliers can be found on page 27.
Received updates on the government relations engagement strategy for 2025/26, including key focus areas on health, food strategy, circular economy and engagement with key government figures and departments	Reviewed the Group's government relations priorities and engagement approach for the year ahead, providing oversight of how external policy developments and political change are being managed and addressed.
Updated on the investor feedback on sustainability themes, the Group's strategy for future engagement with investors on sustainability and Plan for Better communication	Provided oversight of the Group's approach to communicating sustainability progress to investors, ensuring messaging was clear, consistent and aligned with the Group's strategic priorities and disclosures.
Reviewed customers' expectations and perceptions across key sustainability topics including health, food waste, animal welfare, plastics and recycling	Developed an improved understanding of customer expectations and perceptions across the Plan for Better pillars, helping to inform the ongoing focus and evolution of the Group's sustainability priorities.



Further information on stakeholder engagement can be found on pages 24 to 29

Audit Committee report



Dear Shareholder

I am pleased to present the Committee's report for the year ended 28 February 2026. This report summarises the main matters the Committee considered and how we discharged our responsibilities during the year.

The Committee has delegated authority from the Board to oversee the integrity of the Group's financial reporting, the risk management framework and internal control environment. This includes an assessment of financial reporting to confirm 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 strengthening the risk management and internal controls framework, overseeing the transition to the Group's new external auditor, and key risk areas including cyber security and data governance.

Risk management and internal controls framework

The Committee reviews the effectiveness of the Group's risk management and internal controls systems on at least an annual basis. This review covers all material controls, including financial, operational and compliance controls. The revised Provision 29 of the UK Corporate Governance Code 2024 (the Code), which will be applicable for the Group from 2026/27, expands on the previous requirement for Boards to annually review the effectiveness of the Company's risk management and internal control systems to review the effectiveness of the risk management and internal control framework. The revised provision stipulates additional reporting requirements, including a description of how the Board has monitored and reviewed the effectiveness of the framework. During the year, the Committee oversaw the Group's preparation for the revised Provision 29, including the expansion of the scope of material controls to include reporting controls and overseeing a structured dry run of internal controls assurance. The Committee received regular updates on progress and reviewed the outcomes of the dry run exercise in April 2026.

The following timeline summarises the key activities undertaken during the year to prepare for the revised Provision 29 requirements and highlights the Audit Committee's oversight at each stage.

 Further information can be found on page 74

Cyber security

Cyber security remained an important area of focus for the Audit Committee throughout the year, given its relevance to the Group's operational resilience and internal control environment. The Committee received regular updates from the Chief Information Security Officer and the Director of Data Governance and Information Security on the evolving threat landscape and the Group's approach to managing cyber risk.

Using the National Institute of Standards and Technology framework, the Committee monitored the maturity of the Group's cyber security capabilities

to consider areas of vulnerability, mitigations in place and residual risk. The Committee also reviewed the outcomes of cyber testing and assurance activity during the year, including penetration testing and simulation exercises, and considered lessons learned from these activities and from external cyber incidents affecting in particular the retail sector. The Committee provided oversight and challenge to management on progress against agreed actions, supporting the continued strengthening of the Group's cyber security and resilience.

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 Committee oversaw the progress on the strategic changes to the Group's Financial Services business. This included the migration of Bank customers to NatWest Group and NewDay, the sale of the travel money business to Fexco Group, the transition of Bank ATMs to NoteMachine and the establishment of a new arrangement with Allianz UK for the provision of insurance products. The Committee was satisfied that the changes were subject to appropriate governance, risk management and financial reporting oversight.

External auditor

Following its formal appointment at our AGM in July 2025, I am pleased to report that there has been a smooth transition to PricewaterhouseCoopers (PwC) as the Group's auditor for the year ended 28 February 2026. The Committee oversaw a well-planned transition to PwC, ensuring effective handover arrangements, continuity of audit quality and robust oversight throughout the process. Ernst & Young has remained in role as external auditor of Sainsbury's Bank, which continues to be subject to the same oversight by the Committee.

Committee changes

I am pleased to announce that Steve Hare joined the Audit Committee this year, following Brian Cassin's retirement from the Board in July 2025. Since joining the Committee, Steve has been an active contributor, bringing valuable insights and challenge.

Committee effectiveness

I am pleased to confirm that following Manchester Square Partners' review, the Committee was found to be operating effectively, with robust oversight of financial reporting, audit and risk. The Committee was seen as providing effective assurance to the Board, supported by strong engagement with management, internal audit and the external auditor.

Looking ahead

The Committee will continue in the coming year to focus on strengthening the risk management and internal controls framework, and on key risk areas including cyber security, data governance and technology adoption.

I would like to thank my Committee colleagues, Steve Hare 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

Audit Committee report continued

Key activities in 2025/26

Committee activity	Outcome
Reviewed the integrity of the Group's financial reporting	Advised the Board on the integrity and clarity of financial reporting, confirming that significant accounting judgements and related disclosures were appropriate and applied consistently and that the Annual Report and Financial Statements were fair, balanced and understandable.
Oversaw the continued development of the Group's internal control environment	Monitored and challenged management's enhancements to the internal control framework, reviewed dry run assurance results and confirmed to the Board that visibility over key and material controls had improved in preparation for reporting on the revised Provision 29 in 2026/27.
Received updates on risk management of cyber security and data governance as principal risks, including reviews of cyber resilience, testing activity and lessons learned.	Provided assurance over the Group's cyber risks and mitigating measures.
Oversaw the transition to PwC as the Group's external auditor	Oversaw and scrutinised the transition plan and independence safeguards, reviewed the resignation statement and handover arrangements and reported to the Board that audit quality and continuity of assurance were maintained through the change in auditor.
Reviewed the effectiveness, independence and objectivity of the external auditor	Reviewed the audit plan, findings and non-audit services, and confirmed to the Board that the external auditor remained independent, objective and effective.
Received regular reports from Internal Audit on audit activity, key findings and the status of management actions, and assessed the effectiveness of the internal audit function.	Concluded that the Internal Audit function operated effectively, with actions appropriately tracked to closure.
Reviewed management's assessment of the status of ongoing regulatory investigations and litigations	Considered management's assessments and was satisfied that material matters were appropriately governed and reflected in financial reporting and disclosures.
Considered the Group's principal risks and uncertainties and reviewed the implications for viability and going concern.	Reviewed principal and emerging risks, scenarios and stress testing, and supported the Board's viability and going concern assessments and related disclosures.
Received updates on the Group's compliance with the Groceries Supply Code of Practice ("GSCOP")	Approved the annual GSCOP compliance statement. Further information on the Group's compliance with GSCOP can be found on page 121.
Received updates on the internal and external assurance programmes over Plan for Better metrics and disclosures	Supports the Board in overseeing the integrity of the Group's reporting of climate-related metrics.

Timeline for Provision 29 preparation



Audit Committee report continued

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. Following his appointment in July 2025, we welcomed Steve Hare to the Committee. 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 56 to 57.

All our Non-Executive Directors have an open invitation to attend Committee meetings.

The Committee is 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 Group Finance, Director of Internal Audit, Risk and Resilience, General Counsel and Company Secretary, Deputy Company Secretary, Chief Technology Officer, Chief Information Security Officer, and representatives of Sainsbury's Bank and the external auditor. Other members of management and specialists attend by invitation depending on the matters under discussion. The Committee held four scheduled meetings in the year.

 Details of attendance at scheduled Audit Committee meetings can be found on page 55

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.

Committee meetings are generally scheduled close to Board meetings to facilitate effective and timely reporting. Committee members regularly hold private sessions following Committee meetings with each of the Director of Group 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 Group 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.

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 disposal of banking operations.

Treasury funding and liquidity

The Committee assessed the business's secured and unsecured borrowing facilities and their appropriateness in tenure and amount to Group requirements.

Assumptions and qualifications in support of the viability and going concern statements

The Committee assessed the financial projections over three years, which continues to be an appropriate timeframe for the statement of viability as approved by the Board.

 More information can be found in the statement of viability on page 48

Assessment of whether the Annual Report is fair, balanced and understandable

One of the Committee's roles is to advise the Board that it is satisfied that the Annual Report and Financial Statements are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy. The external auditor supports this process.

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
- 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, position and performance, business model and strategy.

Audit Committee report continued

Risk management, internal controls and principal risks and uncertainties

An effective risk management and internal control framework is central to the delivery of the Group's strategy and the protection of long-term value. The Board is responsible for overseeing the Group's approach to risk management and internal controls, with the Audit Committee acting on its behalf.

Principal risks and uncertainties

The Group's risk management process identifies and reviews the principal risks and uncertainties, together with emerging risks and opportunities, facing the Group. These are considered alongside the assumptions, scenarios and actions underpinning the Group's corporate plans to ensure that risks are understood in the context of strategy and future prospects.

During the year, the Audit Committee reviewed the Group's risk register, principal and emerging risks and related mitigation strategies. Particular focus was given to prioritised risks and movements in risk profile, and to ensuring that the principal risks remain aligned to the Next Level Sainsbury's strategy. As part of this review, detailed scenario analysis was undertaken, including stress testing of liquidity as part of the Group's resilience and viability assessment.

The Board considers that the principal risks and uncertainties disclosed in the Strategic Report represent those risks that could have a material impact on the Group's business model, strategy, performance, solvency or liquidity, and that they provide a balanced and understandable view of the Group's risk profile.

Risk management and internal control framework

The Group has an established internal control framework encompassing financial, operational, compliance and risk management controls. This framework supports the delivery of the Group's strategy and the management of principal risks, with controls embedded within day-to-day business processes and supported by Group-wide policies, defined delegations of authority and training programmes.

Oversight of the framework is provided through management reporting, governance committees and independent assurance activities. The Audit Committee oversees the effectiveness and monitoring of the Group's internal controls on behalf of the Board, including the remediation of any identified weaknesses.

Key financial controls and IT general controls

During the year, the Committee oversaw the effectiveness of the Group's key financial controls and IT general controls as part of its preparation for the revised Provision 29 of the UK Corporate Governance Code. The Committee monitored the internal control environment and the implementation of management actions to further strengthen the Group's financial reporting systems.

The internal controls over financial reporting (ICFR) programme, sponsored by the Chief Executive and Chief Financial Officer, continued to support the identification, documentation and assessment of key and material controls, including IT general controls. The Committee received regular updates on progress, the outcomes of control testing and third-party reviews, and reviewed management's actions to address any issues identified.

Strengthening oversight of internal controls and resilience

The 2024 Code introduced a revision to Provision 29 expanding on the previous requirement for Boards to annually review the effectiveness of the Company's risk management and internal control framework. The revised Provision 29 expands on the previous requirement for Boards to annually review the effectiveness of the Company's risk management and internal control systems to review the effectiveness of the risk management and internal control framework. The revised provision expands the definition of material controls to include reporting controls and stipulates additional reporting requirements, including how the Board has monitored and reviewed the effectiveness of the framework, a declaration of effectiveness of the material controls and a description of any material controls which have not operated effectively as at the balance sheet date and any actions taken. Companies are expected to report against the revised Provision 29 for financial years starting on or after 1 January 2026.

In line with FRC expectations, and to assess compliance with the revised Provision 29, management has undertaken a review of the risk management and internal control framework and carried out a structured 'dry run' of the effectiveness of all material controls, including financial, operational, reporting and compliance controls. This work focused on identifying the Group's key and material controls, assessing their design and operation and enhancing the consistency of documentation and oversight across the Group.

The dry run review was designed to strengthen governance, improve consistency of oversight, and support the Board's future Provision 29 disclosures. The outcomes of this review were presented to the Audit Committee throughout 2025/26, with the results of the dry run provided to the Audit Committee in April 2026.

Provision 29 preparation:

1. Understanding

- Reviewing all material controls to assess their validity
- Consolidating and simplifying material controls, ensuring they address the Group's principal risks and are supported by key controls
- Identifying new material controls required to address new and emerging risks
- Updating the Board and Audit Committee on key and material controls
- Preparation of self-attestations of how material controls are designed and are operating

Led by:

Corporate Governance Reform Steering Committee

2. Testing/challenge

- Risk analysis of key and material controls
- Independent testing of controls and assumptions to identify opportunities for improvement

Led by:

Corporate Governance Reform Steering Committee

3. Judgement

- Reviewing findings, assessing their significance and ensuring appropriate actions are taken where issues are identified

Led by:

Operating Board

4. Confirmation/confidence

- Drawing together evidence to form a balanced view on the effectiveness of the internal control framework

Led by:

Audit Committee, with conclusion and approval by the Board

Audit Committee report continued

Risk management, internal controls and principal risks and uncertainties continued

Strengthening oversight of internal controls and resilience continued

As a result of this work, the Audit Committee gained improved visibility of the Group's key and material controls and how they operate in practice. The review identified opportunities to simplify certain controls, strengthen documentation and improve consistency of control ownership. Management actions are underway and the Audit Committee will continue to monitor progress during 2026/27.

As part of the review, control owners completed self-attestations on the design and operation of key and material controls. These were subject to risk-based review and independent challenge. The Audit Committee considered the findings, the significance of any issues identified and the actions agreed to address them and the Board was kept informed throughout the process.

The Audit Committee considers that this work provides a robust foundation for the Board's future reporting under Provision 29 and supports the Board's ongoing assessment of the effectiveness of the Group's risk management and internal control framework.



For further information on the Group's risk management approach on pages 40 to 47

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 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.

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. The Committee received regular updates on the continued progress to exit the core banking services and streamline the Financial Services proposition, including the agreements with Allianz UK on car and home insurance and a new partnership with NatWest. There is regular communication between Sainsbury's Internal Audit function and its equivalent within the Bank.

External audit

Scope of the external audit plan and fee proposal

The Committee reviewed PwC's overall work plan, and, through regular communication, advised PwC of any specific matters which the Committee was considering from previous audits and current operations. The Committee approved PwC'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. Ernst & Young (EY) had been the Company's auditor since July 2015. Following a tender process, the Committee recommended appointing PwC. Following approval by shareholders at the 2025 AGM, PwC was appointed as the Group's auditor for the year ending 28 February 2026. The Committee approved the appointment of Simon Morley as the PwC partner for 2025/26.

Non-audit services and fees

The Committee has overseen the Company's policy which restricts the engagement of its external auditors 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 PwC during 2025/26 related principally to the renewal of the Euro MTN (EMTN) Programme. The total non-audit fees were £0.1 million. The audit fees for the year in respect of the Group and subsidiaries were £3.2 million. A breakdown of the fees is provided in note 8.4 of the consolidated financial statements.

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 its 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 Committee report continued

Audit effectiveness review

An audit effectiveness review will be undertaken in the early part of 2026/27 following the conclusion of PwC's first year as the Group's auditor. This effectiveness review is planned to be undertaken as follows:

Questionnaires	Analysis	Discussion
Questionnaires will be distributed to those Directors and managers in the business directly involved in the audit. The questionnaires will seek feedback on their experience with the external auditor, considering areas such as the knowledge and experience of the audit team, audit strategy and planning, and the quality of communication.	Management will collate the responses and report back to the Board and the Audit Committee.	The results of the review will be discussed and feedback will be provided to the external auditor.

An audit effectiveness review of EY's performance as external auditor for 2024/25 was completed in the early part of the financial year. The Committee concluded that EY remained effective, objective and independent in its role as external auditor. Outcomes of the effectiveness review were communicated to EY.

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

Transition to PwC as external auditor

PwC was formally appointed at our AGM in July 2025. As this fell part way through the financial year, EY provided a statutory statement upon resignation confirming that the resignation followed the tender and that no matters were required to be brought to the attention of shareholders or creditors. The Committee reviewed this statement and was satisfied that the change in auditor did not indicate any concerns regarding the integrity of the Group's financial reporting, internal controls or management behaviours.

To ensure a smooth transition, the Committee monitored the handover arrangements between the two firms, including the transfer of prior year audit insights, accounting policy considerations and matters arising from the outgoing auditor's interim review procedures. This process was designed to maintain continuity and uphold audit quality during the transition.

Internal audit

Director of Group Audit, Risk and Resilience

The Director of Group 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, 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, 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, work programme and results. The Director of Group 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

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.

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.



Audit Committee report continued

Significant financial reporting matters and judgements

Set out below are the most significant financial reporting matters considered by the Committee during the year, including how we challenged the key decisions and the conclusions we reached. In each case, the Committee concluded that the accounting treatment and related disclosures were appropriate.

Areas of focus	Actions taken
<p>Presentation of financial statements</p> <p>The Group uses Alternative Performance Measures (APMs) and includes additional disclosures, including reconciliations to statutory measures.</p> <p> See pages 203 to 206</p> <p> See note 5, non-underlying items, on pages 153 to 155</p>	<p>The Committee considers it important to take account of both the statutory measures and the APMs when reviewing these financial statements.</p> <p>In particular, items excluded from underlying results were reviewed by the Committee and, 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 £128 million (2025 restated: £325 million). Excluded items are detailed on pages 153 to 155. The most significant items relate to costs associated with retail restructuring programmes.</p> <p>The Committee gave particular attention to ensure the Group's APMs are not presented in ways that give them greater prominence than amounts stemming from the financial statements; that specific, tailored explanations for the inclusion of individual APMs are provided; and that APMs are reconciled to the most directly reconcilable line items.</p>
<p>Pensions accounting</p> <p>The Group's balance sheet shows a pension surplus of £525 million, which comprises £6,371 million of assets and £(5,846) million of liabilities, which relate to the Sainsbury's Pension Scheme, plus three unfunded pension liabilities for former senior employees of Sainsbury's and Home Retail Group. This compares to a net surplus in the prior year of £731 million.</p> <p> See note 33, retirement benefit obligations, on pages 186 to 187</p>	<p>The Committee reviewed a summary of the actuarial assumptions used in arriving at the valuation for the defined benefit pension scheme and was satisfied that they are reasonable.</p> <p>In particular, the Committee reviewed the financial impact of discount, inflation and mortality rates and related sensitivities.</p>
<p>Going concern and viability</p> <p>Going concern and viability projections are produced bi-annually and monitored regularly.</p> <p> See statement of viability on page 48</p>	<p>The Committee undertook a detailed review of the financial liquidity of the business over the formal viability assessment period of three years, and made further enquiries beyond this timeframe, taking into account cash flows, current levels of debt and the availability of future finance. The viability assessment was discussed by the Committee in March 2026 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 2026.</p>

Audit Committee report continued

Areas of focus	Actions taken
<p>Climate change disclosures</p> <p>With the impacts of climate change being felt around the world, we understand the important 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.</p> <p> See pages 104 to 115 for our TCFD report</p>	<p>The Committee challenged and reviewed the Task Force on Climate-related Financial Disclosures, in particular the qualitative and quantitative scenario analysis performed, our transition plan and cross-industry metrics.</p> <p>The Committee is satisfied that appropriate consideration and disclosure have been given to the impacts of climate change on the Group's financial statements.</p>
<p>Contingent liabilities</p> <p>The Group is exposed to a wide range of applicable laws, regulations as well commitments arising from past events. Along with other retailers, the Group is currently subject to claims from current and ex-employees in the Employment Tribunal for equal pay under the Equality Act 2010 and/or the Equal Pay Act 1970.</p> <p> See note 36, contingent liabilities, on page 193 for further details</p>	<p>The Committee further considered management's assessment of the status of ongoing regulatory investigations and litigation, its classification of these as contingent liabilities and the associated disclosure.</p>
<p>Prior period restatements</p> <p>The prior year financial statements have been restated to incorporate the deferred tax impact arising from a misclassification of qualifying assets as non-qualifying for tax purposes and an omission of the tax effects of impairment and disposal. Comparative period amounts of certain balance sheet line items have also been re-presented, with no impact on net assets.</p> <p> See note 2, basis of preparation and consolidation, on page 140 for further details</p>	<p>The Committee reviewed the accounting for, and disclosure of, prior year restatements in relation to deferred tax and balance sheet re-presentations.</p>

Annual statement from the Remuneration Committee Chair



Dear Shareholder

As we enter the final year of our Next Level Sainsbury's strategy, we look back on two years of strong performance, in which we have delivered a winning combination of value, quality, availability and service. The Remuneration Committee is focused on ensuring that executive remuneration reflects the results that have been delivered and continues to drive performance against our strategic goals.

The Remuneration Committee has been pleased by the delivery against our Next Level Sainsbury's goals, including winning grocery market share and reaching our highest volume market share in ten years. The business has delivered a strong set of financial results and shareholder returns in 2025/26. Highlights are underlying retail operating profit of £1,025 million, alongside retail free cash flow generation of £574 million and good progress towards our target to deliver £1 billion of cost savings by March 2027. We continue to deliver strong cash returns for shareholders. In addition to ordinary dividends of £316 million in the year, we returned £300 million of additional proceeds, following the disposal of our banking operations, via a special dividend of 11.0 pence per share in December and through the addition of £50 million to our core £200 million share buyback programme. The proposed full-year dividend of 13.7 pence, up 0.7 per cent year-on-year, builds on the strong returns made to shareholders over the past few years.

Our front-line colleagues play a vital role in delivering for our customers every day and rewarding them well continues to be a priority. This year, we have again chosen to invest in an above inflation pay increase for hourly paid colleagues. We have increased pay by 42 per cent in the last five years, demonstrating our commitment to supporting our colleagues' wellbeing and success with competitive rates of pay complemented by a strong benefits package.

The Remuneration Committee continues to take a balanced and responsible approach to executive pay, taking all stakeholder perspectives into consideration. When making its decisions this year, the Committee has carefully considered the appropriateness of incentive outturns in the context of the strong results that have been delivered. During 2025, the Committee carried out a review of the Remuneration Policy and our revised Policy is set out in this report.

Colleague engagement and oversight

The Remuneration Committee considers pay and conditions in the wider organisation when making executive pay decisions. The Committee considers oversight of pay arrangements across Sainsbury's to be an important element of its remit. An update on recent reward activity and colleague pay and benefits initiatives, along with an overview of colleague feedback gathered from a range of communications channels, is provided at every meeting. The Chair and I meet with colleagues each year to understand their views on executive pay and provide them with greater insight into the way that we structure our executive remuneration package. Non-Executive Directors spend time in stores and participate in colleague listening events where they can hear our colleagues' perspectives on their pay and working life at Sainsbury's.

In 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. These were further increased in August 2025, to £12.60 per hour nationally and to £13.85 per hour in London. We made another above inflation investment in colleague pay in March 2026, taking our base rate for hourly paid colleagues to £13.23 nationally and to £14.54 in our London stores, ahead of the National Living Wage. At five per cent, this

2026/27 remuneration

- Continued above inflation investment in colleagues – retail hourly paid colleagues across both Sainsbury's and Argos moved from £12.60 to £13.23 per hour and £13.85 to £14.54 per hour for those based in London effective 29 March 2026
- Chief Executive awarded a three per cent pay increase, below the five per cent increase for retail hourly paid colleagues
- Chief Financial Officer awarded a six per cent pay increase, reflecting her pivotal role in the successful sale of the Bank and her exceptional performance and contribution since her appointment
- 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 2026 Leaders' Share Award will measure 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)

latest increase continues the significant investment we've been making in colleague pay over the last few years and reflects the vital role our frontline colleagues play in delivering for customers every day. Our front-line managers will receive a three per cent salary increase effective 24 May 2026.

Our benefits play an important role in our total reward package, which includes a generous pension, colleague discount, free food in stores and depots, salary advance and savings products and the opportunity for colleagues to share in the Company's success through our all-employee share schemes.

The Committee reviews the Company's progress in closing its gender and ethnicity pay gaps. Our mean gender pay gap is 6.6 per cent (down from 7.5 per cent last year), alongside a small increase to the median pay gap to 6.5 per cent (from 6.1 per cent), both of which remain well below the UK average. Our ethnicity pay gap has remained broadly stable, with the mean in favour of ethnically diverse colleagues at -3.3 per cent from -3.4 per cent last year.

Committee governance

The 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. Martin Scicluna, Simon Roberts, the 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 held five scheduled meetings in the year. The Committee has a calendar of standard items within its remit and in addition it held in-depth discussions on specific topics, in particular the review of the Remuneration Policy during 2025.

The Committee's composition, responsibilities and operation comply with the principles of good governance as set out in the UK Corporate Governance Code, the Listing Rules and the Companies Act 2006. The Terms of Reference for the Committee are available on the Company's website.

Executive remuneration in 2025/26

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

The Committee is satisfied that the total remuneration for Executive Directors in respect of 2025/26 reflects performance over the period and the progress that has been made against our Next Level Sainsbury's strategic goals.

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. The profit element outturn is 75 per cent of maximum, with a maximum outturn of 100 per cent for retail free cash flow.


Annual statement from the Remuneration Committee Chair continued

Annual bonus continued

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.

During the year, significant progress was made against our customer and colleague metrics. In addition the Committee concluded that both executive directors delivered exceptional performance as demonstrated by both the strong financial results, market share gains and substantial returns to shareholders. These achievements were delivered notwithstanding a number of challenging external headwinds. In this context the strategic scorecard paid out at 29 per cent out of 30 per cent for both executive directors.

This results in an overall bonus of 86.5 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.

 **Further detail** is set out on pages 94 and 95.

Long-Term Incentive Plan – 2023 Leaders' Share Award

The 2023 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). Targets were set in April 2023.

The remaining 20 per cent of the plan was subject to key strategic indicators (market share, customer, colleague and Plan for Better). Bláthnaid Bergin's 2023 award is the first granted following her appointment to the Board.

The Committee determined that this award should vest at 72.5 per cent of maximum.

This outturn is a result of strong retail free cash flow performance above the stretch target, ROCE and cost reduction between target and stretch, with EPS

between threshold and target. Grocery market share and the customer element also outperformed the stretch target, with a strong performance delivered in colleague engagement.

Despite progress across our Plan for Better commitments, the stretching Scope 1 and plastics reduction targets set for the 2023 Leaders' Share Award were not achieved. For Scope 3, vesting has been based on our progress towards the WWF retailer requirements, which have evolved since the targets were originally set. We have been working with our suppliers in alignment with the WWF requirements, with 51.6 per cent of emissions now covered by suppliers with any 1.5 degree SBTi targets (near term or net zero) approved by the end of 2025/26. Assessing our performance on this basis, the overall outturn under the Plan for Better element was 10.7 per cent of maximum.

 **Further detail** is set out on page 96

Review of Remuneration Policy

The Committee undertook a thorough review of the current Remuneration Policy during 2025 in preparation for the presentation of the Policy for shareholder approval at the 2026 AGM, in line with the normal three year renewal cycle.

The Committee considered the latest proxy guidelines and guidance and the views of our major investors, alongside the views of management and advice from our remuneration advisers. The Committee determined that, overall, the current Policy continues to be appropriate and concluded that only small amendments need to be made to ensure the Committee has the flexibility to respond when required during the life of the next policy.

The changes proposed are an increase to the maximum award available under the Long-Term Incentive Plan from 250 per cent to 300 per cent and the ability to reduce but not remove entirely the level of compulsory bonus deferral for executives who have met their shareholding requirement. Neither change will be implemented during the coming year.

We operate in a fast moving and competitive talent market. The retail sector (and food retail specifically) has been reshaped in recent years with an increase

in private equity-backed and both listed and privately-owned international players. The market in which we compete for talent therefore extends beyond other FTSE 100 companies. Notwithstanding the context of our sector, the Committee is setting the increased Long-Term Incentive Plan headroom broadly in line with the current award levels for UK-listed companies of our size. We have not benchmarked ourselves against larger and more global FTSE 100 companies.

The Committee believes that these changes are consistent with our closest retail competitors and relatively conservative. It is in our shareholders' interests that we have sufficient flexibility to be able to respond to the strategic needs of the business over the life of the policy. We consulted with major shareholders regarding these changes in February 2026, with feedback being overwhelmingly supportive. The Committee is grateful to our shareholders who engaged with us and shared their invaluable feedback during the consultation process

2026/27 remuneration

The Committee considered the pay of the wider workforce and senior management when determining the pay review for Executive Directors this year. It awarded Simon Roberts a three per cent pay increase effective 24 May 2026, taking his base salary to £1,039,177. 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. Recognising her role in maximising shareholder value through the highly successful winding down of our banking operations, together with the transfer of ongoing financial services into the Sainsbury's business, along with the expansion in her role since her appointment and her significant contribution as CFO, Bláthnaid Bergin has been awarded a six per cent pay increase effective 24 May 2026, taking her base salary to £738,057.

The Committee determined that the performance framework and weightings for the 2026/27 annual bonus should remain unchanged from last year, with 50 per cent of the bonus to be paid out in cash and the remaining 50 per cent to be deferred into shares for a further two years.

Our long-term incentive awards are aligned to the eight key performance indicators that we have used to monitor our progress since 2021, with the weightings and metrics unchanged from last year. For the 2026 Leaders' Share Award, 70 per cent of the Executive Directors' award vests subject to delivery of targets against 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 will pay out based on performance against the four strategic indicators (volume market share, customer, colleague and Plan for Better), each with a weighting of 7.5 per cent. The Committee has reviewed the performance metrics and targets to ensure they remain appropriate and stretching. Given the conflict in the Middle East, the Committee may need to apply judgement in assessing the final performance outcomes for both incentives.

As in prior years, the 2026 award level for the Chief Executive is 250 per cent of salary, and 225 per cent of salary for the Chief Financial Officer.

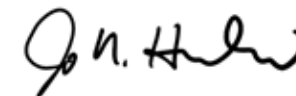
Committee effectiveness

Following the externally facilitated effectiveness review, I am pleased to report that the Committee was found to operate to a high standard, with effective oversight and a thorough approach.

Closing remarks

Our revised Remuneration Policy is laid out on pages 87 to 93, together with summaries of how we have implemented and plan to implement the Policy in 2025/26 and 2026/27. We hope that the disclosure provided in this report provides clear insight into the Committee's decisions and that you will all support the resolution to vote for the revised Policy and this report at the forthcoming AGM.

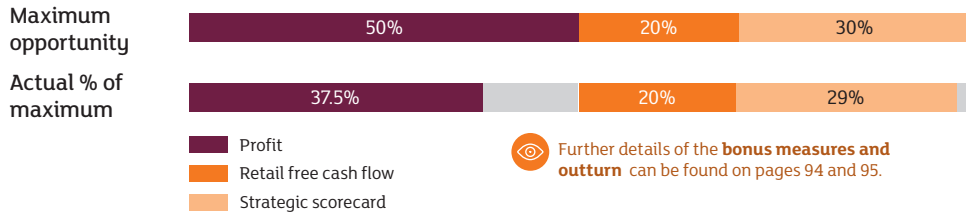
The Remuneration Committee has a clear commitment to rewarding our Executive Directors for acting in the interest of all our stakeholders, including our shareholders, and for delivering results that are aligned with our Company's strategic goals and values.



Jo Harlow
Chair, Remuneration Committee

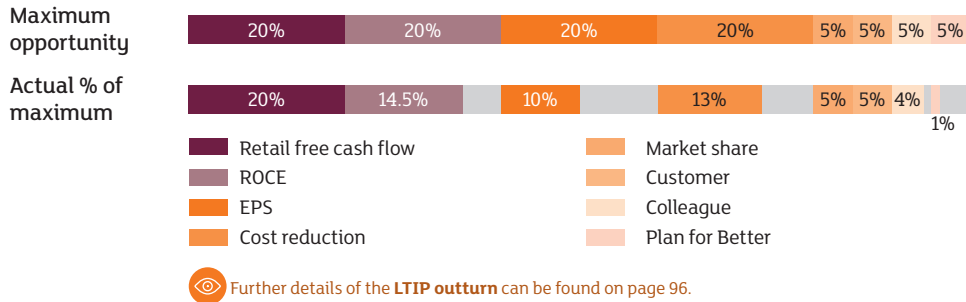
Summary of 2025/26 remuneration

Pay element	2025/26 decisions
Salary Three per cent increase for Executive Directors (below that of colleagues)	<ul style="list-style-type: none"> Chief Executive, Simon Roberts – £1,008,910 and Chief Financial Officer, Bláthnaid Bergin – £696,280 A three per cent salary increase was awarded to Simon Roberts and to Bláthnaid Bergin from 25 May 2025, which was below the five per cent increase for retail hourly paid colleagues, and in line with the pay review for senior management
Annual bonus Award of 86.5 per cent of maximum for both Chief Executive and CFO	<ul style="list-style-type: none"> The 2025/26 bonus outturn was 86.5 per cent of the maximum for both Simon Roberts and Bláthnaid Bergin The profit element paid out at 37.5 per cent (out of 50 per cent) The retail free cash flow element paid out at 20 per cent (out of 20 per cent) The Committee determined an outturn at maximum of 29 per cent (out of 30 per cent) for the strategic scorecard which reflected outcomes against customer and colleague related metrics and progress towards individual annual objectives for both Simon Roberts and Bláthnaid Bergin

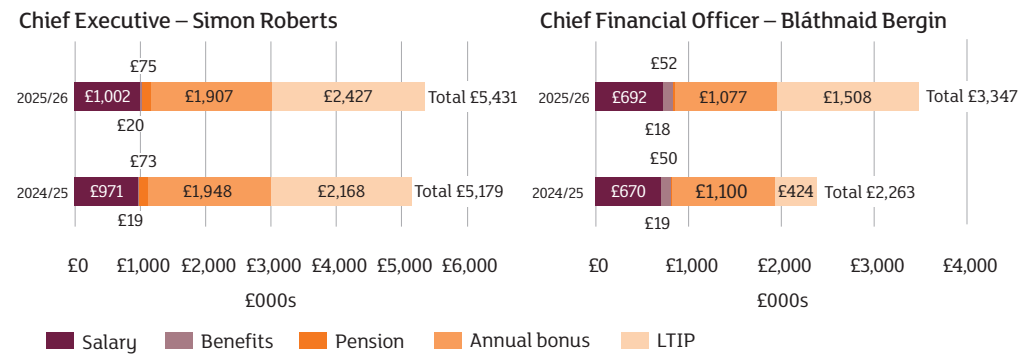


Long-Term Incentive Plan (LTIP): 2023 Leaders' Share Award
Vesting at 72.5 per cent of maximum

- Financial metrics (each with a 20 per cent weighting): Maximum payout under the retail free cash flow element, with a strong performance on ROCE and cost reduction, with EPS between threshold and target
- Strategic indicators (each with a five per cent weighting): Maximum payout under the market share element, with strong customer and colleague performance and a threshold payout for Scope 3 under the Plan for Better element
- This results in a vesting outturn of 72.5 per cent of maximum

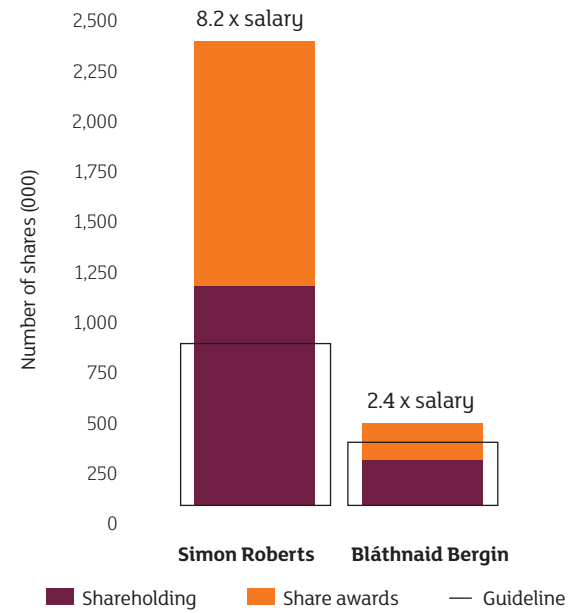


Total remuneration for 2025/26




Shareholding guidelines (audited information)

Simon Roberts was appointed in 2020 and has met his guideline of three times salary.
 Bláthnaid Bergin was appointed at the start of the 2023/24 financial year and has met her guideline of two times salary.



Summary of 2026/27 remuneration

Pay element	Executive Directors	Other colleague groups																								
Salary	<ul style="list-style-type: none"> Chief Executive, Simon Roberts – £1,039,177 effective 24 May 2026 (three per cent salary increase), below the five per cent award agreed for retail hourly paid colleagues Chief Financial Officer, Bláthnaid Bergin – £738,057 effective 24 May 2026 (six per cent salary increase) in recognition of her role in maximising shareholder value through the highly successful winding down of our banking operations, together with the transfer of ongoing financial services into the Sainsbury's business, along with the expansion in her role since her appointment and her significant contribution as CFO 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 	<ul style="list-style-type: none"> Five per cent increase in March 2026 for retail hourly paid colleagues Three per cent increase for management effective 24 May 2026 																								
Benefits	<ul style="list-style-type: none"> Includes colleague discount, life assurance (six times salary), company car cash allowance (or car), private medical cover and group income protection 	<ul style="list-style-type: none"> All colleagues are eligible for colleague discount and life assurance (six times salary if in pension plan or one times if not in a pension or in an auto-enrolled scheme) Eligibility for other benefits is dependent on grade 																								
Retirement benefits	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Participation in a pension plan is offered to all colleagues on a contributory basis, with the Company contribution varying by grade Retail hourly paid colleagues and front-line managers are offered a matching scheme up to 7.5 per cent of salary 																								
Annual bonus	<ul style="list-style-type: none"> Performance is based on profit (50 per cent), retail free cash flow (20 per cent) and strategic scorecard (30 per cent) Bonus paid 50 per cent in cash after the year-end and 50 per cent deferred into shares for two years The maximum awards for 2026/27: <ul style="list-style-type: none"> Simon Roberts – 220 per cent of salary Bláthnaid Bergin – 180 per cent of salary 	<ul style="list-style-type: none"> Retail and central management and central colleagues are eligible for an annual bonus and maximum opportunity varies by grade Annual bonus based on profit, retail free cash flow, customer and personal performance For more senior grades, bonus is part paid in cash, and part in shares deferred for two years 																								
LTIP: 2026 Leaders' Share Award	<ul style="list-style-type: none"> Awards are subject to a three-year performance period followed by a two-year retention period for Executive Directors The performance metrics remain unchanged and are fully aligned to our Next Level Sainsbury's strategy Grant levels for 2026 awards: <ul style="list-style-type: none"> Simon Roberts – 250 per cent of salary Bláthnaid Bergin – 225 per cent of salary <table border="1"> <thead> <tr> <th>Measure</th> <th>Weighting</th> <th>Threshold</th> <th>Maximum</th> </tr> </thead> <tbody> <tr> <td>Underlying basic EPS^{a)}</td> <td>17.5%</td> <td>24.0p</td> <td>30.0p</td> </tr> <tr> <td>Cumulative cost savings</td> <td>17.5%</td> <td>£600m</td> <td>£900m</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>11.0%</td> </tr> <tr> <td>Strategic indicators</td> <td>30%</td> <td></td> <td></td> </tr> </tbody> </table> <p>Based on market share, customer satisfaction, colleague engagement and Plan for Better.</p> <p> Further details set out on pages 98 and 99.</p>	Measure	Weighting	Threshold	Maximum	Underlying basic EPS ^{a)}	17.5%	24.0p	30.0p	Cumulative cost savings	17.5%	£600m	£900m	Cumulative retail free cash flow ^{a)}	17.5%	£1,550m	£1,850m	ROCE ^{a)}	17.5%	9.0%	11.0%	Strategic indicators	30%			<ul style="list-style-type: none"> Top c.185 managers participate in this plan Maximum award varies by grade
Measure	Weighting	Threshold	Maximum																							
Underlying basic EPS ^{a)}	17.5%	24.0p	30.0p																							
Cumulative cost savings	17.5%	£600m	£900m																							
Cumulative retail free cash flow ^{a)}	17.5%	£1,550m	£1,850m																							
ROCE ^{a)}	17.5%	9.0%	11.0%																							
Strategic indicators	30%																									
Shareholding guidelines	<ul style="list-style-type: none"> In-employment guidelines: Chief Executive – three times salary; Chief Financial Officer – two times salary Post-employment guidelines: Executive Directors are required to hold shares equivalent to their in-employment guideline for two years post-departure. This requirement applies only to shares acquired from Company incentive plans 	<ul style="list-style-type: none"> In-employment guidelines apply to Operating Board Directors only 																								
Recovery provisions	<ul style="list-style-type: none"> The Executive Directors' incentive arrangements are subject to malus and clawback 	<ul style="list-style-type: none"> Malus provisions apply for all senior leaders who are eligible for our LTIP 																								

a) These measures are defined in the Alternative Performance Measures section of the Annual Report on pages 203 to 206.

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 UK Corporate Governance Code, the Committee gives consideration to the following:

- **Simplicity and transparency** – performance metrics and targets are reviewed 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** – the Committee ensures our pay practices drive the right behaviours in line with our values and culture
- **Risk mitigation** – performance targets are reviewed annually to ensure they are stretching without encouraging unnecessary risk. The Committee has the ability to adjust incentive outcomes to ensure they accurately reflect performance and believes that this discretion is an important feature and mitigates the risk of unwarranted vesting outcomes. In the event that certain risk events come to light the Committee may operate recovery provisions on all incentive awards
- **Potential outcomes** – When setting the policy for senior executives and when agreeing incentive outcomes, the Committee believes it is important to exercise sound judgement 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 around 140,000 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 for 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. 185 colleagues) also participate in our Long-Term Incentive Plan
- We offer colleague discount in Sainsbury's, Argos, Tu and Habitat. During 2025/26 colleagues saved over £80.5 million on their Sainsbury's shopping – around £444 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. We also offer additional enhanced discount days at key times of celebration e.g. Christmas
- This year we celebrated our Christmas peak period by giving colleagues a £10 voucher towards their festive shopping, at a cost of over £1.2 million

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. 98,000 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 16,000 colleagues participate in our Sharesave plans, representing an uptake rate of 17 per cent
- Colleagues can also buy shares through the Sainsbury's Share Purchase Plan (SSPP)

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 2025/26 we issued over 428,000 recognition rewards worth over £3.1 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. We have established a forward-thinking Early Careers portfolio, which includes apprenticeships, graduate schemes, school leaver pathways, and opportunities for returners or those changing careers all designed to meet Sainsbury's talent needs. In 2025/26 we have supported colleague development through a range of interventions including our flagship leadership development programme and coaching, finance fast start, code first girls, negotiation skills programmes and the retail trainee manager programme
- Our Wellbeing agenda is sponsored by Tracey Clements, our Chief Retail, Logistics and Supply Chain Officer, emphasising that colleagues' wellbeing including mental health, financial stability and physical wellbeing are at the core of the support we offer. We offer a range of support mechanisms, including self-serve wellbeing resources, manager training, an Employee Assistance Programme and peer to peer support through our Wellbeing Champion network

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 25 of the Annual Report
- Our 'Make It Better Together' groups operate at store, regional and national levels, giving colleagues access to leaders at all levels. This rolls 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. Colleagues are also invited to join 'In conversation with Simon' sessions, an opportunity for a two way dialogue with the Chief Executive. Each member of our Operating Board holds listening sessions with retail and SSC colleagues, connecting the leadership team with the everyday experience of colleagues and helping to improve decision-making
- 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 2025 and the next one is in June 2026
- 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 198:1. 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 2025 mean gender pay gap is 6.6 per cent (reduced from 7.5 per cent in 2024). Our median gender pay gap has increased from 6.1 per cent to 6.5 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 2025 mean ethnicity pay gap is negative and has changed to -3.3 per cent from -3.4 per cent and our median ethnicity pay gap to -6.0 per cent from -5.8 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 building inclusive leadership across the company and improving diverse representation at all levels of the business. We continue to pursue the stretching ambition of achieving 50 per cent gender representation and 15 per cent ethnically diverse representation at senior levels by 2028

Remuneration Policy

Directors' Remuneration Policy

The following section sets out our Directors' Remuneration Policy. This Policy is subject to a binding shareholder vote at the AGM on 2 July 2026 and, if approved, will be effective from this date.

In determining the new Remuneration Policy the Committee followed a robust process which included discussions on the content of the Policy at the Remuneration Committee meetings during the year to ensure it remains fit for purpose. The Committee considered input from management and our independent advisers while ensuring that conflicts of interest were suitably mitigated. The Committee also took into account best practice and guidance from major shareholders.

Consideration of shareholder views

The Remuneration Committee values the views of the Company's shareholders and guidance from shareholder representative bodies. The Committee proactively consults extensively with our major shareholders to ensure that their views are represented in discussions on remuneration matters. In early 2026, the Committee consulted with our major shareholders on the proposed updates to the Remuneration Policy, with responses to the proposals being overwhelmingly positive. As part of the review of the Remuneration Policy the Committee considered the latest proxy voting guidelines and guidance from major investors.

Policy table for Executive Directors

The table below summarises each element of the policy for Executive Directors, with further details set out after the table.

Base salary	
Purpose and link to strategy	Core element of remuneration used to attract and retain executives who can deliver our strategic objectives.
Operation	Typically reviewed annually with increases normally taking effect in May. Consideration is given to a number of internal and external factors including business and individual performance, role, responsibilities, scope, market positioning, inflation and colleague pay increases.
Opportunity	Salary increases (in percentage of salary terms) for Executive Directors will normally be within the range of those for the wider workforce. There is no maximum salary opportunity. Where the Committee considers it necessary and appropriate, larger increases may be awarded in individual circumstances such as: <ul style="list-style-type: none"> • A change in scope or responsibility; • If a new Executive Director is appointed at a lower rate and the salary is realigned over time as the individual gains experience in the role; or • Alignment to market level.
Benefits	
Purpose and link to strategy	Competitive benefits to assist in attracting and retaining executives.
Operation	A range of benefits may be provided including, but not limited to, colleague discount, car allowance (or company car), private medical cover and health screening, life assurance, group income protection and all-employee share plan participation. The Committee keeps the benefits offered, the policies and the levels provided under regular review.
Opportunity	The value of benefits provided will be reasonable in the context of relevant market practice for comparable roles and taking into account any individual circumstances (e.g. relocation). There is no maximum monetary value. Participation in any HMRC-approved all-employee share plan is limited to the maximum award levels permitted by the relevant legislation.

Changes to the Remuneration Policy

The Remuneration Policy was last approved at the 2023 AGM, and an updated Policy will be presented at the 2026 AGM.

Following an extensive review, the Committee determined that overall the 2023 Policy continues to work well. However, as noted in the Remuneration Committee Chair's statement, we have made two minor amendments which will give the Committee greater flexibility over the three-year life of the Policy. These changes are designed to future proof our Policy by enabling us to respond to the strategic needs of the business and emerging trends in the hyper-competitive talent market that continues to apply in the food retail sector.

The two changes are as follows:

- The introduction of flexibility to reduce (but not remove entirely) mandatory bonus deferral requirements for executives who have met their shareholding guidelines.
- An increase to the maximum Long-Term Incentive Plan award that can be made to provide additional headroom of 50 per cent of salary for the LTIP (i.e. awards of up to 300 per cent of salary).

Remuneration Policy continued

Policy Table for Executive Directors continued

Retirement benefits	
Purpose and link to strategy	Provides an income following retirement and assists colleagues in building funds for their future.
Operation	Participation in a defined contribution plan and/or a cash salary supplement.
Opportunity	For Executive Directors, the value of any pension and/or cash supplement provided will be in line with the rate available to the majority of the workforce (currently 7.5 per cent of salary per annum).
Annual bonus	
Purpose and link to strategy	Rewards performance on an annual basis against key financial, operational and individual objectives, as well as strategic priorities. Awards partially delivered in shares to provide further alignment with shareholders.
Operation	<p>Performance measured over the financial year.</p> <p>Bonus level determined by the Committee after the year-end based on performance against targets.</p> <p>Normally 50 per cent of the total bonus is paid in cash, with the balance deferred into shares for a period of two years. The Committee can reduce the proportion of the bonus that is deferred into shares once the shareholding guideline has been met. Some element of bonus deferral will remain.</p> <p>Dividend equivalents may accrue during the vesting period on the deferred bonus shares.</p> <p>Measures and targets are reviewed annually.</p> <p>Recovery provisions (i.e. malus and clawback) apply.</p>
Opportunity	Maximum opportunity of up to 250 per cent of salary per annum.
Performance details	<p>Based on a combination of financial (e.g. profit), operational and individual metrics.</p> <p>The detail of the measures, targets and weightings may be varied by the Committee year-on-year based on the Company's strategic goals. At least half of any award will be subject to financial measures. The level of threshold payment for performance varies depending on the performance measurement with payouts from zero per cent. Full payout requires outperformance of stretch objectives.</p>

Remuneration Policy continued

Long-Term Incentive Plan (“LTIP”) – Leaders’ Share Award

Purpose and link to strategy	Recognises and rewards for delivery of Company performance and shareholder value over the longer term. Share-based to provide greater alignment with shareholder interests.
Operation	<p>Awards of conditional share awards (or equivalent) with vesting dependent on performance measured over a period of at least three financial years.</p> <p>Awards will normally be subject to a retention period following the end of the performance period which means awards will be released after five years.</p> <p>The Committee reviews the metrics, targets and weightings prior to each grant to ensure that they remain appropriate. Recovery provisions (i.e. malus and clawback) apply.</p> <p>Dividend equivalents may accrue, to the extent awards vest.</p>
Opportunity	Maximum award of up to 300 per cent of salary per annum in respect of any financial year. Award levels for 2026/27 are set out on page 98.
Performance details	<p>Based on a combination of financial and strategic measures appropriate within the context of the Company strategy and external environment over the relevant performance period. For achievements at threshold levels of performance, up to 25 per cent of maximum will normally vest under each element.</p> <p>Prior to granting awards, the Committee will review the performance conditions and may opt to vary the metrics and weightings to ensure measures and targets remain aligned with its objectives. For awards granted in 2026/27, 70 per cent of the award is subject to financial measures. The Committee would seek to consult as appropriate with its major shareholders regarding any material changes.</p>

Shareholding guidelines

Purpose and link to strategy	Alignment of Executive Directors’ interests with those of shareholders.
Operation	<p>The in-employment guidelines are to build and maintain a shareholding equal to three times salary for the Chief Executive and two times salary for other Executive Directors.</p> <p>Executive Directors are normally expected 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).</p> <p>Executive Directors will normally 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.</p>

Remuneration Policy continued

Setting performance measures and targets

The Committee believes it is important that the performance conditions applying to incentive arrangements are aligned with the short and long-term objectives of the Company, while supporting the Company's purpose, culture, values and risk profile. We operate in a dynamic market with evolving challenges and the Committee reviews the performance measures and targets each year to ensure that they remain relevant and stretching.

 Further details of the performance measures are set out in the **Annual Report on Remuneration**.

The performance measures in the annual bonus are selected as they are the key drivers of business performance. The targets for the annual bonus are set with reference to the corporate strategy and internal budgets as well as the external context (e.g. market forecasts). This approach seeks to ensure that the threshold and stretch targets are appropriately challenging.

The LTIP performance measures focus on the delivery of long-term strategic priorities and returns to shareholders. Target setting follows a similar approach to that used for the annual bonus.

The Committee may vary or rebalance the weighting of the performance metrics for future annual bonus and LTIP awards, in order to ensure that they remain aligned with the Company's strategic objectives.

The Committee retains the ability to adjust incentive outcomes to ensure that they remain reflective of underlying financial and non-financial performance of participants or the Group or where the formulaic outcome is not appropriate in the context of circumstances that were unexpected or unforeseen when the targets were set. The Committee may also adjust the targets for awards or the calculation of performance measures and vesting outcomes for events not foreseen at the time the targets were set to ensure they remain a fair reflection of performance over the relevant period. When making such judgements, the Committee may take into account all such factors deemed relevant.

Recovery provisions (malus and clawback) – preventing rewards for failure

The Remuneration Committee may operate recovery provisions (malus and clawback) on all incentive awards. The Committee may reduce or cancel, or impose further conditions on an unvested award in the event of material mis-statement of financial results, serious reputational damage, serious misconduct, fraud, or other cases of extreme failure where the Committee considers such adjustment to be warranted.

In addition, in the circumstances outlined above, the Committee may claw back 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.

Consideration of colleague pay and conditions

When considering remuneration arrangements for Executive Directors, the Committee takes into account, as a matter of course, the pay and conditions of colleagues throughout the Company.

In particular, the Committee receives regular updates on pay, incentives and benefits across the business as well as updates on any major changes to the pay of colleagues. The Committee takes into account the wider pay context, including the overall salary increase budget for management, the increase in rate of pay for hourly paid colleagues and the Chief Executive pay ratio.

The Board receives regular updates on the views of colleagues via our annual and mini 'We're Listening' engagement surveys, Leader Listening programme and national 'Make It Better Together' group (our Workforce Advisory Panel). In addition, Non-Executive Directors regularly engage with the 'Make It Better Together' group on executive pay giving colleagues the opportunity to share their views and opinions.

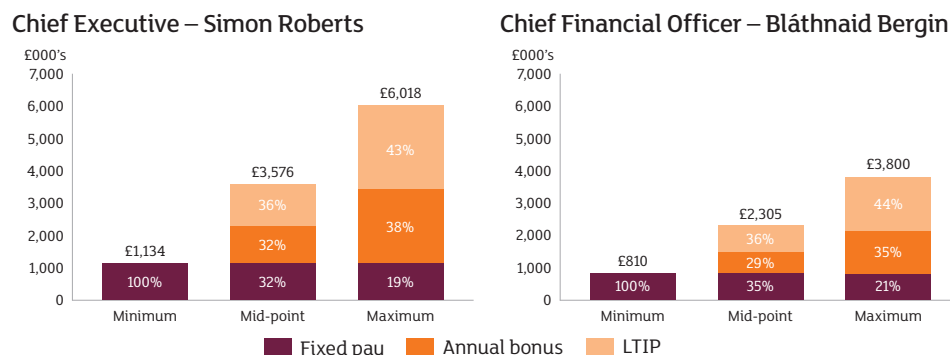
The Company operates all-employee share plans which support colleagues to become shareholders in the Company; these colleagues can then comment on the policy in the same way as other shareholders.

Remuneration Policy continued

Potential total remuneration opportunity under our pay policy

The Committee believes it is important that a significant portion of the package for Executive Directors is performance related and delivered in shares to align their interests with shareholders. The balance between fixed pay (base salary, pension and benefits) and variable pay (annual bonus and LTIP) changes with performance. The variable proportion of total remuneration increases significantly for increased levels of performance. At least 60 per cent of the package is delivered through variable pay at mid-point performance and this proportion increases to at least three-quarters of the package at maximum levels of performance.

The charts below show the total remuneration potential of the Executive Directors, in accordance with the intended implementation of the Remuneration Policy for 2026/27, under three performance scenarios.



	Opportunity	Minimum	Mid-point	Maximum
Fixed pay		Salary – Simon Roberts £1,039,177; Bláthnaid Bergin £738,057 Benefits – car allowance and private healthcare (in line with 2026/27 actuals) Pension – 7.5% of salary		
Annual bonus	Simon Roberts – 220% of salary Bláthnaid Bergin – 180% of salary	Nil	50% of maximum	100% of maximum
LTIP/Leaders' Share Award	Simon Roberts – 250% of salary Bláthnaid Bergin – 225% of salary	Nil	50% of maximum	100% of maximum

Impact of share price

As LTIP awards are granted in shares, the value can vary significantly depending on the movement of the share price over the relevant vesting and retention period. For example, if the share price increased by 50 per cent over the relevant vesting and retention period, the maximum values shown in the charts above would increase to £7.3 million for Simon Roberts and £4.6 million for Bláthnaid Bergin. Similarly, if the share price was to fall by 50 per cent, the maximum values shown in the charts above would reduce to £4.7 million for Simon Roberts and £3.0 million for Bláthnaid Bergin.

Our approach to recruitment

The Committee believes it is vital to be able to attract and recruit leaders of the calibre required to deliver our strategic objectives, while remaining mindful of the cost to the Company. When determining remuneration arrangements for new appointments, the Committee intends to pay no more than it believes is necessary to secure the required talent. The Committee will seek to align the remuneration package with the approved Remuneration Policy.

Fixed Pay	Salary and benefits (including retirement benefits) would be determined in accordance with the Policy Table. An alternative package may also be necessary where an individual fulfils an executive role on an interim basis. In certain cases, the initial salary for a new appointment may be set at a lower level, with the intention of increasing the salary over time as the executive gains experience in the role. Benefits may need to be tailored based on the individual circumstances (e.g. relocation, housing or travel allowances may be required).
Variable pay	The maximum variable remuneration which may be offered to an executive will be no more than 550 per cent of salary (excluding any buy out arrangements). This limit is consistent with the overall maximum set out in the Policy table. Within these limits and where appropriate the Committee may tailor the award (e.g. timeframe, form, performance criteria) based on the commercial circumstances. Shareholders will be informed of the terms for any such arrangements.
Buy outs	The Committee may need to buy out remuneration terms forfeited on joining the Company. In such circumstances, the Committee will seek to ensure any buy out is of comparable commercial value and capped as appropriate. The quantum, form and structure of any buy out arrangement will be determined by the Committee taking into account the terms of the previous arrangement being forfeited (e.g. form and structure of award, timeframe, performance criteria, likelihood of vesting, etc.). The buy out may be structured as an award of cash or shares. However, the Committee will normally have a preference for replacement awards to be made in the form of shares and to be within the Company's existing incentive plans. Where an executive is appointed from either within the Company or following corporate activity/reorganisation (e.g. acquisition of another company), the normal policy would be to honour any legacy arrangements in line with the original terms and conditions.

Remuneration Policy continued

Service contracts and policy for departing Executive Directors

The Company's policy is for Executive Directors' service contracts to be terminable on 12 months' notice by either party.

Contracts contain non-compete and non-solicit clauses with key suppliers and colleagues. The Company's normal practice is that Executive Directors may take up one non-executive role outside the Company, with approval from the Board, subject to the role being in a business that does not compete with the Company and with consideration of the time commitment. Directors are normally entitled to retain the fees earned from such appointments.

In the event of early termination without notice, any severance payment would be limited to one year's salary and benefits (including pension), normally payable on a phased basis and subject to mitigation. Benefits payable may include certain one-off benefits in connection with termination such as legal costs and the costs of meeting any settlement agreement.

There are no specific terms in service contracts relating to a change of control.

The Executive Directors' service contracts are available for shareholders to view at the Company's registered office.

The Committee retains discretion to determine the exact termination terms of any Executive Director, having regard to all the relevant facts and circumstances available to them at the time. The table opposite sets out the general position and range of approaches in respect of incentive arrangements. In accordance with the terms of the relevant incentive plan rules, based on the circumstances of any departure the Committee has discretion to determine how an Executive Director should be categorised for each element and determine vesting levels accordingly based on the range shown.

	'Bad Leaver' (e.g. termination for cause, etc.)	'Good Leaver' (e.g. cessation due to ill health, etc.)
Annual bonus	No entitlement following date notice served. Any unvested bonus shares lapse on cessation.	Bonus may be payable subject to performance. Awards are normally pro-rated based on the period worked during the financial year, with payments usually occurring following the year-end. Any unvested bonus shares will normally vest in full, unless the Committee determines otherwise. Awards normally vest at the standard time, unless the Committee determines that awards should vest on an earlier date. On death, unvested awards will be released and vest in full.
Long-Term Incentive Plan	Unvested awards will lapse on notice.	Unvested awards normally vest at the normal time subject to performance. Awards normally will be pro-rated by reference to the proportion of the performance period that has elapsed since cessation, unless the Committee determines otherwise. Awards normally will remain subject to any applicable retention period. On death, awards vest early on cessation with performance measured at this time. Awards are pro-rated by reference to the proportion of the performance period that has elapsed at cessation. If the Director leaves in the first six months after the start of the performance period, the award normally lapses in full.
All-employee share plans	In line with HMRC rules.	

Remuneration Policy continued

Detailed provisions

All share awards are subject to the terms of the relevant plan rules under which the award has been granted. Since 2025 share awards are normally granted under the LTIP rules approved by shareholders at the 2024 AGM. The Committee may adjust or amend awards only in accordance with the provisions of the relevant plan rules. This includes making adjustments to awards to reflect one-off corporate events, such as a change in the Company's capital structure. In accordance with the plan rules, awards may be settled in cash rather than shares, where the Committee considers this appropriate.

On a change of control, bonus share awards would be released or vest in full. LTIP awards may vest taking account of relevant factors including progress against relevant performance conditions and may be pro-rated based on time.

In the event of a demerger or other significant distribution, share awards may be allowed to vest wholly or in part. A winding up, administration or a voluntary arrangement event would result in bonus share awards being released or vesting in full and LTIP awards would normally vest subject to achievement of the relevant performance conditions on the same time pro-rated basis as above.

In similar corporate events, awards under HMRC-approved all-employee plans would vest in accordance with the standard approved terms.

The Committee may approve payments to satisfy commitments agreed prior to the implementation of this Policy where such commitment was either: (i) made prior to the implementation of the 2014 Remuneration Policy; or (ii) agreed during the term of, and was consistent with, the Remuneration Policy in force at the time. This includes previous incentive awards that are currently outstanding and unvested. The structure of these legacy awards is generally consistent with the Policy Table but the performance conditions applying may be different.

The Committee may also approve payments outside of this policy, in order to satisfy any legacy arrangements made to a colleague prior to (and not in contemplation of) promotion to the Board of Directors. This policy applies equally to any individual who is required to be treated as a Director under the applicable regulations.

The Committee may make minor amendments to the Remuneration Policy to aid its operation or implementation without seeking shareholder approvals (e.g. for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) provided that any such change is not to the material advantage of colleagues.

Remuneration Policy for the Non-Executive Chair and Non-Executive Directors

The remuneration of the Non-Executive Chair is determined by the Remuneration Committee and the remuneration of the Non-Executive Directors by the Non-Executive Chair and Executive Directors. The Non-Executive Chair and Non-Executive Directors receive fees and may be eligible for certain benefits. Non-Executive roles are not entitled to any performance-related pay or pension.

The Non-Executive Chair and Non-Executive Directors do not have service contracts. The Company's policy is to appoint the Non-Executive Chair and Non-Executive Directors 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 serving three months' written notice by either party and six months' in the case of the Non-Executive Chair. The Non-Executive Directors' letters of appointment are available for shareholders to view at the Company's registered office.

Non-Executive Director Remuneration Policy

Approach to setting remuneration	<p>The fees for Non-Executive Directors are set at a level which is considered appropriate to attract individuals with the necessary experience and ability to oversee the business. Fees may be paid in cash or shares.</p> <p>Typically reviewed annually in May.</p> <p>Judgement is used but consideration is given to a number of internal and external factors including responsibilities, market positioning, inflation and colleague pay increases.</p> <p>Where appropriate benefits may be provided such as colleague discount, private medical cover and annual medical assessment.</p> <p>Travel and other reasonable expenses (including any associated taxes) incurred in the course of performing their duties are reimbursed to Non-Executive Directors.</p>
Opportunity	<p>Fee opportunity reflects responsibility and time commitment.</p> <p>Additional fees are paid for additional time commitments or for further responsibilities such as chairing Committees.</p> <p>The value of benefits provided will be reasonable in the market context and take account of the individual circumstances and benefits provided in comparable roles.</p>

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 28 February 2026, together with comparative figures for the 52 weeks to 1 March 2025.

	Notes	Simon Roberts £000		Bláthnaid Bergin £000	
		2025/26	2024/25	2025/26	2024/25
Base salary		1,002	971	692	670
Benefits	a)	20	19	18	19
Pension	b)	75	73	52	50
Total fixed pay		1,097	1,063	762	739
Annual bonus	c)	1,907	1,948	1,077	1,100
Long-Term Incentive Plan	d)	2,427	2,168	1,508	424
Total variable pay		4,334	4,116	2,585	1,524
Total		5,431	5,179	3,347	2,263

- a) Benefits include a combination of cash and non-cash benefits, valued at the taxable value. For 2025/26, benefits for Executive Directors included a cash car allowance (£15,250), private medical cover and taxable expenses. Executive Directors are also entitled to group income protection cover, life assurance and colleague discount.
- b) 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.
- c) 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. No further performance conditions apply to the Bonus Share Award. In 2024/25, a further £170,866 of Simon Roberts' cash bonus was deferred into shares which vested on 19 December 2025 at the point that bank capital was returned to shareholders.
- d) 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.

The LTIP figures include accrued dividend equivalent shares over the performance period. The 2025/26 values are based on the average share price over the fourth quarter for 2025/26 of £3.291. The 2023 Leaders' Share Award is the first Long-Term Incentive Plan granted to Bláthnaid Bergin following her appointment to Chief Financial Officer. The 2025/26 values shown above include the share price growth since grant: +£351k for Simon Roberts and +£218k for Bláthnaid Bergin.

The 2024/25 LTIP figure has been updated from the fourth quarter average share price to the actual share price on the vesting date of 22 April 2025 (£2.626). Bláthnaid Bergin's 2024/25 LTIP vesting related to an award granted prior to her appointment as an Executive Director in March 2023, so was not subject to the two-year retention period. In the interests of transparency the full value has been included in the single figure table.

Annual bonus for 2025/26 (audited information)

For 2025/26 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 2025/26 were profit (50 per cent), retail free cash flow (20 per cent) and a strategic scorecard (30 per cent comprising colleague, customer and individual objectives, each being ten per cent).

After the end of the financial year the Remuneration Committee undertook a review of performance to determine annual bonus outcomes for Simon Roberts and Bláthnaid Bergin. As detailed below, the Committee identified that a bonus was payable to the Executive Directors. As in prior years, the Remuneration Committee has sought to take a measured and rounded approach to performance assessment when determining incentive outcomes to ensure that they are fair and proportionate.

The following table summarises the final outcomes for the Executive Directors.

	Outcome (% of overall maximum)	Simon Roberts £000	Outcome (% of overall maximum)	Bláthnaid Bergin £000
Profit	37.5%	827	37.5%	467
Retail free cash flow	20%	441	20%	249
Strategic scorecard	29%	639	29%	361
Total	86.5%	1,907	86.5%	1,077

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)}	950	1,000	1,050	1,025

- a) Underlying Retail Operating Profit. This measure is defined in the Alternative Performance Measures section of the Annual Report on pages 203 to 206.

Retail free cash flow performance

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	560	574

- a) These measures are defined in the Alternative Performance Measures section of the Annual Report on pages 203 to 206.
- b) For 2025/26 there was no payout for retail free cash flow performance below target.

Annual report on remuneration continued

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 nine per cent (out of ten per cent) for the customer element, ten per cent (out of ten per cent) for the colleague element and ten per cent (out of a possible ten per cent) for performance against their individual strategic objectives. This results in a strategic scorecard outturn of 29 (out of a possible 30 per cent) for both Simon Roberts and Bláthnaid Bergin.

Shared objectives

Customer Grew volume share in a challenging market, achieving a new high point and reaching our highest share in ten years. Continued growth in primary customers, building on our progress from the last 4 years. We have maintained the strength of our competitive price position. Customers continue to trade up to *Taste the Difference* products, with sales exceeding the £2 billion target set for the year.

Whilst there is still more to do, over the last year we have grown customer satisfaction vs. the high 2024/25 base, with year-on-year growth across availability, range and value for money. Delivered significant improvements in colleague helpfulness and consistent improvements across Grocery Online.

Colleague Colleague engagement remains high despite ongoing business change activity which has impacted colleagues. In our February 2026 We're Listening Mini survey, we matched our highest ever 'happiness' score. Our aim has been consistently to build inclusive leadership across the Company and improve diverse representation at all levels and we continue to focus on building a talent pipeline to support our ambition. Again this year, we were the first UK supermarket to announce an above inflation pay increase for our hourly paid colleagues. We have continued to invest to improve colleague safety and enhance loss prevention measures, making the protection of our colleagues a priority.

Both Executive Directors continue to advocate for diverse representation within the business and externally. During the year, Simon spoke at the Diversity in Retail Inclusion Summit, where he is a member of the Advisory Board, as well as speaking at Diversity in Grocery's DIG Live event. Bláthnaid is our Executive Sponsor for Disability and meets regularly with our internal network group and has participated in work to drive better accessibility for our customers. Bláthnaid was the keynote speaker for International Women's Day in 2025/26.

Simon Roberts

Bláthnaid Bergin

Shared objectives

Worked in partnership with the Operating Board to drive our 2025/26 financial plan to deliver strong performance across Next Level strategic outcomes and plan commitments, achieving underlying retail operating profit, retail free cash flow and annual savings ahead of target, whilst balancing customer value and service, expanding food space and delivering market leading shareholder returns.

Put in place a fully dedicated Managing Director and management team to accelerate the turnaround of Argos and deliver sustained improvement in financial and customer performance.

Director-specific

Delivered further improvements in the consistency of our quality, value and service for customers and continued to take grocery volume market share, growing share by +0.13% pts year-on-year in a challenging market.

Returned £816 million of cash to shareholders in 2025/26 (£316 million ordinary dividends, £250 million share buyback, £250 million special dividend).

Drove our new store opening and space conversion plans to deliver expectations for both customers and shareholders, opening ten new supermarkets and 33 convenience stores. Invested in 70 of our highest potential stores through our More for More programme.

Harnessed and drove new leadership accountabilities across the business.

Delivered a successful dry run and embedded the new Control Framework across the business in readiness for compliance with the new Corporate Governance Code.

Continued transformation of the banking business, executed well ahead of budget and expected timelines. Developed a streamlined operating model for Sainsbury's Financial Services going forward.

Delivered the triennial valuation of the pension scheme, achieving a positive outcome for the Company and employees, whilst ensuring the scheme remains fully funded.

All aspects of the new debt reporting requirements have been embedded in finance, credit ratings have been maintained and remain stable and bond spreads have tightened.

Annual report on remuneration continued

2023 Leaders' Share Award (2023/24 to 2025/26 performance period) (audited information)

The 2023 Long-Term Incentive Plan is known as the 2023 Leaders' Share Award.

Awards were granted under the rules of the J Sainsbury plc 2016 Long-Term Incentive Plan. The 2023 Leaders' Share Award vested 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 was above the stretch target, ROCE and cost reduction performance between target and stretch, with EPS between threshold and target. Market share was at stretch, alongside a strong colleague engagement performance, towards the top of the range. The customer element was at the stretch target, reflecting the strong progress that we have made in the three years since the targets were set.

Despite progress across our Plan for Better commitments, the stretching Scope 1 and plastics reduction targets set for the 2023 Leaders' Share Award were not achieved. For Scope 3, our original LTIP target was based on the WWF retailer requirements, which set out that retailers should report on emissions covered by suppliers with near-term and long-term (i.e. net zero) 1.5 degree SBTi targets. WWF has subsequently updated its retailer requirements allowing reporting on emissions covered by suppliers who have 1.5 degree SBTi near-term targets only. This change acknowledges that suppliers may have clear near-term reduction plans but committing to a long-term target is challenging as the breadth of dependencies involved makes it difficult to establish full confidence in a 2050 roadmap at this stage. We have been working with our suppliers in alignment with this change, achieving a result of 51.6 per cent of emissions covered by suppliers with any 1.5 degree SBTi targets (near term or net zero) approved by the end of 2025/26. Assessing our performance on this basis, the Committee determined that the threshold outturn had been achieved for this element. This results in an overall outturn under the Plan for Better element of 10.7 per cent of maximum.

Taking account of all eight metrics, this results in a performance outturn of 72.5 per cent of the maximum for the 2023 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 Executive Directors.

Metric	Weighting	Threshold target (25% of element vests)	Maximum target (100% of element vests)	Outcome	% of maximum achieved
Cumulative retail free cash flow ^{a)}	20%	£1,350m	£1,650m	£1,744m	100.0%
ROCE ^{a)}	20%	7%	10%	8.9%	72.5%
EPS ^{a)}	20%	20p	27p	22.3p	49.6%
Cost reduction	20%	£750m	£1,250m	£1,027m	66.6%
Market share	5%	11.74%	12.17%	12.90%	100.0%
Customer	5%	0bps	200bps	200bps	100.0%
Colleague	5%	-1 vs 2022 score	+4 vs 2022 score	+3 vs 2022 score	85.0%
Plan for Better	5%		See below	See below	10.7%
	Scope 1 – GHG emissions	354,971 tCO ₂ e	308,539 tCO ₂ e	441,017 tCO ₂ e	
	Scope 3 – suppliers with SBTi 1.5 degree net zero target approved	50% of emissions	80% of emissions	51.6% (suppliers with any 1.5 degree SBTi target)	
	Own brand plastic packaging reduction	52,379 tonnes	34,920 tonnes	57,305 tonnes	
<i>Performance gateway</i>	<i>The Remuneration Committee must be satisfied that the Company's underlying performance over the period justifies the level of vesting</i>				<i>Achieved</i>
					Total 72.5% (out of a maximum of 100%)

a) These measures are defined in the Alternative Performance Measures section of the Annual Report on pages 203 to 206.

Recovery provisions

The Remuneration Committee may operate recovery provisions (malus and clawback) on all incentive awards. The Committee may reduce or cancel an unvested award, or impose further conditions on an unvested award in the event of material mis-statement of financial results, serious reputational damage, serious misconduct, fraud, or other cases of extreme failure where the Committee considers such adjustment to be warranted.

In addition, in the circumstances outlined above, the Committee may clawback incentives, by requiring an Executive Director to make a repayment in relation to bonus payments and share awards. This provision would apply for up to two years following the end of the relevant performance period. A two-year clawback period was considered appropriate in light of the risk profile of the business and standard market practice.

No recovery provisions were applied during the last financial year.

Annual report on remuneration continued

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	2025 Leaders' Share Award ^{a)}	250% of salary	£2,522,275	25% of each element	879,454	26 February 2028
	Bonus Share Award ^{b)}	50% of bonus award	£973,936	N/A	339,587	N/A
	Bank Share Award ^{c)}	N/A	£170,864	N/A	59,576	N/A
Bláthnaid Bergin	2025 Leaders' Share Award ^{a)}	225% of salary	£1,566,630	25% of each element	546,244	26 February 2028
	Bonus Share Award ^{b)}	50% of bonus award	£550,000	N/A	191,748	N/A

- a) The performance conditions applying to the 2025 Leaders' Share Award are set out in the 2025 Annual report on remuneration. The basis of award shows the maximum value. The award was made on 30 May 2025 and the number of shares has been calculated using the average share price between 22 May and 29 May 2025 of £2.868. Subject to performance, the award will vest in May 2028 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 30 May 2025, this is the mandatorily deferred portion of the 2024/25 bonus. Simon Roberts received a bonus of 91 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 91 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 22 May and 29 May 2025 of £2.868. No further performance conditions apply. The Bonus Share Awards will be released in March/April 2027.
- c) This award was made in respect of the additional element of Simon Roberts' 2024/25 cash bonus that was deferred into shares, which vested on the return of bank capital to shareholders on 19 December 2025.

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 2025/26 financial year.

	Ordinary shares ^{a)}			Bonus Share Awards ^{c)}	Scheme interests ^{b)}			SAVE
	1 March 2025	28 February 2026	22 April 2026		LTIP awards with performance period completed ^{d)}	LTIP awards with performance period outstanding ^{e)}		
Simon Roberts ^{f)}	941,338	1,104,029	1,104,029	709,352	1,618,745	2,623,772	0	
Bláthnaid Bergin ^{g)}	348,397	255,092	255,092	398,193	0	1,690,528	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 Plan awards are structured as nil-cost options.
- c) Relates to 2024 and 2025 Bonus Share Awards.
- d) Relates to 2021 Win in Food award and 2022 Leaders' Share Award (vested but unexercised). Notional dividends are added for LTIP awards where the performance period has ended.
- e) Relates to 2023 Leaders' Share Award, 2024 Next Level incentive plan and 2025 Leaders' Share Award (all expressed at the maximum) where the performance period has not ended. As noted above, following the year-end, the 2023 Leaders' Share Award will vest at 72.5 per cent of maximum.
- f) On 24 April 2025, Simon Roberts exercised 341,887 shares under his 2023 Bonus Share Award at a share price of £2.599, achieving a notional gain of £888k. On 14 May 2025, he exercised 994,658 shares under his Future Builder 2020 Part 1 and 2 awards at a share price of £2.769, achieving a notional gain of £2,754k. On 12 January 2026, he exercised 64,423 shares under his Bank Share Award at a share price of £3.077, achieving a notional gain of £198k.
- g) On 24 April 2025, Bláthnaid Bergin exercised 87,528 shares under her 2023 Bonus Share Award at a share price of £2.599, achieving a notional gain of £227k. On the same date, she exercised 161,398 shares under her 2022 Leaders' Share Award at a share price of £2.599, achieving a notional gain of £419k.

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 36.0 million shares (2025: 39.3 million) held by the Trustees.

Annual report on remuneration continued

Remuneration in 2026/27

Details of the salary increases, pension opportunity and annual bonus and LTIP awards (including a summary of the performance measures and relative weightings, are provided on page 84.

Annual bonus

The annual bonus for 2026/27 will operate on the same basis as 2025/26.

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.

2026 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 2026 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 2026 awards as shown in the table.

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.

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%	£600m	£900m
Cumulative retail free cash flow ^{a)}	17.5%	£1,550m	£1,850m
ROCE ^{a)}	17.5%	9.0%	11.0%
<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	94bps improvement against Company CSAT score
Colleague engagement	7.5%	-4 vs 2025 score	+1 vs 2025 score
Plan for Better	7.5%		
Scope 1		399,332 tCO ₂ e absolute GHG emissions	326,726 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 203 to 206.

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

2026 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 uses 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 (%)

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 28 February 2026 for each Non-Executive Director, together with comparative figures for the 52 weeks to 1 March 2025.

	2025/26			2024/25		
	Fees ^{a)} £000	Benefits ^{b)} £000	Total £000	Fees ^{a)} £000	Benefits ^{b)} £000	Total £000
Martin Scicluna	550	0	550	533	0	533
Jo Bertram	78	0	78	76	0	76
Katie Bickerstaffe	52	0	52	N/A	N/A	N/A
Brian Cassin ^{c)}	34	1	35	97	0	97
Steve Hare	52	0	52	N/A	N/A	N/A
Jo Harlow	100	2	102	97	0	97
Adrian Hennah	114	0	114	97	0	97
Tanuj Kapilashrami	78	0	78	76	0	76
Keith Weed	100	6	106	97	7	104

a) Paid in relation to the year. Fees were set on 26 May 2024 and 25 May 2025.

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) Brian Cassin stepped down from the Board on 3 July 2025.

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 Chair fee increased to £553,719 and the base fee for Non-Executive Directors increased to £78,697. Senior Independent Director and Committee Chair fees increased from £21,091 to £21,724. The new fee levels were effective from 25 May 2025.

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.



More information can be found in the **Alternative performance measures** section of the Annual Report on pages 203 to 206

Annual report on remuneration continued

Non-Executive Director remuneration continued

Chair and Non-Executive Director fees for 2026/27

In 2026 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 24 May 2026.

	Fees effective from 24 May 2026
Chair	£570,331
Base fee	£81,058
Senior Independent Director fee (additional)	£22,376
Chair of Remuneration Committee fee (additional)	£22,376
Chair of Audit Committee fee (additional)	£22,376
Chair of Corporate Responsibility and Sustainability Committee fee (additional)	£22,376

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)}		
	1 March 2025	28 February 2026	22 April 2026
Martin Scicluna	15,000	15,000	15,000
Jo Bertram	8,000	8,000	8,000
Katie Bickerstaffe ^{b)}	N/A	24,370	24,370
Brian Cassin ^{c)}	25,000	N/A	N/A
Steve Hare ^{b)}	N/A	3,000	3,000
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.

b) Steve Hare and Katie Bickerstaffe joined the Board on 3 July 2025.

c) Brian Cassin stepped down from the Board on 3 July 2025.

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 94 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 colleague earning a London rate of pay and the 75th percentile colleague earning an additional unsociable hours premium.

The Chief Executive's total remuneration comprises a significant proportion of variable pay which will change each year depending on incentive outcomes.

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
2025/26	Option B ^{a)}	219:1	198:1	197:1

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 2025 gender pay gap data. In line with the regulations, our 2025 gender pay gap data identifies employees using a snapshot date of 5 April 2025. 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 for the period 2 March 2025 to 28 February 2026.

Financial year	Remuneration	Chief Executive	25th percentile pay ratio (lower quartile)	50th percentile pay ratio (median)	75th percentile pay ratio (upper quartile)
2025/26	Base salary	£1,002,000	£24,079	£26,467	£26,627
	Total remuneration	£5,431,000	£24,836	£27,415	£27,546

The Remuneration Committee considers pay ratios as one of many reference points when reviewing executive remuneration and considers that the median pay ratio for 2025/26 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

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 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			Percentage change in remuneration from 2024/25 - 2025/26		
	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	0.0%	42.7%	N/A	2.7%	-29.2%	1.5%	3.9%	12.4%	20.8%	4.0%	1.3%	-5.2%	3.2%	3.7%	-2.1%
Bláthnaid Bergin ^{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%	3.2%	-3.1%	-2.1%
Martin Scicluna	0.0%	0.0%	N/A	2.7%	0.0%	N/A	3.9%	N/A	N/A	4.0%	-100%	N/A	3.2%	0.0%	N/A
Jo Bertram ^{b)}	N/A	N/A	N/A	N/A	N/A	N/A	3.9%	-100%	N/A	4.0%	0.0%	N/A	3.2%	0.0%	N/A
Katie Bickerstaffe ^{c)}	N/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	N/A	N/A
Brian Cassin ^{d)}	0.0%	0.0%	N/A	22.1%	0.0%	N/A	12.0%	0.0%	N/A	4.0%	0.0%	N/A	3.2%	N/A	N/A
Steve Hare ^{e)}	N/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	N/A	N/A
Jo Harlow ^{e)}	0.0%	0.0%	N/A	7.2%	0.0%	N/A	4.9%	N/A	N/A	4.0%	-100%	N/A	3.2%	N/A	N/A
Adrian Hennah ^{e)f)}	N/A	N/A	N/A	18.4%	-100%	N/A	3.7%	0.0%	N/A	4.0%	0.0%	N/A	18.1%	0.0%	N/A
Tanuj Kapilashrami	0.0%	0.0%	N/A	2.9%	0.0%	N/A	3.9%	0.0%	N/A	4.0%	0.0%	N/A	3.2%	0.0%	N/A
Keith Weed ^{e)}	0.0%	0.0%	N/A	22.1%	0.0%	N/A	12.0%	N/A	N/A	4.0%	-43.4%	N/A	3.2%	-21.5%	N/A
All colleagues ^{g)}	-1.2%	-21.9%	5.2%	7.6%	-6.6%	-5.4%	15.3%	0.8%	30.2%	13.3%	1.6%	-14.6%	6.6%	4.9%	9.7%

a) Bláthnaid Bergin was appointed to the Board on 5 March 2023.

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) Katie Bickerstaffe and Steve Hare joined the Board on 3 July 2025.

d) Brian Cassin stepped down from his roles as both Non-Executive Director and Senior Independent Director on 3 July 2025. His fee for 2025/26 has been annualised to provide a more meaningful comparison.

e) Year-on-year changes in Non-Executive Director fee levels will be impacted by responsibility and Committee membership changes during the year.

f) Adrian Hennah took on the Senior Independent Director role effective 3 July 2025. The % Salary change from 2024/25 to 2025/26 reflects actual fees received and has not been annualised.

g) 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

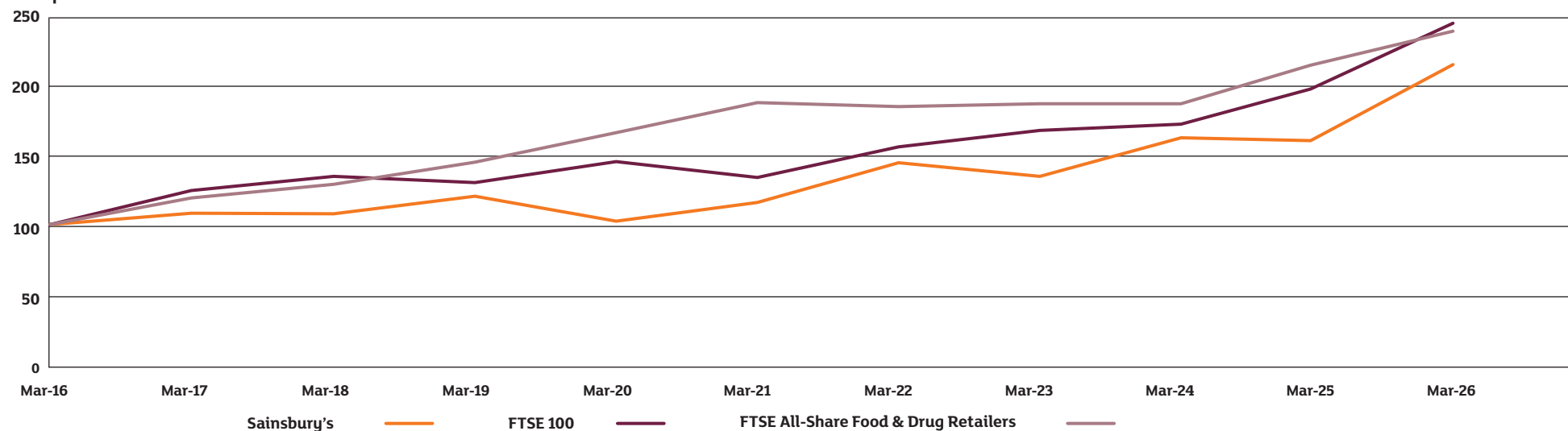
The table below illustrates the year-on-year change in total colleague pay (being the aggregate staff costs as set out in note 8.2 to the financial statements) and distributions to shareholders (declared dividends and share buy back).

2024/25 £m	Colleague pay		% change	2024/25 £m	Distribution to shareholders		% change
	2025/26 £m				2025/26 £m		
4,091	4,319		5.5%	508 ^{a)}	816^{a)}		60.6%

a) The percentage change in the declared dividend excluding share buy back and the special dividend is 2.6 per cent.

Annual report on remuneration continued

TSR performance since March 2016



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		2016/17	2017/18	2018/19	2019/20	2020/21 ^{a)}	2021/22	2022/23	2023/24	2024/25	2025/26
Single figure remuneration (£000)	S Roberts	—	—	—	—	1,325	3,599	5,217	4,806	5,179	5,431
	M Coupe	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%	86.5%
	M Coupe	35%	57%	56%	22%	0%	—	—	—	—	—
LTIP vesting percentage of maximum	S Roberts	—	—	—	—	60%	70%	77.5%	70%	72.5%	72.5%
	M Coupe	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.

Annual report on remuneration continued

Governance – the Remuneration Committee

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 and six months, in the case of the Non-Executive Chair.

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.

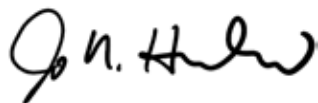
During the year Deloitte provided advice to the Committee on a range of topics including remuneration trends, corporate governance, remuneration policy, incentive plan design and incentive plan rules. Their consultants attended all of the Committee meetings. In relation to their advice, Deloitte received fees of £142,250 (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 Directors' Remuneration Report (excluding the Policy) at the 2025 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 (2025 vote)	97.89%	2.11%	—
	1,518 million	33 million	1 million
Remuneration Policy (2023 vote)	99.12%	0.88%	—
	1,782 million	16 million	0.2 million

Approved by the Board on 22 April 2026.



Jo Harlow

Chair, Remuneration Committee

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

Introduction

To improve business resilience to growing environmental challenges and contribute towards developing a more sustainable food system, we need to understand our impacts and dependencies related to nature, climate and human rights issues and the interconnectedness between them. We are aware of the role we must play in addressing these current, evolving and future issues.

This disclosure focuses on the required elements from the Task Force on Climate-related Financial Disclosures (TCFD). However, as part of our commitment to nature, we also became an early adopter of the Taskforce on Nature-related Financial Disclosures (TNFD). To demonstrate the interconnectedness of environmental issues across our business we have signposted, within this disclosure, the areas which are common to both climate and nature, particularly in the Governance and Risk Management sections. We aim to build out our TNFD disclosure over time, increase the scope and depth of coverage of nature-related issues and begin quantifying the impact of these issues across the business as well as introducing TNFD aligned metrics and targets. Additional TNFD specific requirements are included in our standalone Plan for Better Report.

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 success in reducing our own emissions and we are engaging closely with our suppliers to ensure we are driving positive change across our value chain.

Tackling climate change is not achievable by any business or organisation alone. 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 but it is equally important that we participate in sector-wide initiatives that strengthen resilience in the wider food system. We continue to work closely with key partners across our industry including the Institute of Grocery Distribution (IGD), the Waste and Resources Action Programme (WRAP), the British Retail Consortium (BRC) and the Consumer Goods Forum (CGF) to align approaches on common issues and help drive systemic change at scale.

Over the last decade we have taken many strides forward 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 TCFD disclosure explains how we have identified, responded to and monitored the impacts of climate-related risks and opportunities on our business, including how we embed our findings into our wider strategy to bolster our environmental resilience. This is our sixth year of reporting against the recommendations set by the TCFD. We have complied with the Financial Conduct Authority Listing Rule LR 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 processes outlined in this section on governance for climate-related matters are the same for nature and human rights-related matters.

The Board

The Board is accountable for risk management, strategy and target setting of our principal environmental risk, 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. Details on the frequency of Board meetings are in our wider governance section on page 55.

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 regularly presented upskill sessions on sustainability-related topics, such as embedding an internal carbon price, development of carbon reduction roadmaps, EU Deforestation Regulation compliance and our approach to sustainable sourcing and environmental resilience to the Senior Leadership Team at the Plan for Better Acceleration Squad with Board level oversight from the Corporate Responsibility and Sustainability Committee. More broadly, we also continue to upskill the wider Finance, Commercial and Technical teams across the Food and General Merchandise divisions on areas such as carbon emission reductions, food waste reductions and nature-related topics such as those relating to water risks, soil health and sustainable sourcing.


 See pages 56 to 58 for biographies of our Board members, including their skills and experience.

Board Committees

The Corporate Responsibility and Sustainability Committee reviews the sustainability strategy, which includes climate and monitors the business engagement with our key stakeholders.

The Remuneration Committee reviews remuneration for Executive Directors against our Plan for Better targets and metrics. These Long-Term Incentive Plans are reviewed annually and include sustainability targets. See page 96 for more details on which targets are included.

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 71 to 103.

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 63.

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 sponsored by the Chief Commercial 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-related 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 71 to 72, providing information on the governance structure, its responsibilities, meeting frequency and principal activities in the year.

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

Strategy

This section explains how our strategy responds to the impacts and opportunities of climate change on our business. We acknowledge that climate change is a key driver of nature loss and can exacerbate nature-related risks such as water availability and excess challenges. Therefore, some of the impacts and opportunities discussed in this disclosure are linked to our nature-related impacts and dependencies and are relevant for TNFD. As our approach to TNFD evolves over time, we aim to better quantify the impact of wider nature-related issues, such as soil degradation, on our business to ensure we have a comprehensive view of the impacts of environmental risks across our business.

Our business risk and resilience strategy, covering climate, environmental, human rights, geopolitical and economic risks, has an established governance framework and a dedicated team to identify, track and mitigate supply chain risks across fresh and grocery food categories. Under this strategy, we are establishing long-term strategic supplier partnerships, dynamic sourcing models and joint risk management plans to strengthen surety of supply. For environmental risks, we have risk mapped against our sourcing regions and commodities using eight indicators: water stress, heat stress, flood risk, water pollution, biodiversity loss, soil degradation, deforestation and conversion. These insights inform deeper investigations where needed and feed directly into commercial reviews to ensure mitigations are embedded into sourcing strategies and supplier contracts. Examples include olive oil and processed tomatoes. Looking ahead, we are expanding this work through a more integrated, forward-looking resilience programme that focuses on enhancing supplier relationships, developing a centralised data platform for environmental and supply risk analytics and building capability across internal teams. This ensures our raw material procurement strategies continue to secure long-term supply while proactively managing emerging risks and strengthening business resilience.

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, to create new products with a reduced environmental impact for our customers and to 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 40).

Financial impact ranges

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

Time horizons

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

The table below captures the key climate-related risks and opportunities impacting our business, identified through our risk management and internal control framework 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 109 to 110 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/chronic	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

Opportunities

Opportunity description	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 considered within our corporate plan. Further details are on page 113.

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

Strategy continued

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

Our climate-related strategy is designed to respond to and manage the impacts of climate-related risks and opportunities that we have identified and support us in our journey to achieving our SBTi approved 2030 near-term and net zero targets. We have a target to achieve net zero within our own operations by 2035 and in our Scope 3 emissions by 2050.

We outline below the key actions we are taking to address the impacts of identified climate-related risks and opportunities.

Key climate-related risk/opportunity	How our strategy addresses the risks and opportunities identified
Climate conscious consumers favouring lower GHG emission products  <i>Healthy and sustainable diets</i>  <i>Reduce carbon emissions</i>  <i>Reduce food waste</i>	<p>Our Next Level strategy continues to focus on being first choice for food and playing 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 (such as fruit, vegetables and fibre-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>Discovery</i> beef range to explore how we can reduce the emissions of our products and develop lower carbon products across other supply chains.</p> <p>During the year we partnered with our coffee supplier to launch a new coffee range from La Celia. Through a holistic approach focused on low emission fertilisation and forest restoration, as well as supporting the La Celia women farmers, we have helped to reduce emissions on farm whilst enhancing the resilience of the environment and local communities. See our case study on page 110 for more details. 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.</p> <p>We are making progress on transitioning our shell eggs from brown to white eggs, which are less carbon intensive and result in higher animal welfare outcomes, aiming towards 100 per cent in our own brand core ranges. Further details can be found in the case study on page 107.</p> <p>This year we also completed a trial with Strawson's, one of our long-term produce suppliers, on the use of electric HGVs to explore the feasibility of moving away from fossil fuel use in our produce supply chains, agreeing a further rollout following a successful trial.</p> <p>We continue to use recycled and alternative fibres in our garments, while exploring options to advance our circularity programmes and improve operational efficiency. We are also investigating how we can support fibre-to-fibre recycling by driving an increase in textile take-back initiatives.</p> <p>To better understand the financial impacts of these transition risks we have performed quantitative scenario analysis on our Meat, Fish and Poultry and Clothing categories (see page 109 for more details).</p>
Introduction of a carbon price leading to an increase in the cost of higher GHG emission products  <i>Reduce 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>	<p>We continue to invest in engineering innovation, energy efficiency and carbon reduction initiatives. These costs have been embedded into our corporate financial plans which are approved by the Board. These initiatives are necessary to achieve our net zero targets.</p> <p>When investing in our estate we consider 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. We have continued to invest in on-site renewable electricity generation and purchase 100 per cent renewable electricity through a portfolio of Power Purchase agreements as well as purchasing Renewable Energy Certificates.</p> <p>Examples of innovative technology that we have introduced include: the trial and subsequent rollout of a new air curtain that reduces air infiltration through our doors, helping to maintain store temperatures more efficiently. We have also trialled a new building management system that has demonstrated improved control over heating and lighting and will be looking to roll this out across our estate over the coming year. We continue to install our innovative Refrigeration Integrated Heating and Cooling (RIHC) systems, which replace natural gas heating by using the refrigeration systems to provide all heating and cooling requirements.</p> <p>In-store refrigeration systems are replaced according to their lifecycles, ensuring that fridges using higher carbon HFC refrigerant gases are replaced with more energy efficient natural CO₂ refrigerants systems. Alongside this, we have identified all systems using the highest carbon HFC gases not due to be replaced before 2030 and converted them to a lower carbon refrigerant gas to minimise their impact on the environment whilst they remain in the estate.</p> <p>We continue to work towards transitioning our fleet to alternative fuels, with the ambition of achieving this by 2035. 2025/26 has seen us progress several vehicle decarbonisation initiatives including the addition of 30 heavy goods vehicle (HGV) trucks powered with fuel directly from food waste. This diesel alternative is 100 per cent biomethane, a renewable gas produced from the anaerobic digestion of unsold food. We now operate over 200 electric Groceries Online vans and have an award-winning public network of rapid chargers for Sainsbury's customers at 80 locations. We have also started creating an electric HGV charging network across our estate, with three locations currently in development through a government funded Zero Emission HGV and Infrastructure Demonstrator (ZEHID) initiative.</p> <p>We are working closely with our external academic partner Imperial College 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.</p>

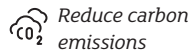
Climate change and Task Force on Climate-related Financial Disclosures (TCFD) continued

Key climate-related risk/
opportunity

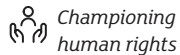
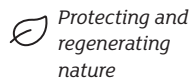
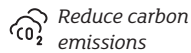
How our strategy addresses the risks and opportunities identified

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

Increase in demand for electrical vehicle charging



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




Following the launch of our dedicated electric vehicle (EV) charging business, Smart Charge, in 2024, our customers can now access 661 ultra-rapid EV charging points across 80 Sainsbury's stores.

To better understand the financial impacts of this transition risk we have performed quantitative scenario analysis on our Fuel category (see page 109 for more details).

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 nature and 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, supported by a third party, we conducted a comprehensive assessment of environmental risks (both climate and nature) across a significant proportion of our current and possible sourcing regions around the world, considering a wide variety of commodities and products. This exercise assessed both current and future environmental risks including water stress, flooding and heat stress. The output has helped our Commercial teams understand the possible impacts of sourcing decisions and where measures may need to be taken to mitigate risk exposure and capitalise on opportunities.

Where supply chain geolocation information is known (such as farm or site level) or a more comprehensive understanding of risk is required, we conduct detailed analysis on exposure to environmental risks, accounting for any interregional variation. One example of this is our continued rollout of Land App across our supply chain, a tool which provides detailed mapping, at a farm level, of environmental risk exposure.

 More information on our qualitative assessment of our supply chain is detailed on page 108.

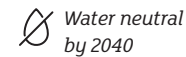
We utilise our assessments of environmental risk to help identify key asks for our suppliers. Based on our current risk assessment we ask that all our suppliers are required to have comprehensive water risk assessments and management plans in place as standard and provide proof of legal water abstraction, pushing for stronger certification alignment and encouraging collective action with other stakeholders in the area.

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 110 for more details).

Key climate-related risk/
opportunity

How our strategy addresses the risks and opportunities identified


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



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

We continue to use the Volumetric Water Benefit Accounting (Replenish) methodology to support us to offset water use across our stores through nature-based solutions (NbS). We are continuing to work to identify NbS that can both improve the resilience of our supply chain and stores, whilst increasing the water resilience of priority catchments. This year we collaborated on Replenish projects at Coldharbour Farm, located in the River Sherway catchment. We have also collaborated with the Aire Resilience Company which aims to utilise NbS to strengthen climate resilience and reduce flood risk in the River Aire catchment. These activities not only improve flood defence of the wider catchment but also water quality.

To further our understanding of how material flood risk is to our estate we also perform analysis 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 108.

Case study

Transitioning to eggs with a lower carbon footprint

We are making progress on transitioning our shell eggs from brown to white eggs, aiming towards 100 per cent in our own brand core ranges.

Commissioning a life cycle assessment with three of our egg suppliers, white eggs were found to have a 12.7 per cent lower carbon footprint than our brown eggs. This is largely due to better feed conversion and the longer productive lifespan of the white hens. Additionally, white hens are less prone to feather pecking, leading to higher animal welfare.

Transitioning to white eggs helps us to support our customers to make more sustainable dietary choices, while still maintaining the excellent taste, quality and nutrition they expect. This initiative has benefits across multiple areas of our Plan for Better, including carbon and animal health and welfare and exemplifies our approach of collaborating with our suppliers to build a more resilient food system in the UK.

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. We assess the impact of climate change and nature loss 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 or wider flood mitigation activities.

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 (RCP^{a)} 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 continues to be 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 continue to monitor 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 and natural flood management solutions in the surrounding catchments.

Case study

Tadcaster store flood protection

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

a) 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 ^{a)}	
Physical risks	• Heat events	• Drought	• Produce	• Coffee
	• Labour capacity	• Flooding	• Cotton	• Tea
Transition risks	• Regulation, including carbon taxes	• Changes in consumer preferences	• Meat, Fish and Poultry	• Clothing
			• Dairy	• Fuel

a) We continually review the scope of categories assessed across our environmental risks, including across climate, nature and human rights, both qualitatively and quantitatively. These categories may change as the environmental risks evolve over time.

We have worked with a third party climate specialist to better understand the impact of physical climate risks on selected supply chains in geographic areas of heightened risk including the UK, Spain, Peru, South Africa and Morocco. Using geolocation data from over 500 of our farms, we looked at five physical risks: flooding, heat stress, water stress, wildfire and tropical cyclones, under three different climate scenarios (RCP 2.6, 4.5 and 8.5) up to 2050. Overall, the qualitative analysis indicated that these supply chains are at high risk from heat stress, 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 have broadened the scope of coverage for our supply chain locations and commodities assessed for environmental risks. We have assessed over 400 regions in 69 countries around the world, for eight different environmental risks, with an increased focus on nature-related risks (e.g. water stress, water pollution, flooding, deforestation, conversion, biodiversity loss, soil health and heat stress). This has allowed us to identify some of the key focus areas for environmental action and is used to inform decisions taken by our Technical and Commercial teams about sourcing locations or for onboarding new suppliers as part of our existing due diligence processes. It also helps us to identify where more comprehensive environmental requirements and mitigation measures may be required. We expand on the detail of this exercise in our standalone Plan for Better Report.

Quantitative scenario analysis

Our own operations

Building on the qualitative analysis undertaken above we also assess the potential financial impact from coastal, river and surface water flooding over two climate scenarios (RCP 2.6 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 time frames. The analysis helped to identify the most exposed properties in our portfolio – 45 properties within our estate make up over 60 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.

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

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) and publicly available climate data from The World Bank Group, 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 22 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.

Most material transitional climate risks ^{a)} :	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:
	Meat, Fish and Poultry	Clothing	Fuel	
Regulation	£150m to £200m revenue loss to MFP category in isolation <i>Overall opportunity to business post-mitigations</i>	N/A	£1,000m to £1,100m revenue loss to Fuel category in isolation <i>Smaller revenue loss risk/potential opportunity to business post-mitigations</i>	Meat, Fish and Poultry <ul style="list-style-type: none"> • 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 energy and carbon, as well as our nature principles (manage water sustainably, improve biodiversity and soil health, protect and regenerate natural habitats and conserve marine ecosystems) • Continue to explore development of lower GHG emission animal protein within existing products (including a further rollout of our <i>Discovery</i> beef range – our integrated beef supply chain) and promotion of meat alternatives to capture switching calories from existing and new customers • Engagement with suppliers to source deforestation-free soy within our supply chain as well as engaging with industry peers to encourage their alignment with this approach
Changes in consumer preferences	£350m to £400m revenue loss to MFP category in isolation <i>Overall opportunity to business post-mitigations</i>	£100m to £150m revenue loss to Clothing category in isolation		Clothing <ul style="list-style-type: none"> • Increase the use of recycled and alternative fibres • Explore options for circularity programmes • Signatories of UK Textiles Pact, which aims to reduce the aggregate water footprint of new products sold by 30 per cent and reduce carbon by 50 per cent • Continue to drive progress towards our target for 100 per cent of our cotton to be sourced to an independent standard. This year we are collaborating with our key clothing and home textiles suppliers to achieve traceability to farm level
				Fuel <ul style="list-style-type: none"> • We continue to expand Smart Charge, our ultra-rapid EV charging service, helping to address the shortage of electric chargers in the UK • We continue to develop decarbonisation roadmaps for our Scope 3 hotspots and investigate lower carbon fuel offerings at our petrol filling stations

^{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

Case study

La Celia low carbon coffee

In July 2025, we launched a dedicated roast and ground coffee product from La Celia, Colombia, producing lower carbon coffee through a new growing model. By a switch to low-urea fertiliser and applied application to reduce excess, we have reduced emissions at farm level, on average by 30 per cent (compared to 2022), whilst also supporting and empowering dedicated women farmers. We have supported La Celia women farmers to plant native trees, sequestering carbon and mitigating soil erosion. Through workshops, field training and knowledge exchanges, there is a strong network where these women support each other, share best practices and inspire their communities. They have become advocates for climate-smart agriculture, role models for future generations and key players in Colombia's coffee sector.

Potential financial impact of climate-related transition risks on most exposed products in a low emissions scenario in 2050

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

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

	Annual revenue loss to most exposed crops in isolation in 4.3°C scenario in 2050, assuming no actions are taken to mitigate risks:				Mitigations that are being implemented/considered as part of our strategic planning to minimise the financial impacts of the risks identified:
Most material physical climate risks ^{a)} :	Produce ^{b)}	Cotton	Coffee	Tea	
Heat events	£40m to £45m revenue loss to crops	£40m to £45m revenue loss to crops	£20m to £25m revenue loss to crops	£20m to £25m revenue loss to crops	<ul style="list-style-type: none"> • 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 and nature, associated with growing locations are being addressed. For example, supplier guidance on water risk reduction 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 and nature-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, as well as LEAF Marque and Global G.A.P. SPRING across specific produce • Human rights: working towards a transition to net zero and nature positive that is just and equitable for the communities we source from
Labour capacity	N/A	N/A	£10m to £15m revenue loss to crops	£10m to £15m revenue loss to crops	
Drought	£15m to £20m revenue loss to crops	£20m to £25m revenue loss to crops	£5m to £10m revenue loss to crops	£0m to £5m revenue loss to crops	
Flooding	£5m to £10m revenue loss to crops	£10m to £15m revenue lost factory operation days	£0m to £5m revenue loss to crops	£0m to £5m revenue loss to crops	
Key sourcing locations	Spain	Benin	Brazil	India	
	UK	Brazil	Colombia	Kenya	
		India	Honduras	Malawi	
		USA	Peru	Rwanda	
		Bangladesh (manufacturing)	Vietnam		

^{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.

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

Case study

Berries and cherries

We source our berries and cherries from multiple regions across the world, including some that are exposed to greater water availability issues, largely exacerbated by climate change. If left unaddressed, a lack of available water could present surety of supply challenges for the business. To help mitigate this risk, we have set up long-term agreements with our berry and cherry partner suppliers. This is typically uncommon for this type of produce, which has historically operated on seasonal purchasing agreements. By establishing long-term agreements, we can work collaboratively and confidently to implement the measures necessary to address key environmental challenges and ensure supply. Most notably we have been working with our partner suppliers to improve how we measure, manage and utilise water, recognising the importance of this resource for environments and communities and our ability to produce delicious berries and cherries for Sainsbury's customers. As part of this process, we have been working towards all our partner suppliers' programmed growers attaining Global G.A.P. SPRING and LEAF Marque certification in all 13 of the countries we source from. These certification schemes set us up to better risk assess water use, improve grower engagement and strengthen our ability to track water capture and usage alongside recycling and waste. The schemes also help to fast-track innovation in our produce growing techniques to reduce water use. This is the first milestone in a 5-year surety of supply plan that we have with all our partner suppliers in berries and cherries looking at how we can mitigate risk.

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 (pages 166 – 167). 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. Given the phased withdrawal from Financial Services and 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. This remains limited, as the Bank does not have a mortgage portfolio or undertake any corporate lending.

Risk management

The processes outlined in the Risk management section for climate-related matters are the same for nature and human rights-related matters.

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 nature and social sustainability risks.

 See page 44 for more detail.

We identify climate-related risks through bi-annual 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 sets 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 time frame).

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 44.

 The risk management process for climate is in line with the business-wide risk management framework described on pages 40 to 47.

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 Databook which can be found on our corporate website (<https://corporate.sainsburys.co.uk>).

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 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 assured 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 assured 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 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
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). This metric is assured by ERM CVS (providing limited assurance under ISAE 3000)

Plan for Better commitment	Metric	Methodology
Nature	Soy independently certified – Credits/Mass-Balance/ Segregated/Low risk origin (%)	Sustainably sourced soy tonnage during the 2025 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 2025 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 sourced as a percentage of total cubic metre volume of all assessed timber products sourced during the 2025 calendar year with the exception of non-food products which are calculated as a percentage of total volume sold. 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 sourced during the financial year with the exception of non-food products which are calculated as a percentage of total volume sold
	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 sourced during the financial year
	Volume of cocoa bean equivalent sourced to an independent standard – Mass-Balance/Segregated (%)	Independently sourced cocoa bean equivalent tonnage during the 2025 calendar year as a percentage of total cocoa bean equivalent tonnage footprint, 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 2025 calendar year where coffee is the main ingredient
	Beef sourced from country with negligible risk of deforestation or conversion or sourced from supplier with Deforestation and Conversion Free control mechanism (%)	Beef tonnage from own brand products sourced from countries with negligible risk of deforestation or conversion or sourced from supplier with Deforestation and Conversion Free control mechanism as a percentage of total own brand beef tonnage sold during the 2025 calendar year

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

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

Metric category	Unit of measurement	Narrative
GHG emissions Absolute Scope 1, Scope 2 and Scope 3.	MT of CO ₂ e	Absolute GHG emissions for Scopes 1, 2 and 3 are included within our climate-related metrics table on page 114.
Transition and physical risks Amount and extent of assets or business activities vulnerable to transition or physical risks.	Percentage	<p>In our own operations we assessed that over 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.</p> <p>The product categories that we have performed climate scenario analysis cover 25 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 page 108.</p> <p>Our quantitative scenario analysis shows the potential financial impact of climate change on our most exposed product categories. We use these results as assumptions within our financial planning models to determine whether these risks resulted in material impacts on performance or position as at year-end. As part of our Group impairment work, we considered all of the climate-related risks identified in our quantitative scenario analysis. The most material 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.</p> <p> Further details can be found in our scenario analysis on pages 109, 110 and note 17 of the financial statements on page 166.</p>
Capital deployment Amount of capital expenditure, financing, or investment deployed toward climate-related risks and opportunities	Reporting currency	<p>This year, through Graphite (our energy efficiency investment programme), we have spent £18 million focused on the decarbonisation of heat, increasing the amount of renewable energy, energy efficiency and technology trials as we continue to focus on engineering innovation, which supports identification of the latest technology to support our decarbonisation roadmap. We have focused on controller trials, enhanced metering, remote monitoring, thermal energy storage control strategies and new battery technologies.</p> <p>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 energy efficient natural CO₂ refrigerants systems. Alongside this we have identified all systems using the highest carbon HFC gases with the highest CO₂ f-gases not due to be replaced before 2030 and converted them to a lower carbon refrigerant gas to minimise their impact on the environment whilst they remain in the estate.</p> <p>We also made a significant investment in 2024 across ten of our depots by 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 are rolling out electric vehicles in our Groceries Online (GOL) operations, with a fleet of over 200 EV vans in use across our GOL operations and our award-winning Smart Charge rapid EV charging network continues to grow, with 80 locations across the UK.</p>
Climate-related opportunities Proportion of revenue, assets, or other business activities aligned with climate-related opportunities	Amount or percentage	<p>The impact of climate issues informs our risk management and drives our strategy to identify and consider climate-related opportunities that we can benefit from. This has led us to invest in a range of opportunities over many years, demonstrating how climate-related opportunities have become a key growth area for us.</p> <p>Opportunities in which we have invested include:</p> <ul style="list-style-type: none"> • Consumer-facing EV rapid charging, which has seen us expand our award-winning Smart Charge network to 661 bays across 80 locations across the UK • The use of a broad range of renewable energy technologies, with over 280 sites hosting a solar PV system, as well as biomass boilers, ground-source and air-source heat pumps and combined heat and power plants used within our estate. The adoption of electric vehicles continues within our operations, with over 200 EV vans now operational and we are working with partners to bring in eHGVs with supporting charging infrastructure during 2026/27. Engineering innovation remains at the heart of our decarbonisation programme and builds up new, innovative technologies 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 ton of GHG emissions used internally by an organisation	Price in reporting currency, per MT of CO ₂ e	<p>An Internal Carbon Price (ICP) is a method used by companies to appraise investments, aid decision-making and manage risks for projects that relate to transitioning to a low-carbon economy. By assigning a monetary price to GHG emissions, it allows businesses to efficiently deploy capital and assess the best course of action to address climate-related risks and opportunities. We do not currently use an ICP but it may be something we choose to adopt in the future.</p> <p>As part of our carbon emission footprint analysis we continue to assign category-level emission factors at an individual product-level. We have updated our emission factors for food and electrical products (Argos only) so that we have better product specific secondary emission factors.</p> <p> More information can be found in the Scope 3 section on page 114.</p>
Remuneration Proportion of executive management remuneration linked to climate considerations	Description	<p>Our Plan for Better metrics, which include climate-related metrics, form part of the Executive Directors' long-term incentive arrangements.</p> <p> Further details can be found on page 96.</p>

Climate change and Task Force on Climate-related Financial Disclosures (TCFD) 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%
2025/26	441,017	53.6%

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 pages 122 to 124. This 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 roadmap 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 continue to work towards 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 116 to 119.

Scope 3

Scope 3 GHG near term target boundary emissions	Baseline ^{a)} 2023/24 tCO ₂ e		
	Forest, Land and Agriculture (FLAG)	Energy/Industry	Total
	10,407,072	17,285,900	27,692,972
Of which category:			
1a – purchased goods for resale	10,407,072	7,933,692	18,340,764
11a – consumer use	N/A	9,352,208	9,352,208

a) The above table reflects our revised Scope 3 baseline. 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 page 119 for more information on our approach to rebaselining).

Our 1.5°C net zero SBTi approved target is the reduction of our Scope 3 near term boundary Forest, Land and Agriculture (FLAG) emissions by 36.4 per cent and our energy and industrial emissions by 50.4 per cent by 2030. Our Scope 3 target boundary covers emissions from the following material categories: 1a) purchased goods for resale and 11a) consumer use.

Our GHG emissions footprint continues to be calculated using industry average carbon emission factors. This helps us to identify our most carbon-intensive products and key suppliers that constitute the majority 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. We continue to improve the accuracy of the data we use in our emissions footprint and this year have successfully engaged with some of our strategic protein suppliers to obtain primary emission factor data and where we are confident, to integrate this data into our Scope 3 inventory calculations. We have also partnered with two strategic data providers to model significantly more specific emission factors at the product and ingredient level for our own brand products and electrical products (Argos only). This improved level of granularity enables insights and action towards our SBTi targets. We continue to collaborate with other retailers and WRAP on reporting Scope 3 emissions. This 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. This insight is key to developing our own Scope 3 roadmap and reduction strategy as part of our Climate Transition Plan. We continue to request that our suppliers disclose on either Secaro (previously Manufacture 2030) or HIGG and that our key suppliers to set 1.5°C aligned 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. This year we have progressed our Climate Transition Plan by developing clear, data-driven pathways towards our net zero ambition. More information on our Scope 3 strategy can be found in our Climate Transition Plan section on page 117.

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

Metrics and targets continued

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

The following metrics and targets are used to monitor progress against climate-related risks and opportunities and are embedded in our Plan for Better. These metrics and targets are governed by the Plan for Better Acceleration Squad with oversight from the Corporate Responsibility and Sustainability Committee. We have set SBTi approved GHG emission reduction targets covering all scopes and time frames. We include sustainability metrics within the long-term remuneration targets for Executive Directors (see page 96 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 Databook, which is published on our corporate website (<https://corporate.sainsburys.co.uk>).

Plan for Better commitment	Metric	Baseline	Results		Target
			2024/25	2025/26	
Reduction in carbon emissions	Absolute GHG emissions within our own operations (tCO ₂ e)	949,744 tCO ₂ e 2018/19	448,734 tCO ₂ e	441,017 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)	27,692,972 tCO ₂ e 2023/24 ^{a)}	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 Secaro ^{b)} or HIGG (% of emissions)	43.8% 2022/23	53.0%	59.5%	N/A
	Suppliers with SBTi 1.5°C net zero target approved (% of emissions)	<2% 2022/23	11.6%	26.7%	50-80% of emissions by 2025/26 (LTIP only)
	Suppliers with any 1.5°C target approved by the SBTi (% of emissions)	N/A	39.8%	51.6%	50% of emissions by 2025/26
Reduction in water use	Absolute water usage within our own operations (m ³)	3,224,000m ³ 2018/19	2,562,660m ³	2,401,772m 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	81.9%	82.2%	85% 2025/26
Reduction in food waste	Food waste to anaerobic digestion as a percentage of food handled (%)	0.728% 2019/20	0.617%	0.503%	0.364% 2030/31
Nature	Soy sourced to an independent sustainability standard (%)	5.8% 2019	96.6% ^{c)}	100%	100% 2025
	Palm sourced to an independent sustainability standard (%)	99.1% 2019	100%	100%	100% 2025
	Timber sourced to an independent sustainability standard (%) ^{d)}	99.3% 2025	N/A	99.3%	100% 2025
	Cotton sourced to an independent sustainability standard (%) ^{d)}	97.2% 2025	N/A	97.2%	100% 2025
	Number of Woodland trees planted (number cumulative)	493,750 trees 2019/20	1,425,461	1,558,339	1,500,000 (cumulative) 2025/26
	Manmade cellulosic fibres sourced to an independent environmental standard (%) ^{d)}	94.2% 2025/26	N/A	94.2%	100% 2025/26
	Leather tonnage from tanneries certified to a minimum of bronze level by the Leather Working Group (%) ^{d)}	100% 2025/26	N/A	100%	100% 2025/26
	Volume of cocoa bean equivalent certified (%)	47.0% 2023	65.4%	97.7%	100% 2025
	Coffee sourced to an independent sustainability standard (%)	64.0% 2024	64.0%	99.9%	100% 2025
Beef sourced from country with negligible risk of deforestation or conversion or sourced from supplier with Deforestation and Conversion Free control mechanism (%)	100% 2025	N/A	100%	100% 2025	

a) Scope 3 emissions footprint has been restated to a new baseline year. For further information please see page 119

c) Soy metric has been restated in the prior year due to supplier resubmission

b) Secaro was previously called Manufacture 2030

d) Timber, Cotton, Leather and Manmade cellulosic fibres metrics have been restated due to methodology changes

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 section for details). In line with the SBTi guidance, our 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.

Over the past year, we have progressed our Climate Transition Plan by developing a clear, data-driven pathway towards our net zero ambition, building on the work already underway across our key emission hotspot areas. After several years of focus across our emission hotspots we have made progress in Scope 1 and 2 and laid the foundations in Scope 3. We have developed clear roadmaps that translate existing strategies, supplier insights and modelling into a clearer, long-term pathway to 2050. This represents a natural maturation of our approach as data quality improves, supplier engagement expands and expectations around transition planning evolve.

Our integrated roadmaps provide a more consistent view of where reductions are achievable now and where progress depends on wider industry collaboration or the delivery of government policy. This insight supports stronger decision-making on priorities, investments and timing. We are working to further embed our emission reduction strategy in our Climate Transition Plan and align with our existing governance structures so that there is a coordinated programme with clear ownership across all areas of the business. This approach ensures coherent governance, alignment with emerging transition plan frameworks and increased transparency across our external disclosures.

Driving progress

	Reduction targets from baseline	Absolute emissions target tCO ₂ e
2018/19 baseline		949,744
2025/26	53.6%	441,017
2030 near-term target	68%	304,812
2035 net zero target	100%	—

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

We have a strong track record of reducing GHG emissions in our own operations (Scope 1 and 2) over the last 19 years, reducing our emissions by 53.6 per cent from our 2018/19 baseline. We have implemented projects through our ongoing Graphite investment programme, having completed 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 research institutions like 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 our own operations through embedding capital allocation into our corporate financial plan 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.

Strategy	Proportion of emission footprint	Key actions	Progress to date
Logistics: Zero carbon vehicles and infrastructure	53.5%	<ul style="list-style-type: none"> Transitioning our vehicle fleet to alternative, low carbon buses by 2035 Moving the majority of company cars to electric and hybrid 	<ul style="list-style-type: none"> Over 20 stores with fully electric GOL fleets 30 HGVs operating on biomethane produced from food waste Participation in eFreight 2030 consortium to test and trial electric HGVs and chargers
Refrigerants: Switch to natural refrigerants	29.2%	<ul style="list-style-type: none"> Replacing our remaining refrigeration systems that use HFC refrigerant gas with natural alternatives, aligning replacements with equipment lifecycles Removing the highest carbon HFCs from our estate by 2030 Removing refrigerant gas in logistics 	<ul style="list-style-type: none"> Ongoing removal of HFC refrigerant gas through our annual refrigeration replacement programme, replacing this with CO₂ Conversion of over 130 store refrigeration systems to R448a, a replacement refrigeration gas that will reduce system carbon emissions by 68% Depot investment to electrify the refrigeration systems within our rigid fleet whilst stationary at our depots
Heating: Electrification of heat	17.3%	<ul style="list-style-type: none"> Remove the use of gas heating and replace with our RIHC and heat pumps programme 	<ul style="list-style-type: none"> Continued replacement alongside refrigeration replacement schemes
Other: Business travel and other	0.1%		

Whilst we have transitioned to purchasing 100 per cent renewable electricity, energy efficiency to reduce electricity consumption remains a key focus for us. 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. Cumulatively, Sainsbury's sources 30 per cent of electricity from new-to-planet renewable electricity sources.

Sainsbury's Climate Transition Plan within the TCFD section continued

Value chain – Scope 3 – net zero by 2050

Emission reduction targets from our 2023/24 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 98 per cent of our emissions are in our value chain (Scope 3). The SBTi has approved our Scope 3 targets, which are in line with limiting global temperature increases to 1.5°C and FLAG compliant. We are prioritising engagement with our key suppliers who make up the majority of emissions covered by our 2030 Scope 3 target.

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

Strategy	Proportion of emission footprint	Key activities	Progress to date
Production of products	100% FLAG emissions	<ul style="list-style-type: none"> Create supplier working groups on key climate-related topics Develop incentive initiatives 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 	<ul style="list-style-type: none"> Continued action groups with our high environmental impact suppliers (HEIS) across livestock, crops and fish supply chains HEIS evaluations now completed six monthly and insights are used in regular conversations with suppliers Further rolled out our <i>Discovery</i> beef range, moving towards our expectation that 100% of the range will be lower carbon beef Using the learnings from the beef integrated supply chain to explore how we can develop lower carbon products across other supply chains such as our low carbon coffee and our white egg transition Rolled out the Land App project across our UK supply chain to gather more data on land use Improving the links and influence we have on our global supply chains, including upskill visits to specific high risk geographies, for example beef production in Brazil Engaged with suppliers to source deforestation-free soy within our supply chain, as well as engaging with industry peers to encourage their alignment with this approach
Agriculture and land management			

Strategy	Proportion of emission footprint	Key activities	Progress to date
Production of products continued	28%	<ul style="list-style-type: none"> Engage suppliers on energy efficiency and track transition to renewable energy use Collaborate to reduce waste through circularity initiatives, packaging and food waste reduction Track environmental performance at supplier site level Support suppliers to understand, develop and deliver their own emission reduction plans and work to understand opportunities for supply chain collaboration that accelerates progress Collaborate with suppliers on product development, innovation and efficiencies 	<ul style="list-style-type: none"> 439 suppliers disclosed on either M2030 or HIGG 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, for example <i>Discovery</i> beef, mushrooms grown without peat, low carbon fertiliser use in coffee and our transition to white eggs
Supplier operations			
Healthy and sustainable diets	N/A ^{a)}	<ul style="list-style-type: none"> Making it easier for customers to make healthy, affordable, accessible, sustainable diet choices Reduce consumption of high emission products through reformulations, innovation, range change and promotion Collective industry action to encourage improvements to consumer diets Join or create working groups and coalitions to support research and policy advocating 	<ul style="list-style-type: none"> We continue to prioritise offers on fruit and vegetables, supporting our customers to make plant-rich choices and have outperformed the market in volume growth within the Produce category We introduced our first category wide fish multi-buy and continued running meat free multi-buys, partnering with 'Meat Free Made Easy' in our January campaign Over 1,250 products with our Healthy Choice Logo were made available to our customers during the year We joined the Food Foundation's Keen Bean pledge where we aim to increase bean sales volume by 2028/29. This year, we have successfully trialled giving additional space to pulses across our stores and will share further learnings as the programme progresses 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

Strategy	Proportion of emission footprint	Key activities	Progress to date
Supply Chain Transport	1%	<ul style="list-style-type: none"> Increase usage of sustainable shipping fuels Lower carbon transport alternatives Map modes of transport and distances Participate in working groups focused on innovation in transportation 	<ul style="list-style-type: none"> Completed trial on electric HGV with one of our long-term suppliers to explore the feasibility of moving away from fossil fuel use in our produce supply chains, agreeing a further rollout following a hugely successful trial Continue to explore carbon reduction opportunities with our suppliers
Use of products Fuel	29%	<ul style="list-style-type: none"> Making it easier for people to transition to electric vehicles with the launch of Smart Charge and the rollout of our ultra-rapid charging hubs Continue to develop decarbonisation roadmaps for our Scope 3 hotspots and investigate lower carbon fuel offerings at our petrol filling stations 	<ul style="list-style-type: none"> Expanded Smart Charge, powered by Sainsbury’s, our ultra-rapid EV charging service, which now has 661 charging bays across 80 Sainsbury’s stores
Electricals	5%	<ul style="list-style-type: none"> Supporting customers to manage in-home energy usage through inclusion of improved energy efficiency products Developing circularity pathways to reduce lifecycle emissions 	<ul style="list-style-type: none"> Embedding energy efficiency improvements into product ranging and tenders to improve ratings across our products

Acknowledging the uncertainties for Scope 3

By definition, Scope 3 is beyond our direct control. This creates uncertainty in meeting our Scope 3 targets. To address this, we have developed a comprehensive Scope 3 roadmap that incorporates available supplier data, includes assumptions about societal and industry change over time and identifies key dependencies and enablers required for us to achieve our targets. This roadmap provides a structured approach to prioritising actions, tracking progress and adapting to external changes, ensuring transparency and accountability across the value chain and creating a clear strategy and associated plan for our business to deliver Scope 3 reductions.

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 are 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. We also have a significant dependency on the decarbonisation of the UK energy grid, particularly impacting supplier operations and emissions from use of our sold products. Healthy and sustainable diets require collaboration across industry and with government to explore optimum nutritional and sustainable diets and encouraging customers to choose more healthy and sustainable options through offering a range of choice.

Sainsbury's Climate Transition Plan within the TCFD section continued

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 on 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 Secaro (previously 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 taking steps to influence customer behaviours and making it easier for our customers to support our net zero targets.

Stakeholder group	Engagement strategy
Value chain	<ul style="list-style-type: none"> Identify key suppliers for engagement Support category teams with upskilling and knowledge to confidently engage suppliers alongside our commercial conversations 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 responsible 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	<ul style="list-style-type: none"> Participate in leading retail working groups to facilitate collective action Collaborate with third party providers towards innovation
Government, public sector and civil society	<ul style="list-style-type: none"> 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 (<https://corporate.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.

Baseline reporting and SBTi alignment

During 2025/26 we have continued to improve the quality, granularity and coverage of our Scope 3 emissions data. This has enabled us to establish a new 2023/24 baseline that provides a more accurate and representative foundation for long-term decarbonisation planning.

Updating emissions baselines and methodologies is recognised good practice in carbon accounting, reflecting the evolution and improvements in supplier data, categorisation standards and international guidance (including SBTi and GHG Protocol) over time. Revising baselines when material improvements are made strengthens accuracy, enhances comparability going forward and supports more credible decision-making.

Whilst this new baseline **does not change the 1.5°C-aligned ambition of our SBTi targets**, it does mean that some progress achieved between the original 2018/19 baseline and 2023/24 cannot be reflected in year-on-year charts going forward.

We will continue to reference our current SBTi-validated targets, which remain anchored to the historical baseline, until such a time as we re-submit and re-validate with SBTi in the future. This approach maintains transparency whilst ensuring future reporting and progress are grounded in the most robust data available.

Directors' report

Additional statutory information required can be found below:

Board diversity targets

The Board is committed to promoting the importance of diversity, equity and inclusion across our business. As at 28 February 2026 (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.

Reporting table on sex representation

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (Chair, CEO, SID, CFO)	Number in executive management ^{a)}	Percentage of executive management ^{a)}
Men	5	50%	3	4	57%
Women	5	50%	1	3	43%

a) Executive management means the Operating Board.

Reporting table on ethnicity representation

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (Chair, CEO, SID, CFO)	Number in executive management ^{a)}	Percentage of executive management ^{a)}
White British (or other White including minority White groups)	6	60%	4	7	100%
Mixed/multiple ethnic groups	0	0%	0	0	0%
Asian/Asian British	1	10%	0	0	0%
Black/African/Caribbean/Black British	0	0%	0	0	0%
Other ethnic group	0	0%	0	0	0%
Not specified/prefer not to say	3	30%	0	0	0%

a) Executive management means the Operating Board.

Our diversity data contained in the above tables was self-reported by the Board and Operating Board during onboarding and/or through our internal human resource management system.

We encourage all colleagues to self-report information such as gender, gender identity, ethnicity, age, sexual orientation and disability, whilst also including a 'prefer not to say' option.

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.

Colleague engagement

Details on how we engage with our colleagues can be found on page 25.

Corporate Governance

During 2025/26, the Board considers that the Company has applied the principles and complied with the provisions (excluding Provision 29) of the UK Corporate Governance Code 2024, and Provision 29 of the UK Corporate Governance Code 2018. Further information on how the Board has applied the principles of the Code, and how the provisions have been complied with, is set out in the Governance Report on pages 53 to 124.

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.

Directors' interests

The beneficial interests of the Directors and their connected persons in the shares of the Company are shown on pages 97 and 100. During the year, no Director had any material interest in any contract of significance to the Group's business.

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 34.

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.

Financial risk management and financial instruments

Notes 27 to 28 on pages 172 to 179 disclose details relating to financial risk management and financial instruments.

Directors' report continued

Groceries Supply Code of Practice (GSCOP)

Compliance with the GSCOP

GSCOP sets out how large retailers should manage certain aspects of their relationship with grocery suppliers. In accordance with GSCOP requirements, the General Counsel and Company Secretary is the Code Compliance Officer (CCO) whose duties include hearing disputes between suppliers and the retailer. The CCO handles all supplier matters confidentially, disclosing identities only where a supplier has expressly authorised it.

In line with the Order and the Code, Sainsbury's delivered an Annual Compliance Report to the Competition and Markets Authority as approved by the Chair of the Audit Committee and 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, Sainsbury's Chief Commercial and Sustainability Officer and key senior directors from the supply chain and the Core Commercial Transformation programme 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. Proactive stakeholder engagement is a key element of our GSCOP approach. We issue regular communications to suppliers that cover a variety of topics relating to regulatory updates, general business updates and GSCOP-related topics including the channels available for contacting Sainsbury's in confidence. We also hold an annual trade briefing session, giving suppliers the opportunity to engage with our leadership team and to learn about our strategy and how it is being implemented.

We are making good progress with our plans to improve our Core Commercial systems and processes. This multi-year programme will bring our existing systems together onto a single platform, helping to simplify operations, strengthen how we collaborate with suppliers, and increase our agility in responding to customer needs. It represents a significant transformation and is a key enabler for sustaining our growth momentum and delivering the ambitions set out in our Next Level Sainsbury's strategy. We continue to keep the GCA informed of progress where there may be implications for suppliers.

In line with the GCA's feedback from its supplier deep dive themes, we established a new Core Commercial Transformation Supplier Working Group in March 2025, bringing together representatives from across our supplier base. As the programme advances and we develop more detailed future ways of working, we will involve a broader group of suppliers to help shape and test new processes and systems to support a smooth transition across our diverse supply network. The first release planned for Summer 2026 will have a relatively small impact on our ways of working with suppliers.

During the reporting year, we have continued to enhance our compliance with GSCOP, taking on board 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, approximately 1,900 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 emerging risk areas and the procedures in place to manage these. An established compliance monitoring programme is embedded within the business. The Operating Board and Audit Committee are updated two times a year on GSCOP matters.

Two potential breaches were reported in 2025/26 (six in 2024/25). Of these, one breach was pursued as a formal Article 11 Dispute and none have been referred to the GCA for arbitration.

Two were raised within our Trading division and one of these was escalated to the CCO using standard escalation procedures. Both potential breaches reported in the year were resolved in the year. In addition, one potential breach from the previous year (2024/25) was also resolved in the financial year. All complaints related to delists. Causes of potential breaches are reviewed to identify areas for improvement.

Health, safety and wellbeing

The health, safety and wellbeing of our colleagues and customers is an essential part of our business operations. See pages 20 to 23 for more information.

Ordinary shares

Details of the changes to the ordinary issued share capital during the year are shown on page 171. As at 21 April 2026, 2,274,921,614 ordinary shares of 28 4/7 pence have been issued, are fully paid up and are listed on the London Stock Exchange.

Major interests in shares

As at 28 February 2026, 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 DTR 5 of the Disclosure Guidance and Transparency Rules:

	Number of ordinary shares	% of voting rights ¹	Date of notification
VESA Equity Investment S.à.r.l.	235,773,510	10.00	7 November 2024
BlackRock, Inc.	177,839,804	7.81	6 January 2026
Qatar Holdings LLC	155,890,509	6.82	4 December 2025
Schroders plc	116,161,658	5.22	31 March 2021
Bestway Group UK Limited	118,273,900	5.01	2 August 2024
Pzena Investment Management, Inc	118,145,905	5.05	7 January 2025

¹ Percentages shown are as a percentage of the Company's issued share capital when the Company was notified of the change in holding.

Directors' report continued

As at 21 April 2026, 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 DTR 5 of the Disclosure Guidance and Transparency Rules:

	Date notified	Number of ordinary shares	% of voting rights ¹
VESA Equity Investment S.à r.l.	7 November 2024	235,773,510	10.00
BlackRock, Inc.	31 March 2026	226,518,121	10.00
Qatar Holdings LLC	4 December 2025	155,890,509	6.82
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.

Information requirement	Location within Annual Report
Publication of unaudited financial information	See note 27
Details of any long-term incentive plans	See Remuneration Report, Remuneration Policy and note 34
Shareholder waiver of dividends	See note 26
Shareholder waiver of future dividends	See note 26

Other information requirements set out in LR 6.6.1 are not applicable to the Company.

Political donations

The Company made no political donations in 2025/26 (2024/25: £nil).

Post-balance sheet events

Subsequent to the balance sheet date, the Group acquired 6,128,749 shares through the J Sainsbury Employee Share Ownership Trust, for the purpose of satisfying future share awards under the Group's employee share plans. The financial liability of £21 million recognised at the balance sheet date has subsequently been derecognised following the acquisition and settlement of directly attributable costs.

Research and development

In the ordinary course of business, the Company regularly develops new products and services. See page 11 for more information.

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 *pari passu* 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 £5,189,191.10. 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 2025, the Company was authorised by shareholders to purchase its own shares within certain limits and as permitted by the Articles of Association.

During this financial year the Company completed two share buyback programmes. Both programmes took place using the authority to purchase its own shares as approved by shareholders at the AGM. On 22 April 2025, the Company announced the commencement of a share buyback programme of up to £200 million, to be completed by the end of the first half of the financial year. The programme completed on 12 September 2025 with an aggregate purchase price of £157.6 million. On 7 November 2025, the Company announced the commencement of a further share buyback programme for up to £92 million, to be completed by the end of 2025/26. This programme completed on 19 January 2026, bringing the aggregate purchase price of the buyback programmes to £250 million this financial year.

Further information can be found on page 37.

Updated Streamlined Energy and Carbon Reporting – 2025/26 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 and use of sold products by 50.4 per cent for Energy/Industry emissions and by 36.4 per cent for Forest, Land and Agriculture (FLAG) emissions. 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 2025, IEA 2025 and Association of Issuing Bodies (AIB) 2025. 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 2025/26, 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 and heat, 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 2025/26 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.

Directors' report continued

Methodology continued

In 2025/26, 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 and certificate-backed renewable electricity from the UK, Northern Ireland, and the Republic of Ireland).

The following report compares Scope 1 and 2 greenhouse gas emissions for 2025/26 and 2024/25. 2025/26 Scope 1 and Scope 2 GHG emissions have been subject to assurance by ERM Certification and Verification Services Limited, with a clean, unqualified opinion issued. This has been done 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 below represents Sainsbury's energy use and associated GHG emissions from electricity and fuel in the UK for the reporting years 2025/26 and 2024/25, in line with UK Government Streamlined Energy and Carbon Reporting requirements.

Sainsbury's breakdown

UK locations

Emission source	Energy consumption (kWh)		Location based (tCO ₂ e)		Market based (tCO ₂ e)	
	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26
Combustion of fuel and operation of facilities (Scope 1)	1,354,032,684	1,371,081,547	396,566	400,387	403,057	388,635
Electricity, heat, steam and cooling purchased for own use (Scope 2)	1,182,621,736	1,173,332,994	239,230	201,700	—	—
Total	2,536,654,419	2,544,414,541	635,795	602,088	403,057	388,635

Argos and Habitat breakdown

UK locations

Emission source	Energy consumption (kWh)		Location based (tCO ₂ e)		Market based (tCO ₂ e)	
	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26
Combustion of fuel and operation of facilities (Scope 1)	222,984,795	172,621,232	52,162	40,624	52,162	52,376
Electricity, heat, steam and cooling purchased for own use (Scope 2)	44,516,788	40,963,122	9,190	7,223	—	—
Total	267,501,583	213,584,354	61,352	47,847	52,162	52,376

Global locations (excludes UK)

Emission source	Energy consumption (kWh)		Location based (tCO ₂ e)		Market based (tCO ₂ e)	
	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26
Combustion of fuel and operation of facilities (Scope 1)	37,760	30,000	7	5	7	5
Electricity, heat, steam and cooling purchased for own use (Scope 2)	112,892	159,073	33	28	—	—
Total	150,652	189,072	40	34	7	5

Sainsbury's Group

Emission source	Energy consumption (kWh)		Location based (tCO ₂ e)		Market based (tCO ₂ e)	
	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26
Combustion of fuel and operation of facilities (Scope 1)	1,577,055,239	1,543,732,779	448,734	441,017	448,734	441,017
Electricity, heat, steam and cooling purchased for own use (Scope 2)	1,227,251,416	1,214,455,189	248,452	208,952	—	—
Total	2,804,306,655	2,758,187,968	697,187	649,969	448,734	441,017

Energy efficiency statement

During 2025/26, Sainsbury's has demonstrated its commitment to reducing the energy consumption of its operations by implementing the following energy efficiency initiatives:

Directors' report continued

Electricity consumption

We have completed our 15th 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 including:
 - Heating and ventilation optimisation
 - Voltage optimisation,
 - The installation of 'Air Doors' to mitigate air infiltration
 - Continuation of Engineering Innovation programme, reviewing and trialling the latest technology to support in achieving net zero by 2035, including the trial of new building management systems for our stores and a grid scale battery
 - We continue to deliver the most efficient new stores through the installation of highly efficient zero carbon technologies

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 and LED cabinet lighting to further improve system efficiency.

Natural gas

We continue to remove natural gas heating, installing Refrigeration Integrated Heating and Cooling (RIHC) systems, which take the residual heat generated by the refrigeration units and use this for space heating around the store to meet the heating demand, reducing and even removing the need for natural gas.

Fleet

After trialling electric vans within our estate in previous years we started to roll out their use across more of our operations, increasing the amount of EV vans within our fleet to over 200. Within our logistics operations we introduced 30 HGVs operating on biomethane produced from food waste and have trialled the use of Green Tyres and electric refrigerated trailers. Preparations were made for the installation of a grid scale battery system in one of our distribution centres in Spring 2026, to trial how the technology can support the site in balancing its electricity consumption with the grid. We also continued to work on the development of a network of EV truck chargers that will go live in 2026 as we look to introduce our first electric trucks into our fleet.

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



Nick Grant
Company Secretary
22 April 2026

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Statement of directors' responsibilities

in respect of the financial statements

The directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the consolidated financial statements in accordance with UK-adopted international accounting standards and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 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;
- state whether applicable UK-adopted international accounting standards have been followed for the consolidated financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements and the Annual Report on remuneration comply with the Companies Act 2006.

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.

Directors' confirmations

The directors consider that the Annual Report and Financial Statements and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's and company's position and performance, business and strategy. Each of the directors, whose names and functions are listed in the Governance Report confirm that, to the best of their knowledge:

- the consolidated financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the group;
 - the company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the company; and
 - the Strategic Report includes a fair review of the development and performance of the business and the position of the group and company, together with a description of the principal risks and uncertainties that it faces.
- The Statement of directors' responsibilities was approved by the Board of Directors and signed on its behalf by:



Nick Grant

General Counsel and Company Secretary

22 April 2026

Independent auditors' report

to the members of J Sainsbury plc

Report on the audit of the financial statements

Opinion

In our opinion:

- J Sainsbury plc's Consolidated financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 28 February 2026 and of the Group's profit and the Group's cash flows for the 52 week period then ended;
- the Consolidated financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements 2026 (the "Annual Report"), which comprise:

- the Consolidated balance sheet as at 28 February 2026;
- the Company balance sheet as at 28 February 2026;
- the Consolidated income statement for the period then ended;
- the Consolidated statement of comprehensive income/(loss) for the period then ended;
- the Consolidated statement of changes in equity for the period then ended;
- the Company statement of changes in equity for the period then ended;
- the Consolidated cash flow statement for the period then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 8.4 of the Consolidated financial statements, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Context

J Sainsbury plc is a UK headquartered grocery retailer with complementary general merchandise and financial services operations. The Group operates primarily in the UK. The 52 week period ended 28 February 2026 represented our first year as external auditors of the Group and the Company.

As part of our audit transition, we performed specific procedures over opening balances, including a review of the predecessor auditors' working papers and an assessment of audit risk. We also undertook process walkthroughs to obtain an understanding of key financial reporting processes and controls across the Group. In addition, we independently assessed the appropriateness of the Group's accounting policies and evaluated key areas of estimation uncertainty and judgement affecting the Consolidated and Company financial statements.

Throughout the first year audit, we continuously reassessed our risk assessment to reflect our initial audit findings, including our evaluation of the Group's control environment and the resulting impact on our planned audit approach. Based on this work, we determined the following matters to be of most significance to our audit of the financial statements and have, therefore, included them as key audit matters:

- Valuation of Home Retail Group goodwill (Group), reflecting the significance of management estimation involved in forecasting future cash flows and determining key assumptions used in the impairment assessment;
- Valuation of the Sainsbury's Pension Scheme (Group), reflecting the complexity of the valuation of certain pension assets, and the materiality of the defined benefit obligations, and the sensitivity of the valuation to movements in actuarial assumptions;
- Valuation of deferred tax balances relating to property, plant and equipment (Group), reflecting judgement in assessing the measurement of deferred tax liabilities; and
- Carrying value of investments (Company), reflecting the significance of these balances to the Company financial statements.

Overview

Audit scope

- As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.
- Our Group audit included full scope audits of six components, including the Company, as well as audit procedures being performed over various items at a Group level, including the consolidation, goodwill, intercompany accounts, income tax, pensions, share-based payments and the assessment of going concern.
- The full scope components provided coverage of approximately 99% of Group revenue.
- At a Group level, we also performed audit procedures over specified balances and transactions across a further two components and targeted risk assessment analytics over all remaining components.

Key audit matters

- Valuation of Home Retail Group goodwill (Group)
- Valuation of the Sainsbury's Pension Scheme (Group)
- Valuation of deferred taxes relating to property, plant and equipment (Group)
- Carrying value of investments (Company)

Independent auditors' report continued

to the members of J Sainsbury plc

Our audit approach continued

Overview continued

Materiality

- Overall Group materiality: £36.0 million based on approximately 5% of underlying profit before tax from continuing operations.
- Overall Company materiality: £80.0 million based on approximately 1% of total assets.
- Performance materiality: £23.4 million (Group) and £52.0 million (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including 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, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Key audit matter

Valuation of Home Retail Group goodwill (Group)

As described in note 16 (Intangible assets) of the Consolidated financial statements, the Group holds goodwill of £95 million in respect of the Home Retail Group (Argos) group of cash-generating units ("Argos goodwill").

Under IAS 36 'Impairment of Assets', and consistent with the Group's accounting policy set out in note 3.8a, goodwill is required to be tested for impairment annually, regardless of whether any indicators of impairment are present.

The recoverable amount of the Argos goodwill has been determined based on value in use ("VIU"), which concluded that headroom of £150 million (as set out in note 17, Impairment of non-financial assets) exists over the carrying value, and accordingly no impairment of goodwill was recognised.

The determination of the recoverable amount requires management to make significant estimates regarding the forecast short-term cash flows underpinning the VIU model, the pre-tax discount rate, and the long-term growth rate applied to the terminal value calculation. These assumptions are inherently subjective and sensitive to changes in the competitive retail environment, consumer behaviour and macroeconomic conditions. Accordingly, as described in note 4.2, management considers the impairment of non-financial assets to represent a key source of estimation uncertainty.

Given the magnitude of the goodwill balance, the headroom in the model and the level of estimation inherent in forecasting future cash flows, we determined that the carrying value of goodwill for Home Retail Group (Argos) represents a key audit matter for the current year audit.

How our audit addressed the key audit matter

In evaluating and testing the recoverable amount of Argos goodwill, we:

- Understood and evaluated the design and implementation of management's controls over the goodwill impairment assessment and forecasting process;
- Tested the mathematical accuracy of the VIU models and agreed relevant data back to Board approved plans;
- Evaluated the reasonableness of management's cash flow forecasts by comparing the assumptions made with internal and external data. In particular, we:
 - Compared the short-term growth rates with recent performance history and market data;
 - Challenged key assumptions within the short-term cash flow forecasts and validated these to support and external data where relevant;
 - Obtained evidence to assess the historical accuracy in management's forecasting process; and
 - Performed sensitivity analysis to understand the impact of changes in key assumptions on the available headroom.
- Considered the impact of climate-related risks and commitments on future forecasts;
- Involved our valuation experts to assist in our evaluation of the discount rate and long-term growth rate used by management; and
- Whilst not the area of heightened risk, we assessed the disclosures in the Consolidated financial statements and ensured these are in line with the requirements of IAS 1 and IAS 36.

Based on the procedures performed, we noted no material issues from our testing.

Independent auditors' report continued

to the members of J Sainsbury plc

Our audit approach continued

Key audit matters continued

Key audit matter

Valuation of the Sainsbury's Pension Scheme (Group)

Refer to note 3.18 (accounting policy) and note 33 (Retirement benefit obligations) of the Consolidated financial statements.

The Group has defined benefit pension schemes (including small unfunded schemes) with a net surplus of £525 million as at 28 February 2026 (2025: net surplus of £731 million).

The gross assets and liabilities of the Sainsbury's Pension Scheme (which includes a Sainsbury's section and an Argos section) are £6,371 million and £5,823 million respectively as at the current period end and are significant in the context of the Consolidated balance sheet. There are additional obligations related to unfunded schemes totalling £23 million, which are immaterial and were not subject to audit procedures.

Management estimation is required in relation to the measurement of pension scheme obligations and management employs independent actuarial experts to assist in determining appropriate assumptions such as inflation, discount rates and mortality. Movements in these assumptions can have a material impact on the determination of the gross liability and, therefore, the extent of any net surplus or deficit.

The pension assets include investments in pooled investment vehicles ('PIVs'), which include assets that are valued using level 3 fair value measurements, being valuations that include inputs that are not based on observable market data. These level 3 funds specifically carry significant risk of valuation error due to the lack of an observable market price, which requires judgement and estimates to be applied by the investment managers in determining the value of the underlying assets.

The valuation of the defined benefit schemes' obligations and investments in complex PIVs are considered a key audit matter given the quantum of the balances and the judgement and estimation involved in determining the valuations.

How our audit addressed the key audit matter

We evaluated the design and implementation of controls in respect of the valuation of the more complex PIVs and the defined benefit obligations (DBO).

We obtained an understanding of all PIVs and assessed their complexity to determine the population considered more complex and for which there is greater valuation risk.

For all material PIVs, we obtained confirmation of valuations directly from investment managers and agreed them to the valuations recorded by management.

On a sample basis, we obtained additional information for complex PIVs and assessed whether this provided any evidence that the valuations provided by the investment managers may have been incorrect.

Our audit approach in response to the key estimates within the Sainsbury's Pension Scheme DBO included the following procedures:

- We engaged our actuarial experts to evaluate whether the assumptions were: (i) consistent with the specifics of the Sainsbury's Pension Scheme; and (ii) consistent with independently developed estimates;
- We evaluated the calculations prepared by management's external actuaries, including testing the completeness and accuracy of the underlying data. To evaluate the reasonableness of management's estimate, our experts also compared their independent estimate with management's estimate; and
- We tested the DBO by rolling forward the results from the 30 September 2024 triennial funding valuation to assess consistency with the updated valuation results, and reviewed the new demographic studies carried out as part of the triennial valuation that were used in setting the assumptions.

Whilst not the area of heightened risk, we also assessed the completeness and accuracy of the associated disclosures.

Based on the procedures performed, we noted no material issues from our testing.

Independent auditors' report continued

to the members of J Sainsbury plc

Our audit approach continued

Key audit matters continued

Key audit matter

Valuation of deferred taxes relating to property, plant and equipment (Group)

Refer to note 2.1 (Prior period restatements) and note 10 (Taxation) of the consolidated financial statements.

In the prior financial year, the Group reported a deferred tax liability of £429 million, £209 million of which related to accelerated capital allowances. This liability should represent the difference between the accounting and tax values of property, plant and equipment on which capital allowances have been claimed and, therefore, requires tracking of these values over time.

During the financial year, management performed a detailed review of historical capital expenditure, identifying areas where this tracking had not been performed correctly, resulting in a prior year restatement to deferred tax of £114 million, partially offset by £12 million reallocation to current tax, giving rise to the net impact to deferred tax of £102 million, as set out in note 2.1.

As the depreciation of property, plant and equipment that does not qualify for tax relief is a key driver of the Group's effective tax rate, this restatement also impacts the Group's underlying effective tax rate.

Given the restatement, this was an area where we applied significant audit effort and hence why it was identified as a key audit matter.

Carrying value of investments (Company)

The carrying value of Investments in subsidiaries, joint ventures and associates in the Company financial statements is £6,592 million (note C2 to the Company financial statements).

The key judgement is whether there is an impairment trigger in respect of the Company's carrying value of its investments, which includes consideration of whether the carrying value of the investments is supported by the net assets and/or forecast future cash flows of the underlying Group undertakings.

As such it was this area where we applied the most audit effort in respect of the audit of the Company and hence why it was identified as a key audit matter.

How our audit addressed the key audit matter

Utilising tax specialists, we evaluated the process for monitoring the accounting and tax values of property, plant and equipment.

On a sample basis, we tested the treatment of property, plant and equipment expenditure, ensuring that the expenditure was correctly classified and that this classification was treated as qualifying or non-qualifying in accordance with relevant tax legislation. We assessed changes made to both the classification of expenditure and to the tax treatment of each category as part of the restatement.

We assessed the impact of the restatement on comparative periods, considering the changes to the deferred tax liability on accelerated capital allowances, the impact on the underlying effective tax rate and the appropriateness of disclosures included within note 2.1.

We also considered the control implications of the restatement, in particular assessing whether any other material components of deferred tax could be impacted.

Based on the procedures performed, we agree with the appropriateness of the restated deferred tax position and consider the associated disclosures appropriate.

Audit procedures included, but were not limited to, the following:

- We assessed the quantum of the net assets of the underlying investment to determine whether they were in excess of the carrying value of the Company's investments in subsidiaries, joint ventures and associates, as well as considering the nature of those assets, and confirmed that there were no indicators of impairment;
- We confirmed that the market capitalisation of the Group as at 28 February 2026 exceeded the carrying value of the Company investments in subsidiaries, joint ventures and associates; and
- We considered whether any other evidence obtained in respect of our audit represented an indicator of impairment.

Based on the procedures performed, we noted no material issues from our testing.

Independent auditors' report continued

to the members of J Sainsbury plc

Our audit approach continued

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

J Sainsbury plc (the "Company") and its subsidiaries (together, the "Group") operate primarily in Retail (comprising the sale of food, household, general merchandise, clothing and fuel primarily through store and online channels) and Financial Services (comprising banking and insurance services through Sainsbury's Bank and Argos Financial Services). The Group's operations are predominantly UK-based, with its principal trading entities being Sainsbury's Supermarkets Limited ("SSL"), Argos Limited ("Argos"), and Sainsbury's Bank plc. The operations are supported by various centralised Group functions.

The Group's accounting and financial reporting functions are structured around these segments. Centralised Group functions manage certain corporate-level balances, including goodwill, intercompany accounts, income tax, pensions and share-based payments, and the consolidation process. The Financial Services business operates with a degree of autonomy, maintaining its own finance function.

We tailored the scope of our audit to ensure that we obtained sufficient, appropriate audit evidence to be able to form an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate. In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by us, as the Group engagement team, or by component auditors operating under our instructions.

We determined that SSL and Argos were significant components due to their relative size, given their overall contribution to the Group's underlying profit before tax, from continuing operations and revenue, and due to risk, in particular in relation to deferred tax, pensions and, for Argos goodwill. Together, these two entities represent the vast majority of the Group's trading activity and are the primary drivers of the key audit matters identified in this audit report. These two components were subject to full scope audits.

Outside of these two components, full-scope audits were performed at a further four non-significant components, including the Company, given their nature and contribution to certain Consolidated financial statement line items. Three of these components are within the Group's Financial Services segment. Taken together, these six full-scope components provided coverage of approximately 99% of Group revenue.

In addition to the six full-scope audits, the Group team performed audit procedures over financial statement line items within a further two non-significant components to ensure we obtained sufficient, appropriate evidence over specific balances and transactions that are relevant to the Consolidated financial statements.

For all other non-significant components, where no detailed testing took place, we performed targeted risk assessment procedures, consistent with the limited associated risk of material misstatement in the financial information of these components.

For work that was not completed by the Group audit team, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient, appropriate audit evidence had been obtained as a basis for our opinion on the Consolidated financial statements as a whole. In addition to instructing and reviewing the reporting from those component audit teams, we conducted file reviews, maintained regular dialogue through the financial year and participated in key meetings with the component audit teams as part of the audit. We also visited the Group's Financial Services head office, meeting with both the component auditors and with management.

In relation to the audit of the Company financial statements, this was performed by the Group audit team. The Company is a holding company and predominantly holds investments in subsidiaries and intercompany balances. The Company is also a full scope, non-significant component of the Group.

The impact of climate risk on our audit

The Group has set its Science Based Targets initiative (SBTi) 1.5°C aligned targets to reduce Scope 1 and 2 greenhouse gas (GHG) emissions by 68 per cent by 2030 from its 2018/19 baseline and achieve net zero within its own operations by 2035, as well as to reduce Scope 3 Forest, Land and Agriculture (FLAG) emissions by 36.4 per cent and energy and industrial emissions by 50.4 per cent by 2030, with net zero achieved across its value chain by 2050.

Management considers that climate change does not give rise to a material impact on the Consolidated financial statements. As part of our audit, we inquired of management to understand the Group's risk assessment process in relation to climate change. Management's climate-related risk assessment is informed by external sustainability experts, including its collaboration with Imperial College on its transition roadmap to 2035. We reviewed management's assessment of climate-related physical risks (including heat events, flooding and drought) and transition risks (including regulation and changes in consumer preferences), their relevance to the Group and the impact, if any, on the financial statements.

In evaluating the completeness of risks identified, we engaged our internal climate change specialists to review management's assessment and considered the Group's latest Carbon Disclosure Project ("CDP") submission. We understood how management has considered the Group's Plan for Better climate commitments in their assessment, including the embedding of Plan for Better cash flows, principally property capital expenditure to achieve net zero by 2035, into the FY27 Corporate Plan base model. The cashflows to meet these climate commitments are, therefore, already reflected in the base forecasts used for impairment testing, the going concern assessment and the viability statement and no separate modelling of these is required. Based on their risk assessment, management has also concluded that no separate modelling for climate change related risks is required.

In responding to the risks identified, we specifically considered how climate change risk could impact the assumptions in management's forecasts used in assessing the carrying value of goodwill and other non-financial assets, including the most material transitional risks in fuel sales, regulation and changes in consumer preferences in meat, fish and poultry, which management modelled under a 1.5°C scenario. We also assessed the consistency of the Plan for Better cash flows within the base model with the Group's externally communicated commitments. In addition, we considered the appropriateness of not separately modelling climate change as a severe but plausible downside scenario in areas such as going concern and viability. We did not find management's assessment to be unreasonable.

We also read the climate change disclosures in the other information within the Annual Report to ascertain whether they are materially consistent with the financial statements and the knowledge gained from our audit. No exceptions to this were identified. Our responsibility over other information is further described in the Reporting on other information section of this audit report.

Independent auditors' report continued

to the members of J Sainsbury plc

Our audit approach continued

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Consolidated	Financial statements – Company
Overall materiality	£36.0 million.	£80.0 million
How we determined it	Approximately 5% of underlying profit before tax from continuing operations	approximately 1% of total assets
Rationale for benchmark applied	As the business is profit oriented, a profit-based metric is a generally accepted materiality benchmark. We consider that underlying profit before tax from continuing operations is the primary measure used by management and other key stakeholders in assessing the performance of the Group.	We consider that total assets is the primary measure used by the shareholders in assessing the performance of the Company, as it is a holding entity, and is a generally accepted materiality benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £5.0 million and £33.2 million.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 65% of overall materiality, amounting to £23.4 million for the Consolidated financial statements and £52.0 million for the Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1.8 million (Group audit) and £1.8 million (Company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- We obtained the directors' going concern forecast and downside sensitivities and evaluated and challenged the key assumptions within the forecasts and considered whether these were supported by the evidence we obtained;
- We tested the assessment, including verifying going concern model inputs against Board-approved forecasts and validating the mathematical accuracy of the model;
- We understood and evaluated the related controls surrounding management's forecasting and budgeting process and considered the historical accuracy of management forecasting by comparing budgeted results with actual performance;
- We read the Group's borrowing facility documentation to confirm their availability to the Group and the Company through the going concern period, including verifying that management had appropriately identified and assessed financial covenant compliance;
- We assessed whether the sensitivities modelled in the severe but plausible downside scenario were sufficiently severe, including considering the principal risks facing the business. We evaluated the amount and timing of identified mitigating actions available to respond to a severe but plausible downside scenario and considered whether those actions are feasible and within the Group's control; and
- We assessed the appropriateness of disclosures relating to going concern in the financial statements.

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's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the directors' 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.

Independent auditors' report continued

to the members of J Sainsbury plc

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion on, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the period ended 28 February 2026 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Directors' Remuneration

In our opinion, the part of the Annual report on remuneration to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Governance Report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;

- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group and Company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, 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 and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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's and the 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 Company or to cease operations, or have no realistic alternative but to do so.

Independent auditors' report continued

to the members of J Sainsbury plc

Responsibilities for the financial statements and the audit continued

Auditors' 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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment law, health and safety legislation, data protection laws and the Groceries Supply Code of Practice, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the UK Companies Act 2006, the UK Corporate Governance Code, UK tax legislation and UK banking regulations. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- understanding and evaluating the design and implementation of controls designed to prevent and detect management override of controls, including irregularities and fraud;
- discussions with management, Internal Audit and the Group's General Counsel regarding their consideration of known or suspected instances of non-compliance with laws and regulations or fraud;
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations;
- challenging estimates and judgements made by management and assessing these for management bias; and
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Annual report on remuneration to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

We were first appointed by the Company for the financial year ended 28 February 2026. Our uninterrupted engagement covers 1 financial year.

Other matter

The Company is required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules to include these financial statements in an annual financial report prepared under the structured digital format required by DTR 4.1.15R – 4.1.18R and filed on the National Storage Mechanism of the Financial Conduct Authority. This auditors' report provides no assurance over whether the structured digital format annual financial report has been prepared in accordance with those requirements.

Simon Morley (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
22 April 2026

Consolidated income statement

	Note	52 weeks to 28 February 2026			52 weeks to 1 March 2025 (restated*)		
		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	33,647	—	33,647	32,772	—	32,772
Cost of sales		(31,369)	(72)	(31,441)	(30,511)	(78)	(30,589)
Gross profit/(loss)		2,278	(72)	2,206	2,261	(78)	2,183
Administrative expenses		(1,328)	(63)	(1,391)	(1,302)	(99)	(1,401)
Other income		75	7	82	55	53	108
Operating profit/(loss)		1,025	(128)	897	1,014	(124)	890
Finance income	9	24	40	64	31	36	67
Finance expense	9	(331)	(11)	(342)	(336)	(14)	(350)
Profit/(loss) before tax - continuing operations		718	(99)	619	709	(102)	607
Income tax (expense)/credit	10	(210)	5	(205)	(205)	19	(186)
Profit/(loss) after tax - continuing operations		508	(94)	414	504	(83)	421
Loss after tax - discontinued operations	11	—	(21)	(21)	—	(168)	(168)
Profit/(loss) for the financial period		508	(115)	393	504	(251)	253
Earnings per share							
	12	pence		pence	pence		pence
Basic - total		22.3		17.3	21.6		10.9
Diluted - total		21.9		16.9	21.2		10.7
Earnings per share - from continuing operations							
Basic - continuing				18.2			18.1
Diluted - continuing				17.8			17.8

* Refer to note 2 for details of prior year restatements.

The notes on pages 140 to 197 form an integral part of these financial statements.

Consolidated statement of comprehensive income/(loss)

	Note	52 weeks to 28 February 2026 £m	52 weeks to 1 March 2025 (restated*) £m
Profit for the financial year		393	253
Items that will not be subsequently reclassified to the income statement			
Remeasurement on defined benefit pension schemes	33.3	(265)	(33)
Cash flow hedges fair value movements		—	1
Tax relating to items that will not be reclassified		67	8
		(198)	(24)
Items that may be subsequently reclassified to the income statement			
Currency translation differences		(1)	—
Movements on financial assets at fair value through other comprehensive income		(1)	1
Cash flow hedges fair value movements	29	(40)	13
Items reclassified from cash flow hedge reserve	29	5	2
Tax relating to items that may be reclassified		5	(4)
		(32)	12
Total other comprehensive loss for the year (net of tax)		(230)	(12)
Total comprehensive income for the year		163	241
Continuing operations		184	409
Discontinued operations	11.1	(21)	(168)
Total comprehensive income for the year		163	241

* Refer to note 2 for details of prior year restatements.

The notes on pages 140 to 197 form an integral part of these financial statements.

Consolidated balance sheet

	Note	28 February 2026 £m	1 March 2025 (restated*) £m	2 March 2024 (restated*) £m
Non-current assets				
Property, plant and equipment	14	9,386	9,358	9,282
Right-of-use assets	15	4,486	4,455	4,296
Intangible assets	16	838	807	806
Investments in joint ventures and associates		2	2	2
Other financial assets	18	129	769	761
Trade and other receivables	20	22	42	108
Amounts due from Financial Services customers and other banks		—	—	1,467
Derivative financial assets	29	18	35	68
Retirement benefit surplus	33	548	754	714
		15,429	16,222	17,504
Current assets				
Inventories	19	1,987	1,946	1,927
Trade and other receivables	20	431	572	582
Amounts due from Financial Services customers and other banks		—	—	3,050
Other financial assets	18	—	1,167	26
Derivative financial assets	29	7	15	8
Income taxes receivable		19	86	75
Cash and cash equivalents	30	1,067	2,222	1,978
		3,511	6,008	7,646
Assets of disposal group and non-current assets held for sale	21	3	2,527	10
		3,514	8,535	7,656
Total assets		18,943	24,757	25,160
Current liabilities				
Trade and other payables	22	(5,565)	(5,489)	(5,261)
Amounts due to Financial Services customers and other deposits	23	—	(1,955)	(5,515)
Borrowings	32	(80)	(72)	(65)
Lease liabilities	15	(505)	(483)	(515)
Other financial liabilities	18	(21)	—	—
Derivative financial liabilities	29	(20)	(15)	(28)
Income taxes payable		—	(4)	—
Provisions	24	(140)	(230)	(113)
		(6,331)	(8,248)	(11,497)
Liabilities of disposal group held for sale	21	—	(3,136)	—
		(6,331)	(11,384)	(11,497)
Net current liabilities		(2,817)	(2,849)	(3,841)

	Note	28 February 2026 £m	1 March 2025 (restated*) £m	2 March 2024 (restated*) £m
Non-current liabilities				
Trade and other payables	22	(22)	(24)	(11)
Amounts due to Financial Services customers and other deposits	23	—	(13)	(206)
Borrowings	32	(981)	(1,042)	(1,130)
Lease liabilities	15	(5,035)	(5,011)	(4,839)
Derivative financial liabilities	29	(3)	(11)	(59)
Retirement benefit deficit	33	(23)	(23)	(24)
Deferred income tax liability	10	(302)	(327)	(256)
Provisions	24	(96)	(157)	(167)
		(6,462)	(6,608)	(6,692)
Total liabilities		(12,793)	(17,992)	(18,189)
Net assets		6,150	6,765	6,971
Equity				
Called up share capital	25	647	669	678
Share premium	25	1,465	1,448	1,430
Merger reserve	25	173	173	568
Capital redemption and other reserves	26	(65)	(54)	955
Retained earnings		3,930	4,529	3,340
Total equity shareholders' funds		6,150	6,765	6,971

* Refer to note 2 for details of prior year restatements.

The notes on pages 140 to 197 form an integral part of these financial statements.

Approved by the Board of Directors on 22 April 2026, and 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 2 March 2025 (as previously reported)		669	1,448	173	(54)	4,415	6,651
Opening balance adjustment		—	—	—	—	114	114
At 2 March 2025 (restated*)		669	1,448	173	(54)	4,529	6,765
Profit for the financial year		—	—	—	—	393	393
Other comprehensive loss (pre-tax)		—	—	—	(37)	(265)	(302)
Tax relating to components of other comprehensive loss		—	—	—	5	67	72
Total comprehensive (loss)/income		—	—	—	(32)	195	163
Cash flow hedges gains transferred to inventory		—	—	—	13	—	13
Transactions with owners:							
Transfer between reserves	26	—	—	—	6	(6)	—
Dividends	13	—	—	—	—	(566)	(566)
Share-based payment	34	—	—	—	—	80	80
Purchase of own shares for share schemes	26	—	—	—	(85)	—	(85)
Shares allocated in respect of share option schemes	25, 26	3	17	—	62	(62)	20
Purchase of own shares for cancellation	26	—	—	—	(251)	—	(251)
Cancellation of own shares	25, 26	(25)	—	—	276	(251)	—
Tax on items charged to equity		—	—	—	—	11	11
At 28 February 2026		647	1,465	173	(65)	3,930	6,150

	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 (as previously reported)		678	1,430	568	955	3,237	6,868
Opening balance adjustment		—	—	—	—	103	103
At 3 March 2024 (restated*)		678	1,430	568	955	3,340	6,971
Profit for the financial year		—	—	—	—	253	253
Other comprehensive income/(loss) (pre-tax)		—	—	—	17	(33)	(16)
Tax relating to components of other comprehensive income/(loss)		—	—	—	(4)	8	4
Total comprehensive income		—	—	—	13	228	241
Cash flow hedges gains transferred to inventory		—	—	—	18	—	18
Transactions with owners:							
Transfer between reserves	25, 26	—	—	(395)	(1,035)	1,430	—
Dividends	13	—	—	—	—	(308)	(308)
Share-based payment	34	—	—	—	—	80	80
Purchase of own shares for share schemes	26	—	—	—	(63)	—	(63)
Shares allocated in respect of share option schemes	25, 26	12	18	—	37	(44)	23
Purchase of own shares for cancellation	26	—	—	—	(200)	—	(200)
Cancellation of own shares	25, 26	(21)	—	—	221	(200)	—
Tax on items charged to equity		—	—	—	—	3	3
At 1 March 2025 (restated*)		669	1,448	173	(54)	4,529	6,765

* Refer to note 2 for details of prior year restatements.

The notes on pages 140 to 197 form an integral part of these financial statements.

Consolidated cash flow statement

	Note	52 weeks to 28 February 2026 £m	52 weeks to 1 March 2025 (restated*) £m
Cash flows from operating activities			
Operating profit - continuing operations		897	890
Depreciation	14,15	1,039	1,033
Amortisation	16	199	182
Net impairment loss on non-financial assets	17	23	22
Loss /(profit) on sale of non-current assets and early termination of leases		3	(53)
Fair value movements		12	(2)
Share-based payments expense	34	75	73
Defined benefit scheme expense	33.2	8	8
Defined benefit pension scheme payments	33.4	(27)	(45)
Operating cash flows before changes in working capital - continuing operations		2,229	2,108
Changes in working capital			
Increase in inventories		(29)	—
Decrease/(increase) in other financial assets		1,807	(1,149)
Decrease in trade and other receivables		81	15
Increase in trade and other payables		138	247
Decrease in amounts due to Financial Services customers and other deposits		(1,968)	—
Decrease in provisions		(71)	(7)
Cash generated from operating activities - continuing operations		2,187	1,214
Interest paid		(348)	(359)
Corporation tax paid		(65)	(53)
Net cash generated from operating activities - continuing operations		1,774	802

	Note	52 weeks to 28 February 2026 £m	52 weeks to 1 March 2025 (restated*) £m
Cash flows from investing activities			
Purchase of property, plant and equipment		(613)	(617)
Initial direct costs on new leases		(8)	(34)
Purchase of intangible assets		(230)	(208)
Proceeds from disposal of property, plant and equipment		41	45
Interest received		23	27
Net cash used in investing activities - continuing operations		(787)	(787)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		20	20
Proceeds from borrowings		—	544
Repayment of borrowings		(59)	(623)
Purchase of own shares for share schemes		(64)	(63)
Purchase of own shares for cancellation	26	(251)	(200)
Capital repayment of lease obligations		(504)	(487)
Dividends paid on ordinary shares	13	(566)	(308)
Net cash used in financing activities - continuing operations		(1,424)	(1,117)
Net (decrease)/increase in cash and cash equivalents			
Continuing operations		(437)	(1,102)
Discontinued operations	11.4	(718)	1,345
Total (decrease)/increase in cash and cash equivalents		(1,155)	243
Opening cash and cash equivalents		2,221	1,978
Closing cash and cash equivalents	30	1,066	2,221
Disclosed in the balance sheet:			
Cash and cash equivalents		1,067	2,222
Overdraft		(1)	(1)
		1,066	2,221

* Refer to note 2 for details of prior year restatements.

The notes on pages 140 to 197 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 Charterhouse Street, London EC1M 6HA, United Kingdom.

The Group's consolidated financial statements (the financial statements) are presented in Pounds Sterling, which is the functional currency of the Parent. Unless otherwise stated, amounts are rounded to the nearest million.

Within these financial statements, '2026' refers to the 52 weeks to 28 February 2026, or as at 28 February 2026; and '2025' refers to the 52 weeks to 1 March 2025, or as at 1 March 2025.

The principal activities of the Company and its subsidiaries (together, the Group) are Food, General Merchandise and Clothing and Financial Services.

2 Basis of preparation and consolidation

2.1 Basis of preparation and presentation

The Group's financial statements have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

They have been prepared under the historical cost convention, except for certain financial instruments, defined benefit pension scheme assets and share-based payments, as explained in the accounting policies below.

Unless otherwise stated, material accounting policies have been applied consistently to all periods presented in the financial statements.

Prior period restatements

a) Deferred tax

The tax charge in the comparative period income statement and the comparative period balance sheets has been restated to incorporate the deferred tax impact arising from a misclassification of assets between those impacting deferred tax and those which do not, and an omission of the tax effects of prior year impairments and disposals. Prior year adjustments from the finalisation of each year's tax compliance process that are related to fixed assets have been included within the restated figures. Therefore, the restatement also includes current tax impacts.

b) Balance sheet line items

Comparative period amounts of the following line items within the Group balance sheet have been re-presented, with no impact on net assets:

- Taxes payable, which was previously presented on a net basis, has been re-presented to separately disclose income taxes receivable and

income taxes payable, and to present other taxation and social security payables within trade and other payables.

- Lease liabilities have been re-presented to correct the classification between certain current and non-current liabilities.
- The net retirement benefit surplus has been re-presented to separately disclose the present value of unfunded obligations as retirement benefit deficit, as the Group does not have the right to offset these amounts.
- Cash and cash equivalents have been re-presented to reclassify other investment securities, whereby the maturity date of the underlying instrument exceeded 3 months at recognition but was less than 3 months at the prevailing balance sheet date, to other financial assets within current assets.

c) Discontinued operations and reclassification to non-underlying

Discontinued operations were previously included in underlying measures whilst the associated trading activities remained ongoing. Following completion of the NatWest, NewDay and NoteMachine disposals, these activities are substantially ceased, and have therefore been reclassified to non-underlying so as to only reflect ongoing trading performance within underlying results.

In July 2025, the Group agreed to sell the Travel Money business to Fexco Group, with the sale completing in January 2026. The Travel Money business is presented as a discontinued operation in both the current and comparative periods.

Prior period comparatives

The prior period comparatives have been restated in accordance with IAS 8: 'Accounting Policies, Changes in Accounting Policies and Errors' and have impacted the primary financial statements as follows:

Income statement

	Underlying items				Non-underlying items				Total			
	As previously reported £m	Deferred tax (a) £m	Discounted operations (c) £m	As restated £m	As previously reported £m	Deferred tax (a) £m	Discounted operations (c) £m	As restated £m	As previously reported £m	Deferred tax (a) £m	Discounted operations (c) £m	As restated £m
52 weeks to 1 March 2025												
Continuing operations												
Revenue	32,812	—	(40)	32,772	—	—	—	—	32,812	—	(40)	32,772
Cost of sales	(30,513)	—	2	(30,511)	(78)	—	—	(78)	(30,591)	—	2	(30,589)
Gross profit/(loss)	2,299	—	(38)	2,261	(78)	—	—	(78)	2,221	—	(38)	2,183
Administrative expenses	(1,325)	—	23	(1,302)	(100)	—	1	(99)	(1,425)	—	24	(1,401)
Other income	55	—	—	55	53	—	—	53	108	—	—	108
Operating profit/(loss)	1,029	—	(15)	1,014	(125)	—	1	(124)	904	—	(14)	890
Finance income	31	—	—	31	36	—	—	36	67	—	—	67
Finance expense	(336)	—	—	(336)	(14)	—	—	(14)	(350)	—	—	(350)
Profit/(loss) before tax - continuing operations	724	—	(15)	709	(103)	—	1	(102)	621	—	(14)	607
Income tax (expense)/credit	(216)	7	4	(205)	15	4	—	19	(201)	11	4	(186)
Profit/(loss) after tax - continuing operations	508	7	(11)	504	(88)	4	1	(83)	420	11	(10)	421
Loss after tax - discontinued operations	31	—	(31)	—	(209)	—	41	(168)	(178)	—	10	(168)
Profit/(loss) for the financial period	539	7	(42)	504	(297)	4	42	(251)	242	11	—	253

Notes to the consolidated financial statements continued

2 Basis of preparation and consolidation continued

2.1 Basis of preparation and presentation continued

Prior period restatements continued

Balance sheets

	As previously reported £m	FY24 opening reserves adj (a) £m	Deferred tax (a) £m	Cash (b) £m	Taxes payable (b) £m	Lease liabilities (b) £m	Net retirement benefit (b) £m	As restated £m
At 1 March 2025								
Non-current assets								
Retirement benefit surplus	731	—	—	—	—	—	23	754
	16,199	—	—	—	—	—	23	16,222
Current assets								
Other financial assets	612	—	—	555	—	—	—	1,167
Income tax receivable	—	30	(18)	—	74	—	—	86
Cash and cash equivalents	2,777	—	—	(555)	—	—	—	2,222
	5,922	30	(18)	—	74	—	—	6,008
Total assets	24,648	30	(18)	—	74	—	23	24,757
Current liabilities								
Trade and other payables	(5,278)	—	—	—	(211)	—	—	(5,489)
Lease liabilities	(590)	—	—	—	—	107	—	(483)
Income taxes payable	(141)	—	—	—	137	—	—	(4)
	(8,281)	—	—	—	(74)	107	—	(8,248)
Net current liabilities	(2,968)	30	(18)	—	—	107	—	(2,849)
Non-current liabilities								
Lease liabilities	(4,904)	—	—	—	—	(107)	—	(5,011)
Retirement benefit deficit	—	—	—	—	—	—	(23)	(23)
Deferred income tax liability	(429)	73	29	—	—	—	—	(327)
	(6,580)	73	29	—	—	(107)	(23)	(6,608)
Total liabilities	(17,997)	73	29	—	(74)	—	(23)	(17,992)
Net assets	6,651	103	11	—	—	—	—	6,765
Equity								
Retained earnings	4,415	103	11	—	—	—	—	4,529
Total equity shareholders' funds	6,651	103	11	—	—	—	—	6,765

	As previously reported £m	Deferred tax (a) £m	Cash (b) £m	Taxes payable (b) £m	Lease liabilities (b) £m	Net retirement benefit (b) £m	As restated £m
At 2 March 2024							
Non-current assets							
Retirement benefit surplus	690	—	—	—	—	24	714
	17,480	—	—	—	—	24	17,504
Current assets							
Other financial assets	17	—	9	—	—	—	26
Income tax receivable	—	30	—	45	—	—	75
Cash and cash equivalents	1,987	—	(9)	—	—	—	1,978
	7,571	30	—	45	—	—	7,646
Total assets	25,061	30	—	45	—	24	25,160
Current liabilities							
Trade and other payables	(5,091)	—	—	(170)	—	—	(5,261)
Lease liabilities	(515)	—	—	—	—	—	(515)
Income taxes payable	(125)	—	—	125	—	—	—
	(11,452)	—	—	(45)	—	—	(11,497)
Net current liabilities	(3,871)	30	—	—	—	—	(3,841)
Non-current liabilities							
Lease liabilities	(4,839)	—	—	—	—	—	(4,839)
Retirement benefit deficit	—	—	—	—	—	(24)	(24)
Deferred income tax liability	(329)	73	—	—	—	—	(256)
	(6,741)	73	—	—	—	(24)	(6,692)
Total liabilities	(18,193)	73	—	(45)	—	(24)	(18,189)
Net assets	6,868	103	—	—	—	—	6,971
Equity							
Retained earnings	3,237	103	—	—	—	—	3,340
Total equity shareholders' funds	6,868	103	—	—	—	—	6,971

Notes to the consolidated financial statements continued

2 Basis of preparation and consolidation continued

2.1 Basis of preparation and presentation continued

Prior period restatements continued

Cash flow statement

	As previously reported £m	Discontinued operations (c) £m	Cash (b) £m	As restated £m
for the 52 weeks to 1 March 2025				
Operating profit	904	(14)	—	890
Share-based payments expense	75	(2)	—	73
Operating cash flows before changes in working capital - continuing operations				
Changes in working capital	2,124	(16)	—	2,108
Decrease/(increase) in other financial assets	(603)	—	(546)	(1,149)
Cash generated from operating activities - continuing operations				
	1,776	(16)	(546)	1,214
Net cash generated from operating activities - continuing operations				
	1,364	(16)	(546)	802
Net (decrease)/increase in cash and cash equivalents				
Continuing operations	(540)	(16)	(546)	(1,102)
Discontinued operations	1,329	16	—	1,345
Total (decrease)/increase in cash and cash equivalents	789	—	(546)	243
Opening cash and cash equivalents	1,987	—	(9)	1,978
Closing cash and cash equivalents	2,776	—	(555)	2,221

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 104, 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 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. The Group will continue to monitor developments in accounting standards, sustainability reporting requirements and broader regulatory or government policy changes

that may influence future reporting. 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	17.2
Provisions	24.1
Retirement benefit obligations	33.5

The policy, technology and market changes in response to climate change are still developing, and these are interdependent upon each other, and consequently the financial statements cannot capture all possible future outcomes as these are not yet known. The degree of certainty of these changes may also mean that they cannot be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements of UK-adopted international accounting standards.

2.2 Going concern

The Directors are satisfied that the Group has sufficient resources to continue in operation for a period of at least 12 months from the date of approval. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. The assessment period for the purposes of considering going concern is the 16 months to 10 September 2027.

In assessing the Group's ability to continue as a going concern, the Directors have considered the Group's most recent corporate planning processes. This includes an annual review that considers profitability, the Group's cash flows, committed funding and liquidity positions, financial covenant, and forecasted future funding requirements typically over three years, with a further year of indicative movements.

The Group's most recent corporate planning processes includes assumed cashflows to address climate change risks, including costs associated with initiatives in place as part of the Plan for Better commitment which include reducing environmental impacts and meeting customer expectations in this area, notably through reducing packaging and reducing energy usage across the estate. Climate-related risks do not result in any material uncertainties affecting the Group's ability to continue as a going concern.

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 which remain in issuance. In addition, the Group has in place an inflation-linked amortising loan with a principal of £378 million outstanding at the reporting date, with a maturity date of April 2031. Refer to note 32.1 for details of the amortisation profile.

Notes to the consolidated financial statements continued

2 Basis of preparation and consolidation continued

2.2 Going concern continued

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 tranches. Tranche A has a final maturity of December 2029, and Tranche B has a final maturity of December 2028. As at 28 February 2026, the Revolving Credit Facility was undrawn. No additional forms of financing are assumed in the assessment of the Group as a going concern. Refer to note 27.4 for details of the Group's financial covenant.

In assessing going concern, severe but plausible scenarios in relation to the Group's principal risks in line with those disclosed in the viability statement on page 48 have been considered by overlaying them into the corporate plan and assessing the impact on cash flows, net debt, financial covenant and funding headroom. These severe but plausible scenarios included modelling inflationary pressures on both food margins and general recession-related risks, including those which may arise from conflict in the Middle East, the impact of a cyber-attack on operations, payment of a regulatory fine and the failure to deliver planned cost savings. In addition, a reverse stress test was performed to assess the additional level of sales decline required before the Group fully utilises its available funding and mitigations or breaches its financial covenants. 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. These include reducing any non-essential capital expenditure and operating expenditure, bonus and pay awards, and pausing dividend payments.

Previously, additional consideration was given to the credit, liquidity and capital adequacy of the Bank given the phased withdrawal from Financial Services and transition to a distributed model. Following the completed sales with NatWest, NewDay, NoteMachine, Allianz and Fexco in the current and previous period, the current capital position and the progress made on transition, the Directors no longer deem this a material consideration in making an assessment over 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

The financial statements for the 52 weeks to 28 February 2026 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.

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 Bank plc and its subsidiaries have been consolidated for the 12 months to 28 February 2026, being the Bank's year-end date (2025: 28 February 2025). Adjustments are made for the effects of significant transactions or events that occur between this time period and the Group's financial year comprising the 52 weeks to 28 February 2026.

Sainsbury's Thistle Scottish Limited Partnership and Nectar 360 Services LLP are partnerships that 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.

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, represent 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 Pounds 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

There were no new accounting standards, interpretations and amendments to standards and IFRIC interpretations that became applicable during the year which had a material impact on the Group's results or net assets.

Notes to the consolidated financial statements continued

2 Basis of preparation and consolidation continued

2.4 New standards, interpretations and amendments adopted by the Group continued

a) New accounting standards adopted by the Group continued

Accordingly, no changes were required 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 1 March 2025.

b) New accounting standards in issue but not yet effective

The Group has not applied any standards, interpretations or amendments that have been issued but are not yet effective. With the exception of IFRS 18 'Presentation and Disclosure in Financial Statements', the new requirements are not expected to have a material impact on the Group's accounting policies, results or net assets.

IFRS 18 'Presentation and Disclosure in Financial Statements' will become effective in the financial statements for the financial year ending 26 February 2028. IFRS 18 sets out overall requirements for the presentation and disclosure in financial statements, and all income and expenses will be classified into one of five categories on the income statement: operating, investing, financing, taxation and discontinued operations. The standard will also introduce 'management defined performance measures', a subset of the Group's alternative performance measures, which will be disclosed in the audited financial statements.

The Group has commenced its assessment of IFRS 18, which will include determining the impacts on the Group including system changes, transition plans and quantifying the impacts of the new standard on the comparative financial statements. The Group's profit before tax will not change.

2.5 Alternative Performance Measures (APMs)

In the reporting of financial information, the Directors use certain Alternative Performance Measures (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 IFRS 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.

Non-underlying items

Underlying profit measures are presented to supplement IFRS results which also reflects how performance is measured internally. These measures exclude items classified as non-underlying in order to present performance on a consistent basis between periods. Further information on non-underlying items is provided in note 5.

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 include further information on the definition, purpose and reconciliation to the closest IFRS measure.

Changes to APMs

The definition of the Group's Retail like-for-like sales APM has been updated during the period to exclude VAT. In prior periods, this measure was presented inclusive of VAT. The revised approach is considered to provide more relevant information by aligning more closely with amounts presented under IFRS. Accordingly, the comparative Retail like-for-like sales APM reconciliation has been re-presented to reflect this change.

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 and 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 at 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 and services 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.

Notes to the consolidated financial statements continued

3 Material accounting policies continued

3.1 Revenue continued

c) Financial Services continued

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, 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 clawback, an appropriate element of the commission receivable is deferred and amortised over the clawback period.

Income from the sale of travel money, representing the difference between the cost price and the selling price, is recognised when the sale to the customer takes place.

3.2 Cost of sales

Cost of sales consists of all costs that are directly attributable to the point of sale including warehouse costs, 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.

The Group regularly enters into arrangements to receive income from suppliers. This income can be in the form of purchase discounts, sales volume incentives or amounts received to perform marketing or promotional activities in store or online. These arrangements are collectively known as 'supplier arrangements' and are recognised as a reduction to cost of sales when the performance conditions within each agreement have been met. The types of supplier income and recognition policies are as follows:

Volume based discounts / incentive

Volume based discounts/ incentives are earned based on either sales or intake volumes over a defined period for defined products. Income is recognised as a deduction to cost of sales on sale of the inventory to which it relates. Where discounts are received based on intake volumes and there remains inventory unsold at the reporting period, the relevant discount is deducted from the carrying value of that inventory.

Marketing and promotional income

Marketing and promotional income primarily relates to in-store or on-line activity, including promotional or marketing materials, support for promotional pricing or product placement. Income is recognised over the period to which the agreement relates and in accordance with the performance conditions therein. As these agreements do not identify specific inventory purchases, this approach is deemed the best estimate to reflect the appropriate reduction in cost of sales.

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 that 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.

c) Uncertain Tax Provisions

Tax provisions are recognised for uncertain tax positions where a risk of a potential additional tax liability has been identified and it is considered likely that the Group will be required to settle that tax. The Group measures its tax balances based on either the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Notes to the consolidated financial statements continued

3 Material accounting policies continued

3.6 Leases continued

b) Group as a lessor continued

Subleases

Classification as a finance or operating lease 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 the square foot leased in the headlease and sublease where appropriate. This assessment takes into consideration whether the sublease/headlease are above or below market rate.

Finance leases

Amounts due under finance leases are recorded as a receivable at an amount equal to the net investment in the lease. This is initially calculated and recognised using the IBR prevalent in the underlying headlease at the recognition date. Any difference between the derecognised right-of-use asset and the newly recognised amounts due for leases under finance leases is immediately recognised in the income statement. The Group recognises finance income over the lease term, reflecting a constant periodic rate of return on the Group's net investment in the lease.

Operating leases

Operating lease income is recognised as earned on a straight-line basis over the lease term.

3.7 Intangible assets

a) Goodwill

Goodwill represents the excess of the fair value of the consideration of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. At the acquisition date goodwill is allocated to the cash-generating unit (CGU) or group of CGUs within the Retail or Financial Services segments that are expected to benefit from the combination. Goodwill is not amortised, but is tested at least annually for impairment as set out in note 3.8.

b) Computer software

Software and licences which are capitalised include costs incurred to acquire the assets as well as any external and internal costs incurred in the development of software. External and internal costs are external direct costs, as well as directly attributable internal payroll-related costs for employees who are associated with projects in order to bring the assets into use. Costs associated with internally generated software are recognised as an intangible asset only if they can be separately identified, it is probable that the asset will generate future economic benefits which exceed one year, and the cost can be measured reliably. Software under development is not amortised, but held at cost less any impairment loss.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. Costs associated with maintaining computer software are recognised as an expense as incurred.

c) Cloud computing arrangements

Software as a Service (SaaS) arrangements are service contracts providing the Group with the right to access a cloud provider's application software over the contract period. Typically, such arrangements involve ongoing licence fees to obtain access to the cloud provider's application software, as well as upfront costs incurred to configure or customise the SaaS solution.

Configuration and customisation costs are capitalised in the following instances as intangible assets:

- The Group has both a contractual right to take possession of the software at any time without significant penalty, and the ability to run the software independently of the host vendor
- The costs incurred meet the definition of, and recognition criteria for, an intangible asset. This includes, for example, the development of software code that enhances or modifies, or creates additional capability for, 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 ten 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 (except for goodwill) 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.

Notes to the consolidated financial statements continued

3 Material accounting policies continued

3.8 Impairment continued

Goodwill is assessed annually by measuring the recoverable amount of the associated CGU, or group of CGUs calculated as the higher of fair value less cost to dispose and VIU. Where the carrying value of the CGU or group of CGUs 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 or group of CGUs. Impairment losses recognised for goodwill are not subsequently reversed.

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.

3.9 Inventories

Inventories comprise goods held for resale and are valued on a standard cost or weighted average cost basis, which both approximate 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 Assets held for sale

Assets or disposal groups are classified as held for sale when their carrying amount is expected to be recovered principally through a sale transaction rather than through continuing use, and 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 and disposal groups classified as held for sale are measured at the lower of the carrying amount and fair value less costs to dispose. Assets outside the scope of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', such as financial assets, continue to be measured in accordance with the relevant accounting standards.

A component of the Group that is held for sale or disposed of is classified as a discontinued operation if it represents a separate major line of business or geographical area of operation, or forms part of a single coordinated plan to dispose of such business area. The results of discontinued operations are presented separately in the income statement and comparative periods are restated accordingly.

Further information on discontinued operations is provided in note 3.20 and note 11.

Where an asset or disposal group no longer meets the criteria to be classified as held for sale, it is measured at the lower of its carrying amount before classification (adjusted for depreciation that would have been recognised) and its recoverable amount at the date of reclassification.

3.12 Trade and other payables

Trade payables are initially recognised at fair value and subsequently measured at amortised cost. Amounts are presented net of supplier arrangements due where there is a contractual right of offset.

3.13 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 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 are based on assumptions which are inherently uncertain and the ultimate financial impact may differ from the amount provided.

Provisions are 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 considers 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, but do include unavoidable costs related to the lease such as service charges and insurance.

Property provisions also include provisions for maintenance and restoration (referred to collectively as dilapidations), which are recognised where the Group has a present obligation to make good its leased properties, a reliable estimate of the expected cost for dilapidations can be made, and payment for dilapidations is probable. These provisions are recognised based on historically settled dilapidations which form the basis of the estimated future cash outflows. The expected timing of the future cash outflow is consistent with the outstanding length of the lease. Amounts provided are reviewed at each reporting date.

Notes to the consolidated financial statements continued

3 Material accounting policies continued

3.13 Provisions continued

a) Property provisions continued

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.

The eventual cost is dependent on response rates, uphold rates, complaint rates, redress costs and claim handling costs.

3.14 Financial instruments

a) Financial assets

The Group classifies all of its financial assets as either amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL).

The Group's non-derivative financial assets comprise:

- Cash and cash equivalents
- Trade and other receivables, excluding prepayments, taxes receivable and employee related benefits
- 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 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 and receivables. The Group has no intention of trading these assets. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures these financial assets at fair value plus transaction costs. Subsequently these assets are carried at amortised cost less impairment using the effective interest rate method. Income from these financial assets is calculated on an effective interest rate basis and is recognised in the income statement.

Financial assets at fair value through other comprehensive income

Financial assets that are held for both the purpose of collecting contractual cash flows and to sell are classified as FVOCI. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

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. 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's derivative financial liabilities are classified as FVPL and all other financial liabilities are classified as amortised cost. Financial liabilities' costs, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

The Group's non-derivative financial liabilities comprise:

- Borrowings
- Trade and other payables, excluding deferred income, other taxes and social security and employee related benefits
- Lease liabilities
- Other financial 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 or cancelled, or expires.

Notes to the consolidated financial statements continued

3 Material accounting policies continued

3.15 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 subsequently measured at fair value at each reporting date. Where derivatives do not qualify for hedge accounting, changes in the fair value are recognised in profit and loss as they arise.

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses).

Where derivatives qualify for hedge accounting, 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, and 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

Changes in the fair value of a derivative instrument designated in a fair value hedge are recognised in the income statement. The hedged item is adjusted for changes in fair value attributable to the hedged risk, with the corresponding entry recognised in the income statement.

Derivative financial instruments that do not qualify for hedge accounting are measured at fair value, with changes in fair value recognised in the income statement.

3.16 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank, deposits at central banks, investments in money market funds and deposits, credit and debit card receivables 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.

3.17 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 other 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 subleases (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

3.18 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.

Notes to the consolidated financial statements continued

3 Material accounting policies continued

3.18 Retirement benefit obligations continued

b) Defined benefit pension scheme (Sainsbury's Pension Scheme) continued

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.

3.19 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.

3.20 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 12 months of the assessment date.

The results of discontinued operations are presented separately in the Group income statement for all periods presented. Where a component is classified as discontinued in the current period, comparative periods are re-presented to reflect consistent presentation.

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 dispose.

4 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make 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.

Critical accounting judgements represent key decisions made by management in applying the Group's accounting policies. Key sources of estimation uncertainty arise where there is a significant risk that actual outcomes could differ from management assumptions and result in a material adjustment to the carrying amounts of assets and liabilities within the next 12 months.

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 33), climate change risks do not have any impact on the Group's judgements or sources of estimation uncertainty.

The following estimates, which were disclosed as significant estimates in the prior year financial statements, are no longer deemed to be a key source of estimation uncertainty:

- **Revenue recognition:** the fair value of Nectar points was disclosed as a key source of estimation uncertainty in the prior year financial statements. This estimate is no longer deemed to be a key source of estimation uncertainty as analysis of historical accumulation and redemption patterns of Nectar points, with fair value calculated with reference to lifetime actual breakage and lifetime issuance, has shown that any reasonable possible change in these inputs to the estimation within the next 12 months would not have a material impact on the deferred points liability
- **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). While the IBRs are determined based on a number of inputs including a reference (risk-free) rate and adjustments to reflect the Group's credit risk, these are ascertained on the measurement date and not changed unless a lease modification occurs. As such, a reasonably possible change in the IBR would not result in a material adjustment to the carrying amounts of lease liabilities within the next financial year, and therefore the derivation of discount rates used to determine IBRs is no longer deemed to be a key source of estimation uncertainty

4.1 Critical accounting judgements

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 that 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.

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).

Notes to the consolidated financial statements continued

4 Critical accounting judgements and key sources of estimation uncertainty continued

4.1 Critical accounting judgements continued

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 33.1.

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). In the current period, it has been reassessed that the CODM is considered to be the Group PLC Board, which uses the information regularly provided to make optimal decisions on the allocation of resources and assess performance.

Additionally in the current period, to ensure appropriate focus on both the Sainsbury's and Argos businesses, the operating results of these two businesses are now regularly reviewed by the CODM to make decisions about the resources to be allocated to each. There are clear separate responsibilities for the commercial proposition across Sainsbury's (including Grocery, General Merchandise and Clothing) and Argos respectively.

As such, during the current period, the CODM has been presented information for the following operating segments:

- Retail – Sainsbury's
- Retail – Argos
- Financial Services

This differs from the prior year, whereby the CODM was presented with information for Food; General Merchandise and Clothing; and Financial Services respectively.

Management has 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 with the financial information needed to evaluate the business and the environment in which it operates.

Lease terms

The lease term includes periods covered by extension options where the Group is reasonably certain to exercise those options, and excludes periods covered by break options where the Group is reasonably certain not to exercise those options.

In assessing whether the Group is reasonably certain, management considers all relevant facts and circumstances that create an economic incentive, including the strategic importance of the leased asset, its expected contribution to the Group's long-term plans and the costs associated with terminating or replacing the lease. Judgements are reviewed when significant events or changes in circumstances occur that are within the control of the Group.

4.2 Key sources of estimation uncertainty

Impairment of non-financial assets

Goodwill and intangible assets not yet available for use are required to be tested annually for 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 no longer supportable. Impairment testing is carried out in accordance with the methodology described in note 16 and 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. The Directors draw upon experience as well as external resources in determining these estimates.

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 or 31 December with an adjustment for cash flows incurred between the valuation date and the end of the financial year. The assets have been assessed for impairment, from the date of the most recent statement date through manager enquiry and analysis of similar public market indices.

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 33.7.

Notes to the consolidated financial statements continued

5 Non-underlying items

		2026					
	Note	Financial Services model 5.1 £m	Retail restructuring programmes 5.2 £m	Impairment of non-financial assets 5.3 £m	Pensions 5.4 £m	Other 5.5 £m	Total £m
Continuing operations							
Cost of sales		—	(58)	(7)	—	(7)	(72)
Administrative expenses		(8)	(13)	—	(8)	(34)	(63)
Other income		—	—	—	1	6	7
Affecting operating profit							
Net finance (costs)/income		(8)	(71)	(7)	(7)	(35)	(128)
		—	(3)	—	40	(8)	29
Affecting profit before tax – continuing operations							
		(8)	(74)	(7)	33	(43)	(99)
Affecting loss before tax – discontinued operations							
	11						(29)
Affecting profit before tax for the financial year							
							(128)
Being:							
Non-financial asset impairments		—	(3)	(7)	—	—	(10)
Accelerated depreciation of assets and acquisition adjustments		—	(35)	—	—	(17)	(52)
Loss on disposal of properties		—	—	—	—	(2)	(2)
Property closure provisions		—	(12)	—	—	—	(12)
Employee costs		—	(15)	—	—	—	(15)
Non-underlying finance (costs)/income		—	(3)	—	40	(8)	29
Fair value movements		(1)	—	—	1	(7)	(7)
Other net costs		(7)	(6)	—	(8)	(9)	(30)
Affecting profit before tax – continuing operations							
		(8)	(74)	(7)	33	(43)	(99)

Notes to the consolidated financial statements continued

5 Non-underlying items continued

	Note	2025 (restated*)					Total £m
		Financial Services model 5.1 £m	Retail restructuring programmes 5.2 £m	Impairment of non-financial assets 5.3 £m	Pensions 5.4 £m	Other 5.5 £m	
Continuing operations							
Cost of sales		—	(64)	(16)	—	2	(78)
Administrative expenses		(16)	(58)	—	(8)	(17)	(99)
Other (expense)/income		—	(4)	—	—	57	53
Affecting operating profit		(16)	(126)	(16)	(8)	42	(124)
Net finance (costs)/income		—	(2)	—	36	(12)	22
Affecting profit before tax – continuing operations		(16)	(128)	(16)	28	30	(102)
Affecting loss before tax – discontinued operations	11						(223)
Affecting profit before tax for the financial year							(325)
Being:							
Non-financial asset impairments		—	(4)	(16)	—	—	(20)
Accelerated depreciation of assets and acquisition adjustments		—	(42)	—	—	(17)	(59)
Profit on disposal of properties		—	—	—	—	57	57
Property closure provisions		—	(12)	—	—	—	(12)
Employee costs		(7)	(43)	—	—	—	(50)
Onerous contracts		(8)	—	—	—	—	(8)
Non-underlying finance income/(costs)		—	—	—	36	(12)	24
Fair value movements		—	—	—	—	2	2
Other net costs		(1)	(27)	—	(8)	—	(36)
Affecting profit before tax – continuing operations		(16)	(128)	(16)	28	30	(102)

* Refer to note 2.1 (c) for details of prior year restatements.

The impact of non-underlying items on Retail cash generated from operations is presented in note A2.2.

Notes to the consolidated financial statements continued

5 Non-underlying items continued

5.1 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.

5.2 Retail restructuring programme

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, we commenced a multi-year restructuring programme in the prior financial year 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 previously announced, the programme also includes the closure of food counters, converting cafes to expert partners, and converting remaining scratch bakeries. Costs have continued to be incurred in the current period, including in relation to restructuring local delivery hubs for Argos, where colleagues' shifts will change. Refer to the Strategic Report on page 37 for further details.

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.

For accelerated depreciation of assets, the remaining useful economic lives of corresponding sites have been reassessed to align with the latest closure dates, resulting in an acceleration in depreciation of these assets. The existing depreciation of these assets (depreciation that would have been recognised absent a closure decision) is recognised within underlying expenses, whereas accelerated depreciation above this is recognised within non-underlying expenses.

Property closure provisions relate to 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.

Other net costs comprise predominantly consultancy costs.

5.3 Impairment of non-financial assets

Separate from restructuring initiatives and property-related transactions, the Group has recognised £7 million (2025: £16 million) of impairment in relation to certain non-trading sites whereby rent reviews at previously impaired sites caused an increase in the associated right-of-use assets, and, in prior periods, sub-tenant defaults. For further details, refer to note 17.

5.4 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.

5.5 Other

Comprises:

- Acquisition adjustments relate to the unwind of non-cash fair value adjustments arising from the Home Retail Group acquisition
- Non-underlying finance and fair value movements comprising £8 million (2025: £12 million) of finance costs relating to lease interest on impaired non-trading sites, and a £7 million loss (2025: £2 million gain) within cost of sales relating to adverse (2025: favourable) movements on long-term, fixed price Power Purchase agreements (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 facilitate the comparability of underlying results between periods
- Other net costs include income recognised in relation to the settlement of a legal case involving European truck manufacturers, and consultancy costs in relation to corporate transaction activity
- Property-related transactions in 2025 of £57 million predominantly related 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

6 Segment reporting

The Group's operating segments have been determined based on the information regularly provided to the Chief Operating Decision Maker (CODM). In the current period, it has been reassessed that the CODM is considered to be the Group PLC Board, which uses the information regularly provided to make optimal decisions on the allocation of resources and assess performance.

In determining the Group's reportable segments, management has 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. Given the similar economic characteristics between them, these two segments have been aggregated into one 'Retail' segment within the financial statements as this provides users with 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. This measure is consistent with that used elsewhere in the Group's internal reporting and is defined in note 2.5.

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.

Notes to the consolidated financial statements continued

6 Segment reporting continued

Fuel revenue comprises sales from Petrol Filling Stations (PFS) and the Ultra Rapid Electric Vehicle charging business (Smart Charge). In prior periods, revenue from Smart Charge was reported within Grocery, General Merchandise and Clothing. To better reflect the nature of these sales, Smart Charge revenue has been reclassified to Fuel revenue. As a result, comparative figures have been re-presented. Grocery, General Merchandise and Clothing revenue has been re-presented from £28,762 million and Fuel revenue has been re-presented from £3,868 million for the 52 weeks ended 1 March 2025.

6.1 Income statement

	Note	2026		
		Retail £m	Financial Services £m	Group £m
Continuing operations				
Revenue				
Grocery, general merchandise and clothing		29,992	—	29,992
Fuel		3,559	—	3,559
Interest receivable		—	58	58
Fees and commission		—	38	38
		33,551	96	33,647
Underlying operating profit		1,025	—	1,025
Underlying finance income	9	24	—	24
Underlying finance costs	9	(331)	—	(331)
Underlying profit before tax		718	—	718
Non-underlying items	5			(99)
Profit before tax - continuing operations				619
Income tax expense	10			(205)
Profit after tax - continuing operations				414
Loss after tax - discontinued operations	11			(21)
Profit after tax - total				393

	Note	2025 (restated*)		
		Retail £m	Financial Services £m	Group - Continuing operations £m
Continuing operations				
Revenue				
Grocery, general merchandise and clothing		28,754	—	28,754
Fuel		3,876	—	3,876
Interest receivable		—	103	103
Fees and commission		—	39	39
		32,630	142	32,772
Underlying operating profit/(loss)		1,036	(22)	1,014
Underlying finance income	9	31	—	31
Underlying finance costs	9	(336)	—	(336)
Underlying profit/(loss) before tax		731	(22)	709
Non-underlying items	5			(102)
Profit before tax - continuing operations				607
Income tax expense	10			(186)
Profit after tax - continuing operations				421
Loss after tax - discontinued operations	11			(168)
Profit after tax - total				253

* Refer to note 2.1 (a) and (c) for details of prior year restatements.

Notes to the consolidated financial statements continued

6 Segment reporting continued

6.2 Other segment items

Note	2026					Group Total £m
	Retail £m	Financial Services £m	Group - Continuing operations £m	Group - Discontinued operations £m	Group Total £m	
Depreciation expense						
Property, plant and equipment	14	509	—	509	—	509
Right-of-use assets	15	530	—	530	—	530
Amortisation expense						
Intangible assets	16	199	—	199	—	199
Impairment of non-financial assets	17	23	—	23	—	23
Impairment loss on financial assets		—	1	1	—	1
Share based payments	34	72	3	75	5	80

Note	2025 (restated*)					Group Total £m
	Retail £m	Financial Services £m	Group - Continuing operations £m	Group - Discontinued operations £m	Group Total £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	34	71	2	73	7	80

* Refer to note 2.1 (c) for details of prior year restatements.

Note	2026			2025			
	Retail £m	Financial Services £m	Group £m	Retail £m	Financial Services £m	Group £m	
Additions to non-current assets							
Property, plant and equipment	14	572	—	572	629	—	629
Right-of-use assets	15	572	—	572	676	—	676
Intangible assets	16	230	—	230	208	—	208

6.3 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 Group also maintains an operational presence in the Republic of Ireland and Asia, which does not give rise to significant revenues, capital expenditure or segment net assets in those territories.

7 Supplier arrangements

The following amounts in relation to supplier arrangements are held on the balance sheet:

	2026 £m	2025 £m
Within inventory	(3)	(2)
Within current trade receivables		
Supplier arrangements due	45	54
Accrued supplier arrangements	51	65
Within current trade payables		
Supplier arrangements due	47	37
Total supplier arrangements	140	154

Additionally, £13 million (2025: £18 million) of supplier arrangements contractually agreed but not yet earned is held on the balance sheet within deferred income.

8 Operating profit

8.1 Operating profit is stated after charging/(crediting):

	Note	2026 £m	2025 (restated*) £m
Continuing operations			
Employee costs	8.2	4,258	3,966
Inventories recognised as an expense within cost of sales		27,302	26,557
Write-down of inventories		757	721
Depreciation and amortisation		509	532
	Property, plant and equipment	a) 14	15
	Right-of-use assets	15	501
	Intangible assets	a) 16	199
Impairment of non-financial assets	17	23	22
Short-term lease expense		27	30
Sublet income		(61)	(47)
Loss/(profit) on disposal		2	(53)
	Property, plant and equipment		
	Lease terminations		(15)
Foreign exchange gain		(1)	(1)

* Refer to note 2.1 (c) for details of prior year restatements.

a) Includes the unwind of acquisition adjustments as set out in note 5.5.

Notes to the consolidated financial statements continued

8 Operating profit continued

8.2 Employee costs

	2026 £m	2025 (restated*) £m
Wages and salaries, including bonus and termination benefits	3,645	3,532
Social security costs	383	275
Pension costs – defined contribution schemes	211	204
Share-based payments expense	80	80
	4,319	4,091
Discontinued operations	61	125
Continuing operations	4,258	3,966

8.3 Employee numbers

	2026 '000	2025 '000
Average number of employees, including Directors and discontinued operations:		
Full time	49	53
Part time	93	92
	142	145
Full-time equivalent	91	95

Details of key management compensation can be found in note 37.1 and within the Directors' remuneration report on pages 81 to 103.

8.4 Auditors' remuneration

	2026 £m	2025 £m
Audit of the Company and consolidated financial statements	1.1	1.5
Audit of the Company's subsidiaries	2.0	2.7
Audit-related assurance services, including half-year review	0.1	0.1
Total audit fees	3.2	4.3
Non-audit services	0.1	0.1
Total fees	3.3	4.4

With effect from July 2025, following a competitive tender process, PricewaterhouseCoopers LLP (PwC) was appointed as auditor of the Group, replacing Ernst & Young LLP (EY). Fees payable for the audit of the Company and the Group's annual accounts, the audit of the Company's subsidiaries, and audit-related and non-audit services during the 52 week period ended 28 February 2026 relate to PwC and for the 52 week period ended 1 March 2025 to EY.

EY was the auditor of Sainsbury's Bank plc and its subsidiaries in the year, the audit fees for 2026 disclosed above do not include any fees payable to EY.

Non-audit services related principally to services provided by the Group's auditor in relation to the update of the Euro MTN (EMTN) Programme (2025: related to services provided by the Group's previous auditor in relation to the establishment of the Euro MTN ('EMTN') Programme).

9 Finance income and finance costs

	2026			2025		
	Underlying £m	Non- underlying £m	Total £m	Underlying £m	Non- underlying £m	Total £m
Continuing operations						
Interest on bank deposits and other financial assets	23	—	23	29	—	29
IAS 19 pension financing income	—	40	40	—	36	36
Finance income on net investment in leases	1	—	1	2	—	2
Finance income	24	40	64	31	36	67
Secured borrowings	(29)	—	(29)	(35)	—	(35)
Unsecured borrowings	(35)	—	(35)	(41)	—	(41)
Lease liabilities	(267)	(11)	(278)	(260)	(12)	(272)
Provisions - amortisation of discount	—	—	—	—	(2)	(2)
Finance costs	(331)	(11)	(342)	(336)	(14)	(350)

Notes to the consolidated financial statements continued

10 Taxation

10.1 Income statement

	2026 £m	2025 (restated*) £m
Continuing operations		
Current tax		
Current year UK tax	140	107
Under/(over) provision in prior years	7	(3)
Total current tax expense	147	104
Deferred tax		
Origination and reversal of temporary differences	51	63
Under provision in prior years	7	23
Recognition of capital losses	—	(4)
Total deferred tax expense	58	82
Total income tax expense	205	186
Analysed as:		
Underlying tax	210	205
Non-underlying tax	(5)	(19)
Total income tax expense	205	186
Underlying tax rate	29.2%	28.9%
Effective tax rate	33.1%	30.6%

The effective tax rate of 33.1 per cent (2025: 30.6 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:

	2026			2025 (restated*)		
	Underlying £m	Non- underlying £m	Total £m	Underlying £m	Non- underlying £m	Total £m
Continuing operations						
Profit before tax	718	(99)	619	709	(102)	607
Income tax at UK corporation tax rate of 25% (2025: 25%):	180	(25)	155	177	(26)	151
Disallowed depreciation on UK properties	29	3	32	30	—	30
Gain on disposal of properties	—	(1)	(1)	—	(6)	(6)
Other	a) (4)	9	5	(2)	(3)	(5)
Under provision in prior years	5	9	14	—	20	20
Recognition of capital losses	—	—	—	—	(4)	(4)
	210	(5)	205	205	(19)	186

* Refer to note 2.1 (a) and (c) for details of prior year restatements. Tax associated with discontinued operations is presented in note 11.

a) Key items within Other includes the tax impact of non-deductible transaction costs and restructuring costs.

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 for the period ended 1 March 2025 onwards. 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, paying tax well in excess of the required minimum, there is no material im

The Group has 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

	2026			2025		
	Current tax £m	Deferred tax £m	Total £m	Current tax £m	Deferred tax £m	Total £m
Continuing operations						
Share-based payment reserve	—	(11)	(11)	(3)	—	(3)
Actuarial reserve	—	(67)	(67)	—	(8)	(8)
Financial asset reserve	—	—	—	1	(1)	—
Cash flow hedge	—	(5)	(5)	—	4	4
	—	(83)	(83)	(2)	(5)	(7)

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.

Notes to the consolidated financial statements continued

10 Taxation continued

10.3 Movements in deferred tax

	Accelerated capital allowances £m	Capital losses £m	Fair value £m	Rolled over capital gains £m	Retirement benefit obligations £m	Share-based payments £m	Leases £m	Other £m	Total £m
2 March 2025 as previously reported	(209)	43	(12)	(92)	(218)	32	63	(36)	(429)
Opening balance adjustment	100	—	7	—	—	—	—	(5)	102
2 March 2025 (restated*)	(109)	43	(5)	(92)	(218)	32	63	(41)	(327)
(Charge)/credit to income statement - continuing operations	(13)	2	—	—	(43)	4	(32)	24	(58)
Credit to equity or other comprehensive income	—	—	5	—	67	11	—	—	83
28 February 2026	(122)	45	—	(92)	(194)	47	31	(17)	(302)
3 March 2024 as previously reported	(134)	44	(1)	(92)	(244)	35	81	(18)	(329)
Opening balance adjustment	61	—	11	—	—	—	—	1	73
3 March 2024 (restated*)	(73)	44	10	(92)	(244)	35	81	(17)	(256)
(Charge)/credit to income statement - continuing operations	(36)	(5)	(12)	—	18	(3)	(18)	(30)	(86)
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 (restated*)	(109)	43	(5)	(92)	(218)	32	63	(41)	(327)

* Refer to note 2.1 (a) for details of prior year restatements.

Post the offset of balances in the same tax jurisdiction, the total deferred tax is presented as a deferred income tax liability on the consolidated balance sheet.

Deferred tax assets have not been recognised in respect of capital losses of £403 million (2025: £399 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 they relate to taxes levied by the same tax authority. In addition, deferred tax has not been recognised on £249 million (2025: £249 million) of non-trade loan relationships deficits, an element of which arose from the reactivation of previously disallowed Corporate Interest Restriction amounts within acquired companies in prior years. As it is not considered probable that these losses will be available for future relief, the Group has not recognised a deferred tax asset in respect of them.

Notes to the consolidated financial statements continued

11 Discontinued operations

In January 2024 the Group announced that 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 has resulted in a phased withdrawal with components completing at various stages.

In July 2025, the Group agreed to sell the Travel Money business to Fexco Group, with the sale completing in January 2026. The Travel Money business is presented as a discontinued operation in both the current and comparative periods.

During the year, the Group completed the previously announced sale of its personal loan, credit card and retail deposit portfolios to NatWest Group, disposed of its ATM estate to NoteMachine. In February 2025, the Group completed the sale of the AFS storecard portfolio to NewDay Group. The results of these businesses are presented as discontinued operations.

The loss relating to these discontinued operations is set out in note 11.1. The net gain/(loss) on disposal is measured by reference to the fair value of the relevant portfolios on derecognition and the associated consideration payable or receivable, as detailed in note 11.2.

11.1 Discontinued operations loss after tax

	Note	2026 £m	2025 (restated) £m
Revenue			
Interest receivable		—	273
Fees and commission income		104	96
		104	369
Operating costs		(120)	(317)
Operating (loss)/profit		(16)	52
Restructuring and impairment costs		(25)	(134)
Net gain/(loss) arising from disposals	11.2	12	(141)
Loss before tax		(29)	(223)
Income tax credit		8	55
Loss after tax		(21)	(168)

11.2 Discontinued operations net gain/(loss) arising from disposals

		2026 £m	2025 (restated) £m
Fair value of consideration (payable)/receivable	a)	(244)	149
Fair value of net liabilities/(assets) disposed excluding provisions	b)	258	(218)
Write down of net liabilities/loss on net assets disposed		14	(69)
Costs of disposal		(2)	(72)
Gain/(loss) on disposal before tax		12	(141)
Income tax (expense)/credit		(3)	35
Gain/(loss) on disposal after tax		9	(106)

- a) Comprises consideration paid to NatWest of £273 million in respect of the value of the net Core Banking liabilities transferred on 1 May 2025 and consideration receivable of £29 million in respect of the sale of Travel Money assets to Fexco Group. The comparative period comprises consideration payable on the Core Banking portfolio based on pricing mechanisms set out in the sale agreement measured at the reporting date 1 March 2025, partially offset by £2 million consideration receivable related to the sale of ATM assets, and £749 million received relating to the sale of AFS cards and the debt instrument notes derecognised.
- b) Comprises the fair value of net liabilities of the Core Banking portfolios at the completion date of 1 May 2025 and the fair value of Travel Money assets derecognised at the completion date of 31 January 2026. Net liabilities were remeasured to fair value immediately prior to completion of the sale, with associated fair value movements recognised within operating costs. The comparative period comprises the fair value of net liabilities of Core Banking portfolios held for sale, together with ATM-related assets held for sale and AFS cards assets disposed on 28 February 2025, inclusive of £24 million of goodwill.

11.3 Assets and liabilities of disposal group and non-current assets classified as held for sale

	Note	2026 £m	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
Total assets of disposal group and non-current assets classified as held for sale	21	—	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	21	—	(3,136)
Net liabilities held for sale associated with discontinued operations		—	(623)

Notes to the consolidated financial statements continued

11 Discontinued operations continued

11.4 Discontinued operations cash flow statement

	2026 £m	2025 (restated) £m
Net cash flows from:		
Operating activities	(457)	595
Investing activities	a) (261)	750
	(718)	1,345

a) Net cash flows used in investing activities relate to consideration paid and received in respect of Core Banking activities disposed. Net cash flows generated in 2025 primarily related 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.

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).

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.

	2026 million	2025 million
Weighted average number of shares in issue for calculating basic earnings per share	2,274.2	2,330.6
Weighted average number of dilutive share options	46.6	43.5
Total number of shares for calculating diluted earnings per share	2,320.8	2,374.1

	Note	2026 £m	2025 (restated*) £m
Underlying profit after tax attributable to ordinary shareholders of the parent		508	504
Adjustment for non-underlying items after tax		(94)	(83)
Profit after tax attributable to ordinary shareholders of the parent - continuing operations		414	421
Loss after tax from discontinued operations	11	(21)	(168)
Profit after tax attributable to ordinary shareholders of the parent		393	253

	Pence per share	Pence per share (restated*)
Basic – total	17.3	10.9
Diluted – total	16.9	10.7
Basic - discontinued operations	(0.9)	(7.2)
Diluted - discontinued operations	(0.9)	(7.1)
Basic – continuing operations	18.2	18.1
Diluted – continuing operations	17.8	17.8
Basic - underlying	22.3	21.6
Diluted - underlying	21.9	21.2

* Refer to note 2.1 (a) and (c) for details of prior year restatements.

13 Dividends

	2026 pence per share	2025 pence per share	2026 £m	2025 £m
Amounts recognised as distributions to ordinary shareholders:				
Financial year ended 2 March 2024				
– Final dividend	—	9.2	—	217
Financial year ended 1 March 2025				
– Interim dividend	—	3.9	—	91
– Final dividend	9.7	—	223	—
Financial year ended 28 February 2026				
– Interim dividend	4.1	—	93	—
– Special dividend	11.0	—	250	—
	24.8	13.1	566	308
Proposed final dividend at financial year end	9.6		214	

The proposed final dividend was approved by the Board on 22 April 2026 and is subject to shareholders' approval at the Annual General Meeting. If approved, it will be paid on 10 July 2026 to shareholders on the register as at 5 June 2026. 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

	Note	2026			2025		
		Land and buildings £m	Fixtures and equipment £m	Total £m	Land and buildings £m	Fixtures and equipment £m	Total £m
Cost							
At beginning of financial year		11,381	4,505	15,886	11,154	4,919	16,073
Additions		168	404	572	280	349	629
Disposals		(105)	(526)	(631)	(26)	(730)	(756)
Transfer from/(to) assets held for sale		29	—	29	(27)	(33)	(60)
At end of financial year		11,473	4,383	15,856	11,381	4,505	15,886
Accumulated depreciation and impairment							
At beginning of financial year		3,508	3,020	6,528	3,347	3,444	6,791
Depreciation expense		201	308	509	203	329	532
Impairment loss	17	12	—	12	1	5	6
Disposals		(75)	(525)	(600)	(22)	(727)	(749)
Transfer from/(to) assets held for sale		21	—	21	(21)	(31)	(52)
At end of financial year		3,667	2,803	6,470	3,508	3,020	6,528
Net book value		7,806	1,580	9,386	7,873	1,485	9,358
Capital work-in-progress included above							
		184	95	279	202	56	258

Transfers from assets held for sale in the year relate to retail non-current assets where the related asset sales are no longer expected to complete within the next 12 months.

14.1 Security

	2026		2025	
	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
	99	2.1	99	2.1

15 Leases

15.1 Group as a lessee

a) Right-of-use assets

	Note	2026			2025		
		Land and buildings £m	Equipment £m	Total £m	Land and buildings £m	Equipment £m	Total £m
Net book value							
At beginning of financial year		4,055	400	4,455	3,976	320	4,296
New leases and modifications		419	153	572	487	189	676
Impairment loss	17	(11)	—	(11)	(16)	—	(16)
Depreciation expense		(408)	(122)	(530)	(392)	(109)	(501)
At end of financial year		4,055	431	4,486	4,055	400	4,455

b) Lease liabilities

	Note	2026 £m	2025 £m
At beginning of financial year		5,494	5,354
New leases and modifications		550	627
Interest expense	9	278	272
Payments		(782)	(759)
At end of financial year		5,540	5,494

Notes to the consolidated financial statements continued

15 Leases continued

15.1 Group as a lessee continued

c) Maturity analysis

	2026 £m	2025 (restated*) £m
Contractual undiscounted cash flows		
Less than 1 year	773	751
1 to 2 years	719	707
2 to 3 years	667	635
3 to 4 years	625	590
4 to 5 years	579	560
Total less than 5 years	3,363	3,243
5 to 10 years	2,427	2,253
10 to 15 years	1,329	1,357
More than 15 years	2,418	2,447
Total undiscounted lease liability	9,537	9,300
Lease liability in the balance sheet	5,540	5,494
Current	505	483
Non-current	5,035	5,011

* Comparative undiscounted cash flow amounts have been restated to reflect updated assumptions behind the methodology of determining these amounts. Additionally, refer to note 2.1 (b) for details of the prior year restatement in relation to the classification between certain current and non-current lease liabilities.

d) Undiscounted future rental payments not currently included within the reported lease liability

	2026 £m	2025 £m
Extension options expected to not be exercised	4,755	4,591
Lease breaks expected to be exercised	374	341

e) Lease liabilities subject to specific terms (typically occurring on an annual or five-yearly basis)

	2026 £m	2025 £m
Inflation-linked rentals	2,982	2,913
Subject to rent reviews	197	207

f) Lease cash flows

	2026 £m	2025 £m
Total cash outflow for leases (excludes sublet income)	(813)	(791)

15.2 Group as lessor

a) Maturity analysis of lease receivables classified as finance leases

	2026 £m	2025 £m
Contractual undiscounted cash flows		
Less than 1 year	5	11
1 to 5 years	4	12
More than 5 years	6	7
	15	30
Lease receivable included in the balance sheet		
Current	4	9
Non-current	7	15
	11	24

b) Maturity analysis of lease rental receivables classified as operating leases

	2026 £m	2025 £m
Less than 1 year	16	17
1 to 2 years	15	15
2 to 3 years	14	13
3 to 4 years	12	12
4 to 5 years	11	10
5 to 10 years	34	32
10 to 15 years	9	7
More than 15 years	15	20
Total undiscounted lease payments receivable	126	126

Notes to the consolidated financial statements continued

16 Intangible assets

	Goodwill £m	Computer software £m	Acquired brands £m	Customer relationships £m	Total £m
Cost					
At 2 March 2025	322	1,350	190	32	1,894
Additions	—	230	—	—	230
Disposals	(1)	(435)	—	—	(436)
At 28 February 2026	321	1,145	190	32	1,688
Accumulated amortisation and impairment					
At 2 March 2025	39	852	164	32	1,087
Amortisation expense	—	181	18	—	199
Disposals	(1)	(435)	—	—	(436)
At 28 February 2026	38	598	182	32	850
Net book value at 28 February 2026	283	547	8	—	838
Capital work-in-progress included above	—	54	—	—	54
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	(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	(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

In the prior year, following the agreement to sell Core Banking portfolios, goodwill of £38 million and £39 million of acquired brands was transferred to the disposal group classified as held for sale. In addition, £24 million previously allocated to the Home Retail Group CGU was derecognised following the disposal of AFS cards.

16.1 Analysis of goodwill balances by CGU

	2026 £m	2025 £m
Jacksons Stores Limited	18	18
Home Retail Group	95	95
Nectar	147	147
Bells Stores Limited	5	5
Other	18	18
	283	283

17 Impairment of non-financial assets

17.1 Impairment losses and reversals

Goodwill

There was no impairment of goodwill balances in the current year (2025: nil).

Other non-financial assets

In line with the assumptions and methodology outlined in note 17.2, the Group assessed whether indicators of impairment existed at the reporting date. As Argos trading performance was below expectations, management determined that an indicator of impairment existed in respect of each of the Group's Argos assets. A full impairment review was undertaken, resulting in an impairment charge of £2 million. Additionally, an indicator of impairment existed at the reporting date in respect of trading performance at certain Sainsbury's stores, and thus a full impairment review was undertaken over these Sainsbury's stores' assets, which resulted in an impairment charge of £11 million.

In addition to impairment charges arising from the indicator-based review, the Group recognised impairment charges arising from specific events and circumstances during the year. These comprised £3 million of impairment as part of retail restructuring programmes, and £7 million of impairment in relation to non-trading sites, reflecting the impact of rent reviews.

Notes to the consolidated financial statements continued

17 Impairment of non-financial assets continued

17.1 Impairment losses and reversals continued

Other non-financial assets continued

	Note	2026			2025		
		Retail £m	Financial Services £m	Total £m	Retail £m	Financial Services £m	Total £m
Balance sheet							
Property, plant and equipment		12	—	12	6	—	6
Right-of-use assets		11	—	11	16	—	16
Intangible assets		—	—	—	—	—	—
Total impairment loss		23	—	23	22	—	22
Income statement							
Comprising							
Within non-underlying items							
Restructuring programmes	5.2	3	—	3	4	—	4
Non-restructuring programmes	5.3	7	—	7	16	—	16
Within underlying items							
Argos store assets		2	—	2	2	—	2
Sainsbury's store assets		11	—	11	—	—	—
Total impairment loss		23	—	23	22	—	22
Discontinued operations		—	—	—	—	—	—
Continuing operations		23	—	23	22	—	22

17.2 Impairment methodology

Assessment of indicators of impairment

At each reporting date, the Group assesses whether there are any indicators that non-financial assets other than goodwill and intangible assets not yet available for use may be impaired. Where such indicator exists, the recoverable amount of the relevant asset or cash generating unit (CGU) is estimated.

Cash-generating units

For the purpose of impairment testing, CGUs are determined by reference to the smallest identifiable group of assets that generate cash inflows that are largely independent from other assets or groups of assets. These have been assessed as follows:

- Individual stores are typically considered CGUs and represent the collective assets directly attributable to each respective store
- Within Argos, local fulfilment centres serve a defined set of sub-stores so are tested for impairment at this aggregated level
- Individual assets are assessed separately for impairment indicators where they are expected to generate largely independent cash inflows, which would be the case where a decision is taken to sell an individual asset, such as land bank development sites

- Certain assets, notably brands, do not generate largely independent cash inflows so are assessed for indicators of impairment, and tested accordingly if indicators are identified, at the corporate level in relation to the business units of the Group: Sainsbury's, Argos and Nectar

Central assets and associated cash flows are allocated to the relevant CGUs to which they relate. These assets are attributed to the lowest level of CGU where allocation can be made on a reasonable and consistent basis, with allocation performed using an appropriate measure such as relative store sales.

Goodwill acquired is allocated to the CGU or group of CGUs that is expected to benefit from the synergies of the business combination.

Recoverable amount

The recoverable amount of individual assets, store-level CGUs and group of stores CGUs is measured as the higher of fair value less cost to dispose and the value-in-use of cash flows expected to be largely independently generated. For certain assets that do not generate largely independent cash inflows, recoverable amount is assessed at the level of the relevant business unit to which the asset relates. In these cases, value in use represents the most appropriate basis for determining recoverable amount. Where the value-in-use indicates there is an impairment, consideration is given as to whether fair value less cost to dispose may be higher than value-in-use, with the higher of these being taken as the recoverable amount.

Value-in-use

In measuring the value-in-use, cash flow projections are based on the latest management-approved forecast covering a three-year forecast period. Within this period, medium-term sales and cost projections consider the outlook for addressable markets, competitor behaviour, expected 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 for forecasting future performance. Online grocery sales are fulfilled by individual stores and therefore these cash flows are allocated to the individual store CGUs which fulfil the online sales. In Argos, online GM&C sales for Click & Collect are allocated to the individual store CGUs which fulfil the online sales, while online sales fulfilled through home delivery are not allocated to the individual store CGUs.

Beyond the three-year forecast period, cash flows are extrapolated using an estimated average long-term growth rate.

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 stores forecast level CGUs, base cash flows are derived from current year performance and extrapolated using the operating profit growth rate approved by management as part of the annual planning process.

Climate change considerations

As part of the assessment of indicators of impairment, the Group has considered climate-related risks identified through its scenario analysis performed as part of the Task Force on Climate-related Financial Disclosures (TCFD) report (page 104).

The immediately quantifiable impacts of climate change and costs expected to be incurred in connection with our net zero commitments are included within the Group's budget and three-year plan, which have been used as the basis for the impairment reviews, with no material impact on cash flows.

Notes to the consolidated financial statements continued

17 Impairment of non-financial assets continued

17.2 Impairment methodology continued

Climate change considerations continued

The most material transitional climate risk is in fuel. As such, the Group's review of impairment indicators in the current year incorporated the expected climate-related risks associated with fuel sales. The reduction in fuel sales did not represent a new indicator of impairment, as the expected decline in fuel volumes had already been incorporated into the Retail segment's approved forecasts. As such, no further impairment testing was required.

Other than fuel, changes in consumer preferences in meat fish and poultry (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 £500 million to £600 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 has been modelled. Immaterial impairment risks were identified. As such, all other climate change-related risks do not have a material impact on the Group's impairment considerations.

17.3 Key assumptions and sensitivity

Key assumptions

The following key assumptions are used in determining recoverable amounts where impairment testing is required:

- **Short-term cash flows:** derived from latest Board-approved forecasts covering a three-year forecast period
- **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 projections, 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 discount rates and long-term growth rates applied in the impairment testing of CGUs or groups of CGUs to which goodwill is allocated, as well as those applied to the Group's portfolio of store cash-generating units, are set out below:

	2026			2025		
	Pre-tax discount rate	Post-tax discount rate	Long-term growth	Pre-tax discount rate	Post-tax discount rate	Long-term growth
Home Retail Group	11.7%	8.8%	2%	11.0%	8.3%	2%
Nectar UK	9.4%	7.1%	2%	9.1%	6.8%	2%
Jacksons Stores Limited	9.4%	7.1%	2%	9.1%	6.8%	2%
Bells Stores Limited	9.4%	7.1%	2%	9.1%	6.8%	2%
Other	9.4%	7.1%	2%	9.1%	6.8%	2%

Sensitivities

Sensitivity analysis on the impairment tests for each CGU or group of CGUs to which goodwill has been allocated has been performed.

		Headroom				
		Headroom £m	Discount rate		Cash flows	
			-2pts £m	+2pts £m	-25% £m	+25% £m
Home Retail Group	a), c)	150	236	94	36	269
Nectar UK	a)	1,796	2,501	1,390	1,310	2,282
Jacksons Stores Limited	a), b)	70	88	58	43	98
Bells Stores Limited	a), b)	25	29	23	15	36
Other		45	68	31	22	68

- Cash flows are derived from Board-approved projections for three years and then extrapolated into perpetuity with an assumed growth rate of 2.0 per cent.
- Goodwill balances are allocated to individual store CGUs to which they relate.
- Whilst the sensitivities applied are based on management's best estimate of what is reasonably possible, continued uncertainty regarding the geopolitical and global supply environment, or other factors, may lead to the carrying value not being recovered in full, for example due to further unforeseen deterioration in cash flows, particularly in relation to consumer discretionary spend. A further increase in the downside sensitivity of 8 per cent, to a total 33 per cent reduction in the Home Retail Group cash flows, would erode the remaining headroom thereafter resulting in impairment.

These sensitivities are illustrative and the actual outcomes may vary by greater amounts than shown above.

18 Other financial assets and other financial liabilities

	Non-current £m	Current £m	2026 Total £m	Non-current £m	Current £m	2025 (restated*) Total £m
At fair value through other comprehensive income						
Debt: other financial assets	117	—	117	757	1,167	1,924
At fair value through profit and loss						
Debt: other financial assets	12	—	12	12	—	12
Total other financial assets	129	—	129	769	1,167	1,936
At amortised cost						
Other financial liabilities	—	(21)	(21)	—	—	—
Total other financial liabilities	—	(21)	(21)	—	—	—

* Refer to note 2.1 (b) for details of prior year restatements.

Notes to the consolidated financial statements continued

19 Inventories

	2026 £m	2025 £m
Gross finished goods	2,072	2,039
Inventory provision	(85)	(93)
	1,987	1,946

20 Trade and other receivables

	2026			2025 (restated*)		
	Non-current £m	Current £m	Total £m	Non-current £m	Current £m	Total £m
Trade receivables	1	120	121	—	125	125
Other receivables	11	54	65	27	151	178
Accrued income	—	116	116	—	141	141
Prepayments	10	139	149	15	154	169
Other taxes	—	2	2	—	1	1
	22	431	453	42	572	614

Trade and other receivables include £100 million (2025: £119 million) relating to supplier arrangements where there is no right of offset. In addition, current other receivables include £10 million (2025: £85 million) of bank funds in the course of settlement.

20.1 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.

	2026				
	Not past due £m	0 to 6 months past due £m	6 to 12 months past due £m	Over 1 year past due £m	Total £m
Gross amounts					
Trade receivables	115	7	1	2	125
Other receivables	63	3	1	5	72
Gross carrying amount - Trade and other receivables	178	10	2	7	197
Allowance for expected credit losses	(4)	(1)	(1)	(5)	(11)
Net carrying amount	174	9	1	2	186

	2025 (restated*)				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	100	27	—	1	128
Other receivables	183	1	2	9	195
Gross carrying amount - Trade and other receivables	283	28	2	10	323
Allowance for expected credit losses	(7)	(2)	(2)	(9)	(20)
Net carrying amount	276	26	—	1	303

* At 1 March 2025, trade receivables were re-presented from £158 million to £125 million, other receivables from £219 million to £178 million, accrued income from £29 million to £141 million, prepayments from £208 million to £169 million, and tax receivables from £nil to £1 million, to better reflect the nature of certain balances within these sub-categories. The re-presentation has no impact on the total 'Trade and other receivables' balance.

21 Assets and liabilities of disposal group and non-current assets held for sale

Non-current assets classified as held for sale total £3 million and relate solely to 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.

As set out in note 11, the Group completed several disposals during its phased withdrawal from Core Banking Business.

21.1 Assets of disposal group and non-current assets held for sale

	2026 £m	2025 £m
Opening balance	2,527	10
Classified as held for sale in the year	27	2,521
No longer classified as held for sale in the year	(19)	—
Sold in the year	(2,532)	(4)
Closing balance	3	2,527
Of which		
Assets of disposal group held for sale	—	2,512
Non-current assets classified as held for sale	3	15
	3	2,527

Notes to the consolidated financial statements continued

21 Assets and liabilities of disposal group and non-current assets held for sale continued

21.2 Liabilities of disposal group held for sale

	Note	2026 £m	2025 £m
Opening balance		(3,136)	—
Classified as held for sale in the year		—	(3,136)
Transfer to provisions	24	27	—
Sold in the year		3,109	—
Closing balance		—	(3,136)

22 Trade and other payables

	2026			2025 (restated*)		
	Non-current £m	Current £m	Total £m	Non-current £m	Current £m	Total £m
Trade payables	—	3,830	3,830	—	3,903	3,903
Other payables	1	423	424	—	397	397
Accruals	11	650	661	8	562	570
Deferred income	10	408	418	16	416	432
Other taxes and social security	—	254	254	—	211	211
	22	5,565	5,587	24	5,489	5,513

	2026 £m	2025 (restated*) £m
Analysis of deferred income		
Opening balance as previously reported	357	334
Opening balance adjustment	75	81
Opening balance (restated*)	432	415
Revenue deferred	390	398
Revenue recognised which had previously been deferred	(404)	(381)
Closing balance	418	432

£286 million (2025: £299 million) of deferred income relates to deferred Nectar points.

* As at 1 March 2025, other payables have been re-presented from £533 million to £397 million, accruals from £509 million to £570 million, deferred income from £357 million to £432 million and other taxes and social security from nil to £211 million, to better reflect the nature of certain balances within these sub heads. There is no impact on the total 'Trade and other payables' balance other than 'Income taxes payable'. For the restatement of income taxes payable, refer to note 2.1 (b) for further details.

22.1 Foreign currency risk

The Group has net Euro-denominated trade payables of £99 million (2025: £93 million) and US Dollar-denominated trade payables of £151 million (2025: £140 million).

22.2 Supplier financing arrangements

The Group has supply chain finance programmes in place for a total of £1,191 million (2025: £1,135 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, which 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 which 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

	2026 £m	2025 £m
Presented within trade and other payables	1,170	1,230
- of which is drawn under the supply chain finance programmes	545	693

b) Range of payment due dates

	2026	2025
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

23 Amounts due to Financial Services customers and other deposits

	2026			2025		
	Non-current £m	Current £m	Total £m	Non-current £m	Current £m	Total £m
Other deposits	—	—	—	13	1,955	1,968
	—	—	—	13	1,955	1,968

During the year, the Group held deposits obtained via deposit aggregators, where the underlying depositors are retail customers, as well as deposits from wholesale counterparties. Following the announced withdrawal from Core Financial Services, these deposits were fully repaid during the year, and no amounts remain outstanding at the year end.

24 Provisions

Property provisions comprise onerous property contract provisions for the least net cost of exiting from the contract and provisions for dilapidations. Utilisation is expected to be in line with the profile of the leases to which the provisions relate.

Insurance provisions comprise liabilities in respect of outstanding insurance claims in relation to public liability, employer's liability and third-party motor. Utilisation of the provision at the balance sheet date is expected to be in line with the settlement of claims.

Notes to the consolidated financial statements continued

24 Provisions continued

Restructuring programme provisions comprise mainly redundancies as described in note 5.2, and for Financial Services, note 11. Restructuring provisions are expected to be utilised in the next 12 months.

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. Onerous contract provisions are expected to be utilised in the next 12 months.

Financial Services other provisions comprise contractually committed costs related to the disposal of AFS cards and potential customer redress payable arising from the historical 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. Other provisions are expected to be utilised in the next 12 months.

	Retail				Financial Services			Total £m
	Property provisions £m	Insurance provisions £m	Restructuring programmes £m	Other provisions £m	Onerous contracts £m	Restructuring programmes £m	Other provisions £m	
At 2 March 2025	105	63	64	10	95	32	18	387
Additional provisions	21	24	12	1	12	1	6	77
Transfer from liabilities held for sale	a) —	—	—	—	—	—	27	27
Unused amounts released	(39)	(7)	(5)	—	(7)	(2)	(9)	(69)
Utilisation of provision	(10)	(25)	(40)	—	(69)	(14)	(30)	(188)
Amortisation of discount	1	—	1	—	—	—	—	2
At 28 February 2026	78	55	32	11	31	17	12	236
Current								140
Non-current								96
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								230
Non-current								157

- a) Following the disposal of Core Banking portfolios previously classified as held for sale, cost to sell provisions previously recognised within liabilities of disposal group held for sale have been transferred to other provisions. As at 28 February 2026, £5 million remains provided for migration and data retention costs contractually committed as part of the disposal.

24.1 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, and that no new provisions need to be recognised for climate-related matters.

Notes to the consolidated financial statements continued

25 Called up share capital and merger reserve

	2026 million				2025 million			
	2026 million	2025 million	2026 £m	2025 £m	2026 million	2025 million	2026 £m	2025 £m
Called up share capital								
Allotted and fully paid ordinary shares of 28 4/7p	2,264	2,339	647	669				
	2026				2025			
	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	2,339	669	1,448	173	2,371	678	1,430	568
Allotted in respect of share option schemes	10	3	17	—	42	12	18	—
Cancellation of own shares	(85)	(25)	—	—	(74)	(21)	—	—
Transfer to retained earnings	—	—	—	—	—	—	—	(395)
At the end of the financial year	2,264	647	1,465	173	2,339	669	1,448	173

During the period, 85.4 million (2025: 73.6 million) of the Company's own shares, representing 3.77 per cent of the called up share capital as at 28 February 2026 (3.14 per cent at 1 March 2025), were purchased, and subsequently cancelled, for total consideration of £251 million (2025: £200 million) inclusive of £1 million (2025: £6 million) of directly attributable costs. £251 million (2025: £200 million) has been transferred from the investment in own shares reserve to retained earnings and £25 million (2025: £21 million) of share capital has been transferred to the capital redemption reserve owing to the cancellation.

26 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 2 March 2025	—	(99)	22	2	(75)	21
Transfer to retained earnings	—	—	(4)	10	6	—
Financial assets at fair value through other comprehensive income	—	—	(1)	—	(1)	—
Transferred to carrying value of inventory	—	—	—	13	13	—
Cash flow hedges effective portion of fair value movements	—	—	—	(40)	(40)	—
Items reclassified from cash flow hedge reserve	—	—	—	5	5	—
Purchase of own shares for share schemes	—	(85)	—	—	(85)	—
Allotted in respect of share schemes	—	62	—	—	62	—
Purchase of own shares for cancellation	—	(251)	—	—	(251)	—
Cancellation of own shares	—	251	—	—	251	25
Currency translation differences	(1)	—	—	—	(1)	—
Deferred tax	—	—	—	5	5	—
At 28 February 2026	(1)	(122)	17	(5)	(111)	46
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

26.1 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.

Notes to the consolidated financial statements continued

26 Capital redemption and other reserves continued

26.2 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.

As detailed in note 25, £251 million (2025: £200 million) of the Company's own shares were purchased and subsequently cancelled during the period, and transferred from the investment in own shares reserve to retained earnings.

Shares held by the ESOT

	2026			2025		
	Market Value £m	Nominal Value £m	Number m	Market Value £m	Nominal Value £m	Number m
Investment in own shares	126	10.3	36.0	102	11.2	39.3
Maximum number of shares held during the period	146	12.0	41.9	103	11.3	39.7

During the period, the ESOT acquired 20.8 million of the Company's ordinary shares via market purchase for cash consideration of £64 million (2025: 23.9 million shares via market purchase for cash of £63 million). The disposal of 24.1 million (2025: 14.8 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.

26.3 Financial asset reserve

Represents the fair value gains and losses on financial assets at fair value through other comprehensive income.

26.4 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.

26.5 Capital redemption reserve

As part of the share buy-back completed during the period (as detailed in note 25), £25 million (2025: £21 million) of share capital has been transferred to the capital redemption reserve.

During the prior period the capital redemption reserve as at 3 March 2024 amounted to £680 million. 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.

27 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 risks are 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 limit 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.

27.1 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 monitors its liquidity position through ongoing assessment of key regulatory and internal liquidity metrics, including the Liquidity Coverage Ratio (LCR), supported by appropriate limits, controls and oversight designed to mitigate liquidity risks.

To meet its internal limits, as well as Prudential Regulatory Authority requirements, the Bank maintains central bank deposits and a stock of high-quality liquid assets that can be readily monetised to meet the Bank's obligations.

Encumbered assets

		2026 £m	2025 £m
Assets of the disposal group	a)	—	485
Other assets	b)	—	18

a) During the year ended 1 March 2025, £485 million of personal loan assets (classified as Held for Sale) were pledged to the Bank of England to facilitate funding if required. Following completion of the sale of these assets as described in note 11, there are no remaining assets encumbered at 28 February 2026.

b) Cash collateral was advanced as variation margin on centrally cleared derivatives transactions in prior years. All centrally cleared derivatives were closed during the financial year and cash collateral advanced has been repaid.

The Group has an unsecured committed facility which consists of a £1,000 million Revolving Credit Facility as set out in note 32.2.

As detailed in note 22.2, some suppliers have access to supply chain financing facilities, which allows these suppliers to benefit from the Group's credit profile. The total size of the facility is £1,191 million (2025: £1,135 million) across a number of banks and platforms with an amount utilised of £545 million (2025: £693 million). The level of utilisation is dependent on the individual supplier requirements and varies significantly over time.

Maturities below are based on the contractual undiscounted cash flows or an estimate of cash flows in respect of floating interest rate liabilities.

Notes to the consolidated financial statements continued

27 Financial risk management continued

27.1 Liquidity risk continued

Maturity of financial liabilities – undiscounted

		2026				
		Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
Non-derivative financial liabilities						
a)	Secured loan: Loan due 2031	(91)	(94)	(254)	(10)	(449)
b)	Bank overdraft	(1)	—	—	—	(1)
	Trade and other payables	(4,534)	—	—	—	(4,534)
	Other financial liabilities	(21)	—	—	—	(21)
	Tier 2 subordinated debt	(13)	(133)	—	—	(146)
	Unsecured bond	(30)	(30)	(333)	(368)	(761)
Derivative contracts – gross settled						
c)	Foreign exchange forwards – outflow	(1,225)	(164)	—	—	(1,389)
c)	Foreign exchange forwards – inflow	1,212	164	—	—	1,376
	Commodity contracts – outflow	(19)	(20)	(40)	(125)	(204)
	Commodity contracts – inflow	26	23	44	117	210
		2025 (restated*)				
		Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
Non-derivative financial liabilities						
a)	Secured loan: Loan due 2031	(87)	(91)	(292)	(65)	(535)
b)	Bank overdraft	(1)	—	—	—	(1)
	Trade and other payables	(4,507)	—	—	—	(4,507)
d)	Liabilities of the disposal group	(3,158)	(47)	(66)	—	(3,271)
e)	Amounts due to Financial Services customers and banks	(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						
f)	Other interest rate swaps – Sainsbury's Bank	(1)	(2)	(4)	—	(7)
Derivative contracts – gross settled						
c)	Foreign exchange forwards – outflow	(1,045)	(174)	—	—	(1,219)
c)	Foreign exchange forwards – inflow	1,041	174	—	—	1,215
	Commodity contracts – outflow	(23)	(19)	(45)	(132)	(219)
	Commodity contracts – inflow	33	27	55	138	253

* Refer to note 2.1 (b) for details of prior year restatements.

- 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 3.6 per cent for the year ended 28 February 2026, 3.8 per cent for the year ending 27 February 2027 and 3.8 per cent for future years (2025: RPI of 4.9 per cent for the year ended 1 March 2025, 3.6 per cent for the year ending 28 February 2026 and 3.6 per cent for future years).
- c) Cash flows in foreign currencies have been translated using year-end spot rates.
- d) 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 were reclassified as held for sale.
- e) 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 were classified as held for sale. Amounts reported comprise deposits obtained via deposit aggregators where the ultimate depositors are retail customers.
- 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.

27.2 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.

Throughout the year, the Bank's retail credit risk exposures have decreased as balances have matured or been sold. At the reporting date, the Bank is not exposed to retail credit risk and all balances are nil following the completion of sales, described in note 11. As a result, the Retail Credit Risk Committee of Sainsbury's Bank previously in place to govern these risks has evolved to more holistic risk management oversight by management.

Notes to the consolidated financial statements continued

27 Financial risk management continued

27.2 Credit risk continued

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 Sterling liquidity funds, AAA or Aaa/MR1+ from Moody's. In the event of a split credit rating, the lower rating applies.

Counterparty	Long-term rating	2026 £m	2025 (restated*) £m
Cash and cash equivalents			
Financial institutions – Money market funds	a) AAA/Aaa	466	239
Financial institutions – Other investment securities	—	—	360
Financial institutions – Short term deposits	—	—	141
Deposits at central banks	AA/Aa3	334	1,043
Derivative financial assets			
Interest rate swaps	AA+/Aa1 to A/A2	4	5
Foreign exchange forward contracts	AA+/Aa1 to A/A2	5	13
Commodity forward contracts	AA+/Aa1 to A/A2	3	3

* Refer to note 2.1 (b) for details of prior year restatements.

a) Excludes bank balances, store cash and cash in transit.

d) Maximum exposure to credit risk

Credit exposure	2026 £m	2025 (restated*) £m
On balance sheet items		
Assets of the disposal group	—	2,512
Cash and balances with central banks	1,067	2,222
Derivative financial instruments (excludes level 3 instruments)	12	21
Other financial assets	129	1,936
Trade and other receivables	297	435
	1,505	7,126

* Refer to note 2.1 (b) for details of prior year restatements.

The exposures are shown gross, before the effect of mitigation through the use of collateral agreements.

At the prior year reporting date, assets of the disposal group comprised Sainsbury's Bank plc's personal loans and credit card portfolios, AFS's monthly payment plan portfolio and a small residual AFS card portfolio which fell out of perimeter of the sale to NewDay Group.

As the Financial Services division is not exposed to retail credit risk at the reporting date following the sale of assets held for sale as described in note 11, tables previously presented covering credit quality, staging or forbearance arrangements have not been included for prior year comparatives. These can be found in the Annual report and financial statements for the year ended 1 March 2025 as found on the Investors page of the website: <https://www.about.sainsburys.co.uk/investors/results-reports-and-presentations/results-reports-and-presentations>.

27.3 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 a significant proportion of 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 and any unhedged foreign currency cash flow commitments.

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)

Group	2026		2025 (restated*)	
	Impact on post tax profits +/- 10% £m	Impact on cash flow hedge reserve +/- 10% £m	Impact on post tax profits +/- 10% £m	Impact on cash flow hedge reserve +/- 10% £m
USD / GBP	1/(1)	(97)/87	1/(1)	(89)/85
EUR / GBP	1/(2)	(40)/50	1/(1)	(25)/44

* Comparative amounts have been re-presented to align with the methodology applied in the current year. As a result, the impact on post-tax profits for EUR has been re-presented from nil to 1/(1). The impact on the cash flow hedge reserve has been re-presented for USD from (78)/96 to (89)/85 and for EUR from (31)/38 to (25)/44.

Financial Services

The Bank was 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 ATMs. Following the sale of these business lines as described in note 11, the bank is no longer exposed to foreign exchange risk.

Notes to the consolidated financial statements continued

27 Financial risk management continued

27.3 Market risk continued

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

	2026			
	Fixed £m	Floating £m	Variable capped £m	Total £m
Other financial assets at fair value through other comprehensive income	117	—	—	117
Other financial assets at fair value through profit and loss	—	12	—	12
Cash and cash equivalents	263	804	—	1,067
Bank overdraft	—	(1)	—	(1)
Borrowings	(681)	—	(386)	(1,067)
Derivative effect:				
Interest rate swaps	220	(220)	—	—
Inflation-linked swaps	(411)	—	411	—
	(492)	595	25	128

	2025 (restated*)			
	Fixed £m	Floating £m	Variable capped £m	Total £m
Other financial assets at fair value through other comprehensive income	1,293	631	—	1,924
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	707	1,515	—	2,222
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

* Refer to note 2.1 (b) for details of prior year restatements.

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 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 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 29 for derivative disclosures.

Notes to the consolidated financial statements continued

27 Financial risk management continued

27.4 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 has 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 against all covenants as at 28 February 2026.

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 previously obtained an individual consolidation waiver from the PRA, which allowed the Bank to monitor its capital position on a consolidated basis (Bank and Home Retail Group Card Services Limited). The prior year comparative capital position set out below is on a regulatory consolidated basis. Following the individual consolidation waiver expiry during the financial year, the capital position for 2026 is presented for Sainsbury's Bank on a standalone basis.

Regulatory capital resources under CRD IV

	2026 Full Impact £m	2025 Full Impact £m
Common Equity Tier 1 (CET 1) capital:		
Ordinary share capital	1	701
Allowable reserves	230	(51)
Regulatory adjustments	(1)	(9)
Tier 1 capital	230	641
Tier 2 capital (loan notes - listed)	3	64
Total capital	233	705

On 8 July 2025, the High Court of Justice (Business and Property Courts of England and Wales Companies Court) approved a reduction of the ordinary share capital of the Bank from £701 million to £1 million, having previously been resolved on and effected by a Special Resolution passed at a General Meeting of the Bank held on 22 May 2025. The reduction became effective on 10 July 2025 upon registration of the court order with Companies House and resulted in an equal and opposite increase to retained earnings. The Bank subsequently paid £400 million (2025: £nil) of dividends during the year.

b) Leverage ratio (unaudited)

The leverage ratio is defined as the ratio of Tier 1 capital to adjusted assets, which is presented in the table below for the financial year for Sainsbury's Bank on a standalone basis following expiry of the individual consolidation waiver mentioned above. The prior financial year is presented on a regulatory consolidated basis (Bank and Home Retail Group Card Services Limited). The denominator represents the total non-risk weighted assets adjusted for certain off balance sheet exposures, assets and regulatory. 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 151.5 per cent is well in excess of the minimum Basel leverage ratio of 3.0 per cent.

	2026 Full Impact £m	2025 Full Impact £m
Components of the leverage ratio		
Total assets as per published financial statements (Sainsbury's Bank plc consolidated group)	484	6,400
Movement on consolidation of subsidiary undertakings	—	(209)
Exposure value for derivatives and securities financing transactions	—	7
Off balance sheet exposures: unconditionally cancellable (10%)	—	411
Other adjustments	1	(13)
Central Bank claims	(333)	(1,043)
	152	5,553
Tier 1 capital	230	641
Leverage ratio	151.5%	11.5%

Notes to the consolidated financial statements continued

28 Financial instruments

The Group recognises the following financial instruments on its balance sheet.

	Note	2026			2025 (restated*)				
		At amortised cost £m	At fair value through profit or loss £m	At fair value through other comprehensive income £m	Total £m	At amortised cost £m	At fair value through profit or loss £m	At fair value through other comprehensive income £m	Total £m
Financial assets									
Cash and cash equivalents	30	601	466	—	1,067	1,623	239	360	2,222
Trade and other receivables		297	—	—	297	435	—	—	435
Other financial assets	18	—	12	117	129	—	12	1,924	1,936
Derivative financial instruments	29	—	25	—	25	—	50	—	50
		898	503	117	1,518	2,058	301	2,284	4,643
Financial liabilities									
Trade and other payables		(4,534)	—	—	(4,534)	(4,507)	—	—	(4,507)
Borrowings	32	(1,061)	—	—	(1,061)	(1,114)	—	—	(1,114)
Other financial liabilities	18	(21)	—	—	(21)	—	—	—	—
Amounts due to Financial Services customers and banks	23	—	—	—	—	(1,968)	—	—	(1,968)
Lease liabilities	15	(5,540)	—	—	(5,540)	(5,494)	—	—	(5,494)
Derivative financial instruments	29	—	(23)	—	(23)	—	(26)	—	(26)
		(11,156)	(23)	—	(11,179)	(13,083)	(26)	—	(13,109)

* Comparative cash and cash equivalents measured at amortised cost has been re-presented from £2,777 million to £1,623 million, to better reflect the nature of the balances of money market funds as measured at fair value through profit or loss of £239 million, and other investment securities as measured at fair value through other comprehensive income of £360 million. Comparative trade and other payables have been restated from £(4,945) million to £(4,507) million to exclude balances relating to employer rights and obligations arising from employee benefits, contract liabilities, and amounts payable in respect of taxes and social security contributions. Comparative trade and other receivables have been restated from £377 million to £435 million to exclude balances that do not meet the definition of a financial asset. Derivative financial instruments have been re-presented to separately present the gross asset and liability amounts. For the restatement of cash and cash equivalents, refer to note 2.1 (b) for details of prior year restatements.

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, debt instrument on public exchanges and money market funds
- 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)

Notes to the consolidated financial statements continued

28 Financial instruments continued

28.1 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 cash and cash equivalents, short-term deposits, trade receivables and trade payables, other receivables and other payables, accruals, overdrafts and lease liabilities are assumed to approximate to their book values.

	Level	2026		2025	
		Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Financial liabilities					
Loans due 2031	2	(386)	(377)	(447)	(440)
Unsecured bond	1	(556)	(567)	(550)	(552)
Tier 2 Capital due 2028	1	(125)	(135)	(124)	(142)
Amounts due to Financial Services customers and other banks	2	—	—	(1,968)	(1,990)

28.2 Fair value measurements recognised in the balance sheet

	2026				2025 (restated*)			
	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								
Cash and cash equivalents	—	—	—	—	350	10	—	360
Other financial assets	117	—	—	117	1,754	170	—	1,924
Financial instruments at fair value through profit and loss								
Cash and cash equivalents	466	—	—	466	239	—	—	239
Other financial assets	12	—	—	12	12	—	—	12
Derivative financial assets	—	12	13	25	—	21	29	50
Derivative financial liabilities	—	(21)	(2)	(23)	—	(26)	—	(26)

* Refer to note 2.1 (b) for details of prior year restatements.

There have been no transfers over the reported period between levels 1, 2 and 3

28.3 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	
	2026 £m	2025 £m
At beginning of financial year	29	9
Charged to income statement - cost of sales	(7)	2
Charged to other comprehensive income	(11)	18
At end of financial year	11	29

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:

	2026		2025	
	Change in output volume +/-20.0% £m	Change in forward pricing +/-20.0% £m	Change in output volume +/-20.0% £m	Change in forward pricing +/-20.0% £m
Not in a hedge relationship	1/(1)	4/(4)	2/(2)	7/(7)
Designated in a cash flow hedge relationship	2/(2)	27/(27)	4/(4)	31/(31)

Notes to the consolidated financial statements continued

28 Financial instruments continued

28.3 Level 3 financial assets continued

c) Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount is 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

	2026					
	Gross amounts recognised £m	Amounts offset £m	Net amounts recognised £m	Amounts subject to master netting agreements £m	Cash collateral pledged (not offset) £m	Net amounts £m
Assets						
Derivative financial assets	25	—	25	(13)	—	12
Trade and other receivables	320	(23)	297	—	—	297
Cash and cash equivalents	1,067	—	1,067	—	—	1,067
	1,412	(23)	1,389	(13)	—	1,376
Liabilities						
Derivative financial liabilities	(23)	—	(23)	13	—	(10)
Trade and other payables	(4,557)	23	(4,534)	—	—	(4,534)
	(4,580)	23	(4,557)	13	—	(4,544)

	2025 (restated*)					
	Gross amounts recognised £m	Amounts offset £m	Net amounts recognised £m	Amounts subject to master netting agreements £m	Cash collateral pledged (not offset) £m	Net amounts £m
Assets						
Derivative financial assets	50	—	50	(10)	—	40
Trade and other receivables	461	(26)	435	—	—	435
Cash and cash equivalents	2,222	—	2,222	—	—	2,222
	2,733	(26)	2,707	(10)	—	2,697
Liabilities						
Derivative financial liabilities	(26)	—	(26)	10	18	2
Trade and other payables	(4,533)	26	(4,507)	—	—	(4,507)
	(4,559)	26	(4,533)	10	18	(4,505)

* At 1 March 2025, derivative financial assets have been re-presented from £nil to (£10 million) and derivative financial liabilities from £nil to £10 million to reflect the application of the master netting agreement for the Group's derivative contracts.

The Financial Services segment previously held 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. During the year, the Financial Services segment ceased the use of all derivative financial instruments resulting in no collateral being pledged/provided at the reporting date (2025: £18 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 (2025: £1 million) under this facility.

Notes to the consolidated financial statements continued

29 Derivative financial instruments and hedge accounting

Effects of hedge accounting on the Group's financial position and performance:

	2026				2025			
	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	4	220	—	—	1	120	—	—
Cash flow hedges								
Inflation rate swaps	—	—	—	411	—	—	—	281
Foreign exchange forward contracts	5	545	(19)	832	13	590	(13)	616
Commodity contracts	3	37	(2)	26	3	26	(5)	45
Power Purchase contracts ^{a)}	10	9	(2)	6	20	14	—	—
Derivatives not in a formal hedging relationship								
Interest rate swaps	—	—	—	—	4	510	(8)	780
Cross-currency swaps	—	—	—	—	—	14	—	6
Foreign exchange forward contracts	—	—	—	—	—	—	—	2
Power Purchase contracts ^{a)}	3	8	—	—	9	11	—	—
Total	25	819	(23)	1,275	50	1,285	(26)	1,730

a) The notional value of the Power Purchase contracts is based on annual generation.

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 is 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 impacting the fair value movements of the hedging instrument compared to the hedged items
- Changes to the forecasted cash flows of hedged items

Notes to the consolidated financial statements continued

29 Derivative financial instruments and hedge accounting continued

a) Cash flow hedges continued

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:

	2026		2025	
	Notional amount £m	Average interest received %	Notional amount £m	Average interest received %
Less than 1 month	—	—	—	—
1 - 3 months	155	3.62%	—	—
3 months - 1 year	—	—	—	—
1 - 5 years	256	3.62%	281	4.91%
More than 5 years	—	—	—	—

Impact of change in value of hedged items on cash flow hedge reserve

	2026			2025		
	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	27	(27)	(11)	(1)	1	—
Commodity contracts	2	(2)	—	5	(5)	(2)
Power Purchase Agreements	11	(11)	7	(18)	18	20

There are no amounts remaining in the hedging reserve for which hedge accounting is no longer applied.

Analysis of fair value movements in cash flow hedge reserve by risk category

	Reclassification recognised in	2026				Closing £m
		Opening £m	Movements recognised in OCI £m	Amounts reclassified £m	Reallocation within reserves £m	
Foreign exchange forward contracts	Inventory and income statement	—	(27)	16	—	(11)
Commodity contracts	Cost of sales	(2)	(2)	4	—	—
Power Purchase Agreements	Cost of sales	20	(11)	(2)	—	7
Tax		(16)	5	—	10	(1)
		2	(35)	18	10	(5)
2025						
	Reclassification recognised in	Opening £m	Movements recognised in OCI £m	Amounts reclassified £m	Reallocation within reserves £m	Closing £m
Foreign exchange forward contracts	Inventory and income statement	(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

b) Fair value hedges

During the year ended 28 February 2026, the Group entered into £220 million of interest rate swap derivatives to hedge a portion of the interest rate risk arising from its fixed rate debt issuance. In the prior years within the Financial Services business, interest rate swaps were executed to hedge interest rate risk arising from its fixed rate debt issuance. The cash flows under the hedging instruments substantially match the cash flow profile of the hedged items. 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.

During year ended 28 February 2026, the Financial Services segment closed its interest rate swap derivative to hedge interest rate risk for its fixed rate debt issuance.

Notes to the consolidated financial statements continued

29 Derivative financial instruments and hedge accounting continued

b) Fair value hedges continued

Maturity profile of instruments used in non-dynamic hedging strategies of interest rate risk

	2026		2025	
	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	100	5.13%	120	10.50%
More than 5 years	120	5.63%	—	—

Impact of hedged items (all via interest rate swaps) on financial statements

Line item in financial statements	2026				
	Carrying amount		Change in fair value used for measuring ineffectiveness £m	Cumulative fair value hedge adjustments included in carrying amount	
	Assets £m	Liabilities £m		Assets £m	Liabilities £m
Borrowings	—	(678)	3	—	4

Line item in financial statements	2025				
	Carrying amount		Change in fair value used for measuring ineffectiveness £m	Cumulative fair value hedge adjustments included in carrying amount	
	Assets £m	Liabilities £m		Assets £m	Liabilities £m
Borrowings	—	(124)	(2)	—	1

Impact of the hedging instruments (all via interest rate swaps) on financial statements:

Line item in financial statements	Hedged Item	2026			
		Notional amount £m	Carrying amount		Change in fair value used for measuring ineffectiveness £m
			Assets £m	Liabilities £m	
Derivative financial assets	Unsecured bond	220	4	—	—
Derivative financial liabilities	Tier 2 capital	—	—	—	1

2025

Line item in financial statements	Hedged Item	Notional amount £m	Carrying amount		Change in fair value used for measuring ineffectiveness £m
			Assets £m	Liabilities £m	
Derivative financial liabilities	Tier 2 capital	120	1	—	1

Hedge ineffectiveness recognised in cost of sales

Change in value for calculating hedge ineffectiveness	2026 £m	2025 £m
Hedged items	4	(2)
Hedging instruments	1	1
	5	(1)

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 apply a CPI uplift to the fixed price, as detailed in note 28, of which £3 million (2025: £9 million) is not within a hedging relationship, with fair value losses of £7 million (2025: gains of £2 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 in 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. Following completion of the Core Banking portfolio sale in May 2025, all remaining derivatives were closed out as the underlying portfolios were derecognised.

Maturity profile of interest rate risk derivatives not in hedging relationships

	2026		2025	
	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%

Notes to the consolidated financial statements continued

29 Derivative financial instruments and hedge accounting continued

c) Derivatives not in a hedge relationship continued

Impact of the interest rate risk derivatives not in hedging relationships

Line item in financial statements	Hedged Item	2026			Change in fair value used for measuring ineffectiveness £m
		Notional amount £m	Carrying amount		
			Assets £m	Liabilities £m	
Derivative financial assets/liabilities	Loans	—	—	—	3
Derivative financial liabilities	Deposits/capital	—	—	—	—
		—	—	—	3

Line item in financial statements	Hedged Item	2025			Change in fair value used for measuring ineffectiveness £m
		Notional amount £m	Carrying amount		
			Assets £m	Liabilities £m	
Derivative financial assets/liabilities	Loans	1,056	4	(8)	(6)
Derivative financial liabilities	Deposits/capital	234	—	—	—
		1,290	4	(8)	(6)

30 Cash and cash equivalents

	2026 £m	2025 (restated*) £m
Cash in hand and bank balances	267	439
Money market funds	466	239
Short-term deposits	—	141
Other investment securities	—	360
Deposits at central banks	334	1,043
Cash and cash equivalents in the statement of financial position	1,067	2,222
Bank overdrafts	(1)	(1)
Cash and cash equivalents in the statement of cash flows	1,066	2,221
Restricted amounts included above		
Held within the Group's Employee Share Ownership Trust	5	—
Held for unclaimed dividends	3	—
Held for insurance purposes	1	3
	9	3

* As at 1 March 2025, money market funds have been re-presented from £1,154 million to £239 million. Additionally, £555 million of other investment securities has been reclassified to other financial assets within current assets, refer to note 2.1b) for further details.

30.1 Cash flow statement

Reconciliation of working capital cash flow

2026

- Trade and other receivables: Cashflows differ from the movement in the balance sheet owing mainly to the presentation of cash flows as discontinued operations of £62 million.
- Trade and other payables: Cashflows differ from the movement in the balance sheet owing mainly to reclassifications to other lines in the cash flow statement of £48 million and presentation of cash flows as discontinued operations of £46 million.
- Provisions: Cashflows differ from the movement in the balance sheet owing mainly to the presentation of cash flows as discontinued operations of £87 million.

2025

- Amounts due from Financial Service customers and other banks: Cashflows differ from the movement in the balance sheet owing mainly to £2,512 million transferred to assets held for sale on the balance sheet and £2,005 million cash inflows presented within discontinued operations in the cash flow statement.
- Amounts due to Financial Service customers and other deposits: Cashflows differ from the movement in the balance sheet owing mainly to £3,109 million transferred to liabilities held for sale on the balance sheet and £644 million cash outflows presented within discontinued operations in the cash flow statement.
- Trade and other receivables: Cashflows differ from the movement in the balance sheet owing mainly to cash inflows presented within discontinued operations in the cash flow statement.
- Provisions: Cashflows differ from the movement in the balance sheet owing mainly to cash outflows presented within discontinued operations in the cash flow statement.

31 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

31 Analysis of net debt continued

31.1 Reconciliation of opening to closing net debt

	2 March 2025 (restated*) £m	Cash Movements		Non-Cash Movements		28 February 2026 £m
		Cash flows excluding interest £m	Net interest (received) / paid £m	Accrued interest £m	Other non-cash movements £m	
Retail						
Net derivative financial instruments	(1)	—	1	(1)	5	4
Borrowings (excluding overdrafts)	(989)	59	57	(57)	(5)	(935)
Lease liabilities	(5,494)	504	278	(278)	(550)	(5,540)
Purchase of own shares for share schemes	—	—	—	—	(21)	(21)
Arising from financing activities	(6,484)	563	336	(336)	(571)	(6,492)
Cash and cash equivalents	727	2	—	—	—	729
Bank overdrafts	(1)	—	—	—	—	(1)
Less: Purchase of own shares for share schemes	—	—	—	—	21	21
Retail net debt	(5,758)	565	336	(336)	(550)	(5,743)
Financial Services						
Net derivative financial instruments	(2)	—	—	—	2	—
Borrowings (excluding overdrafts)	(124)	—	12	(13)	—	(125)
Lease liabilities	—	—	—	—	—	—
Arising from financing activities	(126)	—	12	(13)	2	(125)
Financial assets at fair value through other comprehensive income	1,924	(1,807)	—	—	—	117
Cash and cash equivalents	1,495	(1,157)	—	—	—	338
Financial services net funds	3,293	(2,964)	12	(13)	2	330
Group						
Net derivative financial instruments	(3)	—	1	(1)	7	4
Borrowings (excluding overdrafts)	(1,113)	59	69	(70)	(5)	(1,060)
Lease liabilities	(5,494)	504	278	(278)	(550)	(5,540)
Purchase of own shares for share schemes	—	—	—	—	(21)	(21)
Arising from financing activities	(6,610)	563	348	(349)	(569)	(6,617)
Financial assets at fair value through other comprehensive income	1,924	(1,807)	—	—	—	117
Cash and cash equivalents	2,222	(1,155)	—	—	—	1,067
Bank overdrafts	(1)	—	—	—	—	(1)
Less: Purchase of own shares for share schemes	—	—	—	—	21	21
Group net debt	(2,465)	(2,399)	348	(349)	(548)	(5,413)

Other non-cash movements relate to new leases, mark to market derivative movements on debt and foreign exchange.

Notes to the consolidated financial statements continued

31 Analysis of net debt continued

31.1 Reconciliation of opening to closing net debt continued

	3 March 2024 (restated*) £m	Cash Movements		Non-Cash Movements		1 March 2025 (restated*) £m
		Cash flows excluding interest £m	Net interest (received) / paid £m	Accrued interest £m	Other non-cash movements £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	770	1,155	—	—	(1)	1,924
Cash and cash equivalents	1,101	394	—	—	—	1,495
Financial services net funds	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	770	1,155	—	—	(1)	1,924
Cash and cash equivalents	1,978	244	—	—	—	2,222
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)

* Refer to note 2.1 (b) for details of prior year restatements.

Notes to the consolidated financial statements continued

31 Analysis of net debt continued

31.2 Reconciliation of own shares purchased for share schemes

The table below presents the reconciliation of own shares purchased for share schemes between the Group statement of changes in equity and the Group cash flow statement.

	2026 £m	2025 £m
Retail		
Included in the Group statement of changes in equity	(85)	(63)
Outstanding amount recognised as financial liabilities	a) 21	—
Included in the Group cash flow statement	(64)	(63)

a) Refer to note 38 for further information on post-balance sheet events.

32 Borrowings

	2026			2025		
	Current £m	Non-current £m	Total £m	Current £m	Non-current £m	Total £m
Loan due 2031	72	314	386	64	383	447
Unsecured bond	4	552	556	3	547	550
Sainsbury's Bank Tier 2 Capital	5	120	125	6	118	124
Bank overdrafts	1	—	1	1	—	1
	82	986	1,068	74	1,048	1,122
Transaction costs	(2)	(5)	(7)	(2)	(6)	(8)
	80	981	1,061	72	1,042	1,114

32.1 Loan due 2031

The loan is secured against 48 (2025: 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 £378 million (2025: £438 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.

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 or power and bears no risk over these entities they are not included in the Group consolidation.

32.2 Undrawn facilities

The Revolving Credit Facility of £1,000 million comprises two £500 million tranches with maturity dates of December 2029 for Facility A and December 2028 for Facility B. As at 28 February 2026, the Revolving Credit Facility was undrawn.

32.3 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 five-year tranche and 5.625 per cent per annum on the ten-year tranche. Interest is payable semi-annually in arrears.

32.4 Sainsbury's Bank Tier 2 capital

The Group has £120 million (2025: £120 million) of fixed rate reset callable subordinated Tier 2 notes in issuance, which were issued in September 2022. These notes bear interest on the principal amount at a rate of 10.5 per cent per annum, payable 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.

32.5 Bank overdrafts

Bank overdrafts are repayable on demand and bear interest at a spread above Bank of England base rate.

33 Retirement benefit obligations

33.1 Scheme overview

All retirement benefit obligations relate to the Sainsbury's Pension Scheme and three unfunded pension liabilities for former senior employees of Sainsbury's and Home Retail Group.

The Sainsbury's Pension Scheme comprises two sections:

- The Sainsbury's section, which holds the assets and liabilities of the original Sainsbury's Pension Scheme
- 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. Both sections are closed to new members and to future accrual, with benefits determined by past service and salary or accrued cash balance entitlements. The Scheme is governed by a corporate trustee.

The Group also has unfunded pension liabilities in respect of certain former senior employees.

The Scheme is also used to pay life assurance benefits to current colleagues.

Scheme funding and 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 in these assumptions resulting in a relatively high estimate of the Scheme's liabilities. By contrast, IAS 19 'Employee Benefits' requires companies to value the liabilities on a 'best estimate' basis which delivers a lower estimate of the liabilities and therefore a more favourable relative financial position. As such, the accounting valuation is different to the Trustee's triennial valuation basis.

The latest triennial valuation as at 30 September 2024 (the 2024 triennial) was completed on 20 March 2026, and showed a surplus of £171 million (comprising a surplus of £93 million in the Sainsbury's section and a £78 million surplus in the Argos section), including the estimated value of the Scheme's entitlements under the asset backed contribution (ABC) structure. Excluding these entitlements, the surplus was £15 million. The 2024 triennial, among other actuarial updates, assumes higher inflation volatility, which has the effect of reducing expected liabilities. This may result in an earlier end to contributions under the ABC structure. To provide additional assurance to the Scheme in that context, the Group has established an escrow account in favour of the Scheme, which will expire no later than 2048. Funds will be deposited into the escrow account, and either be released to the Group, or contributed to the Scheme, depending on agreed funding triggers.

Notes to the consolidated financial statements continued

33 Retirement benefit obligations continued

33.1 Scheme overview continued

Scheme funding and triennial valuation

This arrangement, coupled with the ABC arrangement, will act to protect the Scheme's access to funds while reducing the risk that the Company might overfund the Scheme. There are no funds deposited in the escrow arrangement as at 28 February 2026.

The surplus has been recognised as the Group has concluded that it has an unconditional right to a refund of any surplus once all member benefits have been paid. The Group's judgement is that the Trustees would be unable to unconditionally wind up the plan or enhance members' benefits without the Group's consent.

Asset-backed contribution structure

The Group operates an asset-backed contributions (ABC) structure in support of the Scheme. 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 other Sainsbury's Group companies. The Propco is a wholly owned subsidiary of the Group and leases the transferred properties back to other Group companies. Rental receipts on these leases 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 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 operational flexibility to extend, develop and substitute them.

The Scheme's interest in the Partnership entitles 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 the Argos section (initially £23 million per year, increasing to £33 million by 2038)

The Sainsbury's section reached its funding target on 31 December 2021 and so the first payment stream was permanently switched off.

The Argos section (stream 2) reached its funding target on 31 December 2024 and so the second payment stream has also 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 has switched back to the Sainsbury's section. Payments continue until 2038 or until both sections have reached their funding targets, if earlier.

The ABC structure provides security to the Scheme which reduces based on funding level targets. Once a section reaches a specific funding target for three consecutive quarters, the level of security that the Scheme can access reduces from the following 31 March, in line with the Residual Security Amount (RSA) caps set out in the ABC structure. The security is currently provided by properties in the ABC structure which are valued annually. If the value of the property security is outside a corridor either side of the RSA, the Company must top up if the value is less, or can choose to remove property from the Propco if the value is higher; however, if a default event were to occur, the Scheme would only have rights over the security to the value of the RSA – any excess value would remain in the Propco and revert to the Company.

Unfunded pension liabilities

The unfunded pension liabilities are unwound when each employee either retires and draws their pension or the pension is taken as a lump sum on retirement or upon leaving.

33.2 Income statement

	2026 £m	2025 £m
Excluded from underlying profit before tax:		
Interest cost on pension liabilities	a) (297)	(293)
Interest income on plan assets	337	329
Total included in finance income	40	36
Defined benefit pension scheme expenses	(8)	(8)
Total (excluded from underlying profit before tax)	32	28

a) Includes interest of £1 million for the unfunded pension scheme (2025: £1 million).

33.3 Remeasurements included in other comprehensive income

	2026 £m	2025 £m
Return on plan assets, excluding amounts included in interest	(10)	(448)
Actuarial gains/(losses) arising from changes in		
Finance assumptions	101	402
Demographic assumptions	(82)	3
Experience	(274)	10
Total actuarial (losses)/gains	a) (255)	415
Total remeasurements	(265)	(33)

a) Includes £nil remeasurement gain for the unfunded pension scheme (2025: £1 million).

Notes to the consolidated financial statements continued

33 Retirement benefit obligations continued

33.4 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.

	2026			2025		
	Sainsbury's £m	Argos £m	Group £m	Sainsbury's £m	Argos £m	Group £m
Present value of funded obligations	(5,049)	(774)	(5,823)	(4,820)	(755)	(5,575)
Fair value of plan assets	5,454	917	6,371	5,418	911	6,329
Retirement benefit surplus	405	143	548	598	156	754
Present value of unfunded obligations	(23)	—	(23)	(13)	(10)	(23)
Net Retirement benefit surplus	382	143	525	585	146	731
Analysed in the Group balance sheet:						
Retirement benefit surplus	405	143	548	598	156	754
Retirement benefit deficit	(23)	—	(23)	(13)	(10)	(23)
Net retirement benefit surplus	382	143	525	585	146	731

Movements in net defined benefit surplus

	2026			2025		
	Assets £m	Obligations £m	Net £m	Assets £m	Obligations £m	Net £m
As at the beginning of the financial year	6,329	(5,598)	731	6,702	(6,012)	690
Interest income/(cost)	337	(297)	40	329	(293)	36
Remeasurement (losses)/gains	(10)	(255)	(265)	(448)	415	(33)
Pension scheme expenses	(8)	—	(8)	(8)	—	(8)
Employer contributions	26	—	26	45	—	45
Benefits paid	(303)	304	1	(291)	292	1
As at the end of the financial year	6,371	(5,846)	525	6,329	(5,598)	731

33.5 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 per cent p.a. basis for the Sainsbury's section and a gilts +0.25 per cent p.a. basis for the Argos section, while limiting the downside risk associated with investments wherever possible. The investment objectives target a 50 per cent or better chance of being fully funded on this basis between 2029 and 2032 for the Sainsbury's section and by 2029 for 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 judgment 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.

Notes to the consolidated financial statements continued

33 Retirement benefit obligations continued

33.5 Investment strategy and risks associated with defined benefit pension scheme continued

In June 2025 the Department for Work and Pensions (DWP) confirmed that the Government will introduce legislation to give affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historical benefit changes met the necessary standards. In September 2025, the UK Government introduced amendments to the Pension Schemes Bill to address the decision, allowing for the retrospective validation of historical alterations to salary-related contracted-out occupational pensions.

Based on a review of the changes made to the Scheme during this period, and the contents of the Pension Schemes Bill, the Group does not consider that any adjustments to the financial statements are required in respect of this matter.

During the year the Trustee has initiated a review of its US tax reporting, following the identification of an inconsistency between differing elements of its US tax filings. The outcome of this review is currently unknown, and although an additional US tax liability may arise, a reliable estimate of the amount of any potential liability cannot be made at this stage, although it is not expected to be material, and no provision has been recognised at this time.

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.	Using an FCA-regulated market-leading investment adviser, a liability-driven investment (LDI) framework has been adopted to align asset and liability risks by hedging interest rate and inflation exposures, thereby reducing funding volatility.
	The strategy also includes addressing sustainability and Environmental, Social, and Governance (ESG) related risks for the Scheme.	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.
	Poor execution or attention to regulation or underperformance in applying the strategy could lead to lower funding levels.	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 that 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.

Risk	Description	Mitigation
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 asset 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 yields 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 reduce the exposure.
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 detail 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.
Longevity	The Scheme pays benefits longer than expected due to members living longer than forecast.	Longevity risk is monitored with the aim of achieving sufficient funding levels to 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 cyber security measures have been implemented by the Trustee's custodian and administrators, including regular security assessments and employee training. These measures aim to protect sensitive Scheme data and ensure the integrity and confidentiality of member information.

Notes to the consolidated financial statements continued

33 Retirement benefit obligations continued

33.6 Analysis of plan assets

	2026		2025	
	Quoted £m	Unquoted £m	Quoted £m	Unquoted £m
Liability matching assets	3,707	1,397	3,432	1,617
Growth assets				
Equity	a)			
Private	—	226	—	272
Alternatives				
Real Estate	—	54	—	107
Private Debt	—	205	—	442
Diversified Growth	—	221	—	288
Multi asset strategies	216	—	—	—
Cash and Cash equivalents	345	—	171	—
	4,268	2,103	3,603	2,726

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 £5,611 million (2025: £5,282 million), corporate bonds totalling £2,060 million (2025: £2,237 million), and fixed income derivatives totalling £298 million (2025: £328 million), offset by repurchase agreements totalling £2,865 million (2025: £2,799 million). Circa 96 per cent 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, £6,204 million (2025: £6,144 million) is denominated in Pound Sterling and £167 million (2025: £185 million) is denominated in overseas currencies.

For 2026 the valuation of private market assets is based on the latest available manager statements, adjusted for cash contributed or remitted. The assets have been assessed for impairment, from the date of the most recent statement date through manager enquiry and analysis of similar public market indices. This approach differs from the approach taken in 2025 where, in addition to the cash adjustment detailed above, asset values were rolled-forward, from the date of the last statement to the balance sheet date, using the returns on related public market indices. The value of the roll-forward adjustment in 2025 was £12.9 million. Based on historical analysis it was concluded that the updated approach provided a better estimate of the asset value for private market assets at the balance sheet date.

33.7 Actuarial assumptions for measuring liabilities

Principal actuarial assumptions

	2026	2025
Discount rate	5.55	5.45
Inflation rate – RPI	3.05	3.15
Inflation rate – CPI	2.50	2.55
Future pension increases	1.95 - 2.90	1.95–2.95

Assumptions are on a weighted average blended basis.

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 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 0.55 per cent p.a. up to 2030 (2025: 0.60 per cent p.a.).

c) Future pension increases

Pensions in the Scheme receive various increases in payment depending on the section of the Scheme and when benefits were built up. For the majority of benefits, the increases provided are based on either RPI or CPI inflation, subject to various caps or collars depending on when benefits were built up. As a result, different assumptions are needed for each type of pension increase provided and the table above shows the range of assumptions adopted.

d) Mortality

The base mortality assumptions use the SAPS S4 tables for the Sainsbury's and Argos sections, respectively, with adjustments to reflect the Scheme's population.

Following the completion of the 2024 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 2026 year-end are CMI 2024 projections with a long-term rate of improvement of 1 per cent p.a. Future mortality improvements for the 2025 year-end were CMI 2023 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 2024 which was released in June 2025.

Notes to the consolidated financial statements continued

33 Retirement benefit obligations continued

33.7 Actuarial assumptions for measuring liabilities continued

Principal actuarial assumptions continued

d) Mortality continued

The CMI have made two main changes to the CMI 2024 model, compared with the 2023 version of the model:

- The CMI 2024 core model has been extended to have five period terms considered separately during the fitting process rather than one period term. Having multiple period terms allows the model to better reflect the changing mortality trends at different age groups observed in the data. Each of the five age groups is smoothed separately to achieve an overall adjusted target smoothing factor.
- Modelling the impact of the Covid-19 pandemic using a 'fitted overlay' rather than using weights as in earlier models. A new half-life parameter has been introduced which controls this overlay within the model.

A half-life assumption of 0.5 has been adopted for 2025. This is consistent with the 100% weights parameter which was adopted under CMI 2023 as both approaches place greater weight on observed post-pandemic mortality experience than the core CMI parameters.

Life expectancy at age 65

	2026			2025		
	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	20.2	22.6	20.7	18.9	22.2	19.8
Female pensioner	22.5	24.0	23.2	22.8	23.5	22.9
Members aged 45 at balance sheet date						
Male pensioner	21.2	23.5	21.7	19.9	23.1	20.7
Female pensioner	23.7	25.1	24.4	24.0	24.6	24.0

e) Sensitivity analysis of significant actuarial assumptions

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 the principal assumptions.

Change in present value of funded obligations – increase/(decrease) effect

		Sainsbury's		Argos		Total	
		£m	£m	£m	£m	£m	£m
Financial sensitivities:							
Discount rate	+/-0.1%	61	63	11	11	72	74
Discount rate	+/-1.0%	565	682	96	118	661	800
Inflation rate	+/-0.1%	36	36	10	7	46	43
Inflation rate	+/-1.0%	366	369	87	76	453	445
Inflation rate for future pension increases	+/-0.1%	20	20	7	4	27	24
Inflation rate for future pension increases	+/-1.0%	186	215	50	46	236	261
Demographic sensitivities:							
Life expectancy	+/-1 year	153	163	22	23	175	186

f) Future benefit payments

Details of future committed payments are detailed in the asset-backed contribution section of the overview at the beginning of this note. The Company expects to meet its committed payment of approximately £27 million during the next financial year.

The duration of the Scheme's liabilities is around 14 years for the Sainsbury's section and 15 years for the Argos section.

Timing of benefit payments (undiscounted)

	2026 £m	2025 £m
Within the next 12 months (next annual reporting period)	288	262
Between 2 and 5 years	1,320	1,209
Between 6 and 15 years	4,156	3,897
Between 16 and 25 years	3,950	3,784
Beyond 25 years	4,965	4,598
	14,679	13,750

34 Share-based payments

	2026 £m	2025 (restated*) £m
Share-based payment expense	80	80
Discontinued operations	5	7
Continuing operations	75	73

* Refer to note 2.1 (c) for details of prior year restatements.

The Group operates the following share schemes:

Notes to the consolidated financial statements continued

34 Share-based payments continued

34.1 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 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.

	2026		2025	
	Number of options million	Weighted average exercise price pence	Number of options million	Weighted average exercise price pence
Outstanding at beginning of year	55.4	195	59.1	188
Granted	—	—	17.1	200
Lapsed / forfeited	(5.7)	198	(8.2)	197
Exercised	(9.7)	208	(12.6)	168
Outstanding at end of year	40.0	191	55.4	195
Exercisable at end of financial year	—	—	9.6	210
Exercisable Range	161 to 228		161 to 228	
Weighted average share price at date of exercise	268		263	
Weighted average remaining contractual life	1.5 years		2.2 years	

The Sharesave invitation was deferred from November 2025 to May 2026, to enable greater engagement by colleagues outside of peak trading periods. As a result, no options were granted in the reporting period.

	2026	2025
Share price at grant date	—	275p
Exercise price	—	200p
Expected volatility	—	24.1%
Option life	—	3.2 years
Expected dividend yield	—	4.8%
Risk-free interest rate	—	4.9%
Fair value per option	—	57p

The expected volatility is based on the standard deviation of the Group's share price for the period immediately prior to the date of grant of award, over the period identical to the vesting period of the award, adjusted for management's view of future volatility of the share price.

34.2 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 per cent of the awards received. For awards issued from 2021 onwards, schemes vest and participants are able to exercise after three years. Awards will expire five years from the grant date.

For Executive Directors, awards will normally be subject to a two-year holding period following the end of the three-year performance period. Awards will expire six years from the date of grant.

For awards granted in and before the year ended 4 March 2023, a core share award was granted which could grow by up to four times, dependent on the level of performance. For awards granted in the year ended 2 March 2024 onwards, 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 options.

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.

	2026 million	2025 million
Outstanding at beginning of year	60.8	29.3
Conditionally allocated	22.8	65.8
Released to participants	(10.7)	(29.7)
Lapsed	(8.4)	(4.6)
Outstanding at end of financial year	64.5	60.8
Weighted average remaining contractual life	3.2 years	3.8 years
Weighted average share price at date of exercise (release to participants)	263p	268p

All performance conditions are considered non-market performance conditions and are therefore not included in the fair value calculations.

	2026	2025
Options granted in the year		
Share price at grant date	287p	278p
Option life	3 years	3 years
Fair value per option	287p	278p

Notes to the consolidated financial statements continued

34 Share-based payments continued

34.3 Nil-cost share awards

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.

	2026 million	2025 million
Outstanding at beginning of year	27.2	27.1
Awarded	13.0	15.6
Released to participants in financial year	(13.4)	(14.8)
Lapsed	(1.4)	(0.7)
Outstanding at end of financial year	25.4	27.2
Weighted average remaining contractual life	1.9 years	1.8 years
Weighted average share price at date of exercise (release to participants)	253p	254p

35 Commitments

	2026 £m	2025 £m
Capital commitments contracted, but not provided for	124	179
Leases that have been signed, but not yet commenced	10	32

36 Contingent liabilities

The Group through the size, nature and scope of its operations and people is exposed to a wide range of applicable laws and regulation including: employment related legislation such as the Equality Act 2010 and the Health and Safety at Work Act 1974; business conduct legislation such as the Competition Act 1998, the Modern Slavery Act 2015 and the Bribery Act 2010; product or sales related legislation such as the Food Safety Act 1990 and the Digital Markets Competition and Consumer Act 2024, and is also exposed to risks relating to past corporate transactions such as guarantees made in relation to disposed assets. These expose the Group to potential material liabilities which may crystallise following events such as civil legal action, regulatory enforcement action, or under property disposal guarantees in the event of insolvency of current tenants and their ultimate parents. In assessing the required disclosure or recognition of potential liabilities, the Group considers factors including probability, materiality and quantifiability of any claims received.

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 19,800 equal pay claims from circa 14,100 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 judgment from the Tribunal in respect of the second stage will be given in the course of 2028. This judgment 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 or 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.

37 Related party transactions

37.1 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:

	2026 £m	2025 £m
Short-term employee benefits	14	16
Post-employment employee benefits	1	1
Share-based payments	9	8
	24	25

Three key management personnel had credit card balances with Financial Services (2025: five). These arose in the normal course of business and were immaterial to the Group and the individuals. One key management personnel held saving deposit accounts with Financial Services (2025: two). These balances arose in the normal course of business and were immaterial to the Group and the individuals. Following the disposal of the credit cards and deposits businesses to NatWest in May 2025, these balances are no longer related party transactions. A loan of £0.5 million (2025: £nil) was made, and fully repaid, to one key management personnel in the year.

Notes to the consolidated financial statements continued

37 Related party transactions continued

37.2 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:

	2026 £m	2025 £m
Rental expenses paid	(8)	(8)

Year-end balances arising from transactions with joint ventures and associates are as follows:

	2026 £m	2025 £m
Other payables	(3)	(2)

37.3 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 33 to these financial statements.

38 Post-balance sheet events

Subsequent to the balance sheet date, the Group acquired 6,128,749 shares through the J Sainsbury Employee Share Ownership Trust, for the purpose of satisfying future share awards under the Group's employee share plans. The financial liability of £21 million recognised at the balance sheet date has subsequently been derecognised following the acquisition and settlement of directly attributable costs.

39 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.

39.1 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*
Argos Business Solutions Limited	UK	100%	Indirect	33 Charterhouse Street
Argos Card Transactions Limited	UK	100%	Indirect	33 Charterhouse Street
Argos Distributors (Ireland) Limited	Ireland	100%	Indirect	6th Floor, South Bank House
Argos Holdings Limited	UK	100%	Indirect	33 Charterhouse Street
Argos Limited	UK	100%	Indirect	33 Charterhouse Street
Argos (N.I.) Ltd	UK	100%	Indirect	Forestside Shopping Centre
Argos Surbs Investments Limited	UK	100%	Indirect	33 Charterhouse Street
Avenell Property Limited	UK	100%	Indirect	33 Charterhouse Street
Barleygold Limited	UK	100%	Indirect	50 Bedford Street
Bells Stores Limited	UK	100%	Indirect	33 Charterhouse Street
BLSSP (PHC 7) Limited	UK	100%	Indirect	33 Charterhouse Street

Entity	Country of incorporation	Interest	Holding	Registered office address*
Cliffraige Limited	UK	100%	Indirect	33 Charterhouse Street
Coolidge Investments Limited	UK	100%	Indirect	33 Charterhouse Street
Cornerford Limited	UK	100%	Indirect	33 Charterhouse Street
Financial Recovery Services Limited	UK	100%	Indirect	33 Charterhouse Street
First Stop Stores Limited	UK	100%	Indirect	33 Charterhouse Street
Global (Guernsey) Limited	Guernsey	100%	Indirect	PO Box 33, Dorey Court
Habitat Retail Limited	UK	100%	Indirect	33 Charterhouse Street
Hobart Property Limited	UK	100%	Indirect	33 Charterhouse Street
Holborn UK Investments Limited	UK	100%	Indirect	33 Charterhouse Street
Home Retail Group Limited	UK	100%	Indirect	33 Charterhouse Street
Home Retail Group (Finance) LLP	UK	100%	Indirect	33 Charterhouse Street
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 Charterhouse Street
Home Retail Group Card Services Limited	UK	100%	Indirect	33 Charterhouse Street
Home Retail Group Holdings (Overseas) Limited	UK	100%	Indirect	33 Charterhouse Street
Home Retail Group Insurance Services Limited	UK	100%	Indirect	33 Charterhouse Street
Home Retail Group Nominees Limited	UK	100%	Indirect	33 Charterhouse Street
Home Retail Group UK Service Company Limited ^{a)}	UK	100%	Indirect	33 Charterhouse Street
Horndrift Limited	UK	100%	Indirect	33 Charterhouse Street
J Sainsbury Common Investment Fund Limited	UK	100%	Indirect	33 Charterhouse Street
J Sainsbury Distribution Limited	UK	100%	Indirect	33 Charterhouse Street
J Sainsbury Pension Scheme Trustees Limited	UK	100%	Indirect	33 Charterhouse Street
J Sainsbury Trustees Limited ^{b)}	UK	100%	Indirect	33 Charterhouse Street
Jacksons Stores Limited	UK	100%	Indirect	33 Charterhouse Street
Jacksons Stores 2002 Limited	UK	100%	Indirect	33 Charterhouse Street
JS Information Systems Limited	UK	100%	Indirect	33 Charterhouse Street
JS Insurance Limited	Isle of Man	100%	Indirect	Third Floor, St George's Court
JSD (London) Limited	UK	100%	Indirect	33 Charterhouse Street
Jungle Online	UK	100%	Indirect	33 Charterhouse Street
Jungle.com Limited	UK	100%	Indirect	33 Charterhouse Street
Jungle.com Holdings Limited	UK	100%	Indirect	33 Charterhouse Street
Nash Court (Kenton) Limited	UK	100%	Indirect	33 Charterhouse Street

Notes to the consolidated financial statements continued

39 Related undertakings continued

39.1 Wholly owned subsidiary undertakings continued

Entity	Country of incorporation	Interest	Holding	Registered office address*
Nectar 360 Limited	UK	100%	Indirect	33 Charterhouse Street
Nectar 360 Services LLP	UK	100%	Indirect	33 Charterhouse Street
Nectar EMEA Limited	UK	100%	Indirect	33 Charterhouse Street
Nectar Loyalty Holding Limited	UK	100%	Indirect	33 Charterhouse Street
Ramheath Properties Limited	UK	100%	Indirect	33 Charterhouse Street
Sainsbury Bridgeco Holdco Limited	UK	100%	Indirect	33 Charterhouse Street
Sainsbury Holdco A Limited	UK	100%	Indirect	33 Charterhouse Street
Sainsbury Holdco B Limited	UK	100%	Indirect	33 Charterhouse Street
Sainsbury Propco A Limited	UK	100%	Indirect	33 Charterhouse Street
Sainsbury Propco B Limited	UK	100%	Indirect	33 Charterhouse Street
Sainsbury Propco C Limited	UK	100%	Indirect	33 Charterhouse Street
Sainsbury Propco D Limited	UK	100%	Indirect	33 Charterhouse Street
Sainsbury Property Investments Limited	UK	100%	Indirect	33 Charterhouse Street
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**	Hong Kong	100%	Indirect	Unit 904, 9/F, Tower 2
Sainsbury's Argos Asia Technical Limited**	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%	Indirect	33 Charterhouse Street
Sainsbury's Corporate Director Limited	UK	100%	Indirect	33 Charterhouse Street
Sainsbury's Corporate Healthcare Trustee Limited	UK	100%	Indirect	33 Charterhouse Street
Sainsbury's Corporate Secretary Limited	UK	100%	Indirect	33 Charterhouse Street
Sainsbury's Group Holdings Limited	UK	100%	Indirect	33 Charterhouse Street
Sainsbury's Heather GP Limited	UK	100%	Indirect	4th Floor, 1 New Park Square
Sainsbury's Holdings Limited	UK	100%	Direct	33 Charterhouse Street
Sainsbury's Intermediate Holdings Limited [†]	UK	100%	Indirect	33 Charterhouse Street
Sainsbury's Manor GP Limited	UK	100%	Indirect	4th Floor, 1 New Park Square
Sainsbury's Manor Property Limited	UK	100%	Indirect	4th Floor, 1 New Park Square
Sainsbury's (NI) Ltd	UK	100%	Indirect	Forestside Shopping Centre
Sainsbury's Rose LP Limited	UK	100%	Indirect	33 Charterhouse Street

Entity	Country of incorporation	Interest	Holding	Registered office address*
Sainsbury's SL Limited	UK	100%	Indirect	33 Charterhouse Street
Sainsbury's Supermarkets Ltd	UK	100%	Indirect	33 Charterhouse Street
Sainsbury's Thistle Scottish Limited Partnership	UK	100%	Indirect	3 Lochside Avenue
Sainsbury's Tyne Property Holdings Limited	UK	100%	Indirect	33 Charterhouse Street
Smartcharge Limited	UK	100%	Indirect	33 Charterhouse Street
Software Warehouse Holdings Limited	UK	100%	Indirect	33 Charterhouse Street
Stamford House Investments Limited	UK	100%	Indirect	33 Charterhouse Street
Stamford Properties One Limited	UK	100%	Indirect	33 Charterhouse Street
Stamford Properties Three Limited	UK	100%	Indirect	33 Charterhouse Street
Stamford Properties Two Limited	UK	100%	Indirect	33 Charterhouse Street
Stanhope Finance Limited	UK	100%	Indirect	33 Charterhouse Street
Town Centre Retail (Bicester) Limited	UK	100%	Indirect	33 Charterhouse Street

a) As of 7 April 2026 the company's name changed from Home Retail Group UK Service Company Limited to Tumblecrest 5 Limited

b) As of 15 April 2026 the company's name changed from J Sainsbury Trustees Limited to Tumblecrest 7 Limited

c) As of 7 April 2026 the company's name changed from Sainsbury's Intermediate Holdings Limited to Tumblecrest 6 Limited

* See full addresses on page 197.

** An application has been made to deregister this company.

39.2 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*
BL Sainsbury Superstores Limited**	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%	Indirect	33 Charterhouse Street

* See full addresses on page 197.

** An application has been made to deregister this company.

Notes to the consolidated financial statements continued

39 Related undertakings continued

39.3 Overseas branches

The Group has the following branches overseas:

Entity	Country of incorporation	Holding	Registered office address*
Sainsbury's Argos Asia Limited – Bangladesh Liaison Office	Bangladesh	Indirect	Level 10, Simpletree Anarkali
Sainsbury's Argos Asia Limited – India Branch Office	India	Indirect	16th Floor, DLF Downtown 4

39.4 Subsidiary undertakings exempt from audit

The following subsidiaries are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of section 479A of the Act:

Entity	Company registered number
Argos Surbs Investments Limited	05716474
Avenell Property Limited	03817411
Barleygold Limited	NI032407
Bells Stores Limited	01476345
BLSSP (PHC 7) Limited	04104076
Coolidge Investments Limited	07697101
Cornerford Limited	03871316
First Stop Stores Limited	03061483
Hobart Property Limited	03978071
Holborn UK Investments Limited	06482903
Home Retail Group Holdings (Overseas) Limited	00872776
Horndrift Limited	03871243
J Sainsbury Common Investment Fund Limited	02789936
J Sainsbury Distribution Limited	02653788
J Sainsbury Pension Scheme Trustees Limited	02721178
J Sainsbury Trustees Limited	00974484
Jacksons Stores 2002 Limited	04455255
Jacksons Stores Limited	03974443
JSD (London) Limited	03780122
Nash Court (Kenton) Limited	03447714
Nectar EMEA Limited	05821446
Nectar Loyalty Holding Limited	06436907
Ramheath Properties Limited	01762921
Sainsbury Bridgeco HoldCo Limited	05644629
Sainsbury Holdco A Limited	05644636
Sainsbury Holdco B Limited	05644633
Sainsbury Propco A Limited	05644620
Sainsbury Propco C Limited	05676364

Entity	Company registered number
Sainsbury Propco D Limited	05676370
Sainsbury Property Investments Limited	02184043
Sainsbury's Corporate Healthcare Trustee Limited	02256123
Sainsbury's Corporate Secretary Limited	13368643
Sainsbury's Group Holdings Limited	11833110
Sainsbury's Holdings Limited	16565950
Sainsbury's Intermediate Holdings Limited	10125892
Sainsbury's Manor GP Limited	SC453278
Sainsbury's Manor Property Limited	SC453263
Sainsbury's Rose LP Limited	11837174
Sainsbury's SL Limited	13361881
Sainsburys (NI) Ltd	NI674962
Sainsburys Corporate Director Limited	06246904
Sainsbury's Heather GP Limited	SC621875
Sainsbury's Thistle Scottish Limited Partnership	SL033628
Sainsbury's Tyne Property Holdings Limited	11733455
Smartcharge Limited	15004383
Stamford House Investments Limited	01970437
Stamford Properties One Limited	03896034
Stamford Properties Three Limited	03896030
Stamford Properties Two Limited	03896032
Town Centre Retail (Bicester) Limited	05564905

Notes to the consolidated financial statements continued

39 Related undertakings continued

39.5 Full registered office addresses

Address	Full address
4th Floor, 1 New Park Square ^{a)}	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 Charterhouse Street	33 Charterhouse Street, London, EC1M 6HA, United Kingdom
44 Esplanade	44 Esplanade, St Helier, Jersey, JE4 9WG, Channel Islands
50 Bedford Street	50 Bedford Street, Belfast, BT2 7FN, United Kingdom
100 Victoria Street	100 Victoria Street, London SW1E 5JL, United Kingdom
Forestside Shopping Centre	Forestside Shopping Centre, Upper Galwally, Belfast, BT8 6FX, United Kingdom
Level 10, Simpletree Anarkali	Level 10, Simpletree Anarkali, 89 Gulshan Avenue Plot-03, Block – CWS(A), Dhaka – 1212, Bangladesh
Bangladesh PO Box 33, Dorey Court	PO Box 33, Dorey Court, Admiral Park, St Peter Port, Guernsey, GY1 4AT, Channel Islands
Third Floor, St George's Court, Isle of Man	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
16th Floor, DLF Downtown 4	16th Floor, DLF Downtown, DLF Downtown Block – 4, 16th Floor, Ambience Island, Sector 25A, Sector 24 Gurugram – 122002, India
45 Gresham Street	45 Gresham Street, Gresham Street, London, EC2V 7BG, United Kingdom

a) As of 1 April 2026, all Companies associate with this address will move registered office to TLT LLP, 9th Floor, Cadworks, 41 West Campbell Street, Glasgow, G2 6SE.

Company balance sheet

	Note	28 February 2026 £m	1 March 2025 (restated*) £m
Non-current assets			
Investments in subsidiaries, joint ventures and associates	C2	6,592	6,592
Trade and other receivables	C3	956	845
Derivative financial assets		5	—
		7,553	7,437
Current assets			
Trade and other receivables	C3	—	222
Derivative financial assets		—	1
Cash and cash equivalents		476	406
		476	629
Total assets		8,029	8,066
Current liabilities			
Trade and other payables	C4	(2,311)	(1,884)
Borrowings	C6	(2)	(1)
Other financial liabilities		(21)	—
Income taxes payable		(21)	(28)
		(2,355)	(1,913)
Net current liabilities		(1,879)	(1,284)
Non-current liabilities			
Borrowings	C6	(549)	(542)
Derivative financial liabilities		(1)	(1)
Deferred income tax liability	C5	(16)	(19)
Provisions		(1)	(1)
		(567)	(563)
Total liabilities		(2,922)	(2,476)
Net assets		5,107	5,590
Equity			
Called up share capital	C7	647	669
Share premium		1,465	1,448
Merger reserve		173	173
Capital redemption and other reserves	C7	(77)	(79)
Retained earnings		2,899	3,379
Total equity		5,107	5,590

* Refer to Note C1.5 for details of prior year restatements

The profit after tax for the Company for the financial year was £319 million (restated 2025: loss after tax of £762 million). The notes on pages 200 to 202 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 22 April 2026, and are signed on its behalf by:



Simon Roberts

Chief Executive

Company registered number: 00185647



Bláthnaid Bergin

Chief Financial Officer

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 2 March 2025 (restated*)		669	1,448	173	(79)	3,379	5,590
Profit for the year		—	—	—	—	319	319
Total comprehensive income		—	—	—	—	319	319
Transactions with owners:							
Dividends		—	—	—	—	(566)	(566)
Share-based payment		—	—	—	—	80	80
Purchase of own shares for share schemes		—	—	—	(85)	—	(85)
Shares allocated in respect of share option schemes	C7	3	17	—	62	(62)	20
Purchase of own shares for cancellation	C7	—	—	—	(251)	—	(251)
Cancellation of own shares	C7	(25)	—	—	276	(251)	—
At 28 February 2026		647	1,465	173	(77)	2,899	5,107
At 3 March 2024 (as previously reported)		678	1,430	568	681	3,466	6,823
Opening balance adjustment		—	—	—	(74)	38	(36)
At 3 March 2024 (restated*)		678	1,430	568	607	3,504	6,787
Loss for the year		—	—	—	—	(762)	(762)
Other comprehensive loss		—	—	—	(1)	—	(1)
Total comprehensive loss		—	—	—	(1)	(762)	(763)
Transactions with owners:							
Transfer between reserves	C7	—	—	(395)	(680)	1,075	—
Dividends		—	—	—	—	(308)	(308)
Purchase of own shares for share schemes		—	—	—	(63)	—	(63)
Allotted in respect of share option schemes	C7	12	18	—	37	70	137
Purchase of own shares for cancellation	C7	—	—	—	(200)	—	(200)
Cancellation of own shares	C7	(21)	—	—	221	(200)	—
At 1 March 2025 (restated*)		669	1,448	173	(79)	3,379	5,590

The notes on pages 200 to 202 form an integral part of these financial statements.

* Refer to Note C1.5 for details of prior year restatements

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 28 February 2026 (2025: 52 weeks to 1 March 2025).

The financial statements have been prepared on the going concern basis, as set out in Note 2 of the consolidated financial statements, and 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 are derived from Board-approved cash flow projections for three 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 C1.2(a).

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 recharged to those respective subsidiaries. The fair value of employee services received, measured by reference to the grant date fair value, is recharged to the subsidiary over the vesting period, with a corresponding credit to equity.

f) Own shares held

Own shares represent the shares of J Sainsbury PLC that are held by the Employee Share Ownership Trust (ESOT), or which are purchased and held for cancellation as part of the share buyback programme. The Company adopts a 'look-through' approach which, in substance, accounts for the trust as an extension of the Company. Shares purchased for cancellation are included in own shares held until cancellation, at which point they are transferred to retained earnings. Own shares held can include equity elements of forward contracts where the Group has an obligation to purchase its own shares. Own shares are recognised within Capital redemption and other reserves.

C1.3 Key sources of estimation uncertainty

Assessment of impairment of investments in subsidiary undertakings

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.

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.

C1.5 Prior period restatements

Income taxes payable

Comparative amounts have been re-presented to separately disclose income taxes payable, and to present other taxation balances within trade and other payables. This resulted in taxes payable and trade and other payables being re-presented, with no impact on net assets or equity.

Own shares held

Prior period comparatives have been restated to reflect that the Employee Share Ownership Trust (ESOT) has been accounted for as an extension of the Company.

Prior period comparatives

The prior period comparatives have been restated in accordance with IAS 8: 'Accounting Policies, Changes in Accounting Policies and Errors' and have impacted the balance sheet as follows:

Notes to the Company financial statements continued

C1 Basis of preparation and accounting policies continued

C1.5 Prior period restatements continued

The Company has taken exemption of the disclosure exemption under FRS 101 in relation to presenting a statement of financial position as at the beginning of the preceding period when a retrospective restatement has been made.

	As previously presented £m	Income taxes £m	ESOT Aggregation £m	As restated £m
At 1 March 2025				
Current liabilities				
Trade and other payables	(1,878)	(4)	(2)	(1,884)
Income taxes payable	(32)	4	—	(32)
	(1,911)	—	(2)	(1,913)
Net current liabilities	(1,282)	—	(2)	(1,284)
Total liabilities	(2,474)	—	(2)	(2,476)
Net assets	5,592	—	(2)	5,590
Equity				
Capital redemption and other reserves	21	—	(100)	(79)
Retained earnings	3,281	—	98	3,379
Total equity	5,592	—	(2)	5,590

C2 Investments in subsidiaries, joint ventures and associates

	2026 £m	2025 £m
Subsidiaries		
At the beginning of the financial year	6,591	7,295
Additions	6,592	80
Impairment	—	(784)
Disposals	(6,591)	—
At the end of the financial year	6,592	6,591
Joint ventures and associates	—	1
	6,592	6,592

During the year, the Company transferred subsidiary undertakings to Sainsbury's Holdings Limited in return for 29 newly issued shares in Sainsbury's Holdings Limited. Following the share for share exchange, the Company derecognised £6,591 million of subsidiary investments and £1 million of joint ventures and associates, and subsequently recognised additions of £6,592 million in relation to the investment in Sainsbury's Holdings Limited.

The Directors acknowledged that as at 28 February 2026 the market capitalisation of J Sainsbury plc exceeded the net assets of the Group, which primarily consists of investments in subsidiaries. This was not considered to be an indicator of impairment under IAS 36 "Impairment of assets".

The Directors also considered whether there were any other observable indicators of impairment over the Company's investment in subsidiaries and concluded that none were present. Accordingly, no impairment test over the investment in subsidiaries was required to be performed in the year.

C3 Trade and other receivables

	2026			2025		
	Non-current £m	Current £m	Total £m	Non-current £m	Current £m	Total £m
Amounts owed by Group companies	956	—	956	845	222	1,067

C4 Trade and other payables

	2026			2025		
	Non-current £m	Current £m	Total £m	Non-current £m	Current (restated*) £m	Total (restated*) £m
Amounts owed to Group entities	—	2,306	2,306	—	1,878	1,878
Other payables	—	2	2	—	2	2
Other taxes and social security	—	3	3	—	4	4
	—	2,311	2,311	—	1,884	1,884

* Taxes payable, which was previously presented on a net basis, has been re-presented to present other taxes and social security within trade and other payables.

C5 Deferred Taxation

	Capital losses £m	Rolled over capital gains £m	Total £m
At 2 March 2024 and 1 March 2025	13	(32)	(19)
Credit to income statement	3	—	3
At 28 February 2026	16	(32)	(16)

C6 Borrowings

	2026			2025		
	Current £m	Non-current £m	Total £m	Current £m	Non-current £m	Total £m
Unsecured bond	4	552	556	3	547	550
Transaction costs	(2)	(3)	(5)	(2)	(5)	(7)
	2	549	551	1	542	543

Refer to note 32 of the consolidated financial statements for further details.

C7 Share capital and reserves

C7.1 Called up share capital and merger reserve

	2026 million		2025 million		2026 £m		2025 £m	
Called up share capital								
Allotted and fully paid ordinary shares of 28 4/7p	2,264		2,339		647		669	
	2026				2025			
	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	2,339	669	1,448	173	2,371	678	1,430	568
Allotted in respect of share option schemes	10	3	17	—	42	12	18	—
Cancellation of own shares	(85)	(25)	—	—	(74)	(21)	—	—
Transfer to retained earnings	—	—	—	—	—	—	—	(395)
At the end of the financial year	2,264	647	1,465	173	2,339	669	1,448	173

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
2 March 2025 (restated*)	(100)	—	21	(79)
Purchase of own shares for share schemes	(85)	—	—	(85)
Shares allocated in respect of share option schemes	62	—	—	62
Purchase of own shares for cancellation	(251)	—	—	(251)
Cancellation of own shares	251	—	25	276
28 February 2026	(123)	—	46	(77)
3 March 2024 (as previously reported)	—	1	680	681
Opening balance adjustment	(74)	—	—	(74)
3 March 2024 (restated*)	(74)	1	680	607
Transfer to retained earnings	—	—	(680)	(680)
Purchase of own shares for share schemes	(63)	—	—	(63)
Shares allocated in respect of share option schemes	37	—	—	37
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)
1 March 2025 (restated*)	(100)	—	21	(79)

* Refer to Note C1.5 for details of prior year restatement.

During the period, 85.4 million (2025: 73.6 million) of the Company's own shares were purchased, and subsequently cancelled, for total consideration of £251 million (2025: £200 million) inclusive of £1 million (2025: £6 million) directly attributable costs. £251 million (2025: £200 million) has been transferred from the investment in own shares reserve to retained earnings and £25 million (2025: £21 million) of share capital has been transferred to the capital redemption reserve owing to the cancellation.

C8 Contingent liabilities

Through the normal course of business, the Company has issued guarantees covering various commitments of its subsidiaries. The Company has also provided a guarantee to the Bank of England in respect of any borrowings by Sainsbury's Bank plc under the terms of the Sterling Monetary Framework. No liability has been recognised in the Company's accounts for this guarantee as it is considered remote that the guarantee will be called on note 39.4 of the consolidated financial statements sets out details on subsidiary undertakings exempt from audit.

C9 Post-balance sheet events

Subsequent to the balance sheet date, the Company acquired 6,128,749 shares through the J Sainsbury Employee Share Ownership Trust. The financial liability of £21 million recognised at the balance sheet date has subsequently been derecognised following the acquisition and settlement of directly attributable costs.

Alternative Performance Measures (APMs) (unaudited) continued

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 excluding 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 like-for-like.

The measure is used widely in the retail sector.

Reconciliation

	2026	2025 (restated*)
Retail like-for-like (exc. Fuel, exc. VAT)	3.9%	3.4%
Underlying net new space impact	0.4%	(0.1)%
Retail sales growth (exc. Fuel, exc. VAT)	4.3%	3.3%
Fuel impact	(1.5)%	(1.6)%
Total Retail sales growth (inc. Fuel, exc. VAT)	2.8%	1.7%

* Retail like-for-like sales APM has been restated to exclude VAT. Refer to note 2.5 for details.

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 as a whole is viewed from a management perspective, with finance costs managed for the Group as a whole.

Reconciliation

Calculated as Retail underlying operating profit as a percentage of Retail sales. Refer to A1.2b).

b) 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	2026 £m	2025 £m
Retail underlying operating profit	6.1	1,025	1,036
Add: Retail underlying depreciation and amortisation	A2.1	1,186	1,156
Retail underlying EBITDA		2,211	2,192
Retail sales	6.1	33,551	32,630
Retail underlying EBITDA margin		6.6%	6.7%
Retail underlying operating margin		3.1%	3.2%

c) 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.

d) 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.

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 and are disclosed on the face of the income statement.

Alternative Performance Measures (APMs) (unaudited) continued

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.

Reconciliation

	2026				
	Retail: underlying £m	Retail: non- underlying £m	Retail: total £m	Financial Services £m	Group £m
Cash flows from operating activities – continuing					
Operating profit/(loss) continuing	1,025	(116)	909	(12)	897
Depreciation and amortisation	1,186	52	1,238	—	1,238
Share-based payments and other:					
Net impairment charge on non-financial assets	13	10	23	—	23
(Profit)/loss on sale of non-current assets and early termination of leases	(5)	8	3	—	3
Fair value movements	5	7	12	—	12
Share-based payments expense	68	4	72	3	75
Defined benefit scheme expenses	—	8	8	—	8
Defined benefit pension scheme payments	—	(27)	(27)	—	(27)
Operating cash flows before changes in working capital	2,292	(54)	2,238	(9)	2,229
Movements in working capital	128	(53)	75	(117)	(42)
Cash generated from operations – continuing	2,420	(107)	2,313	(126)	2,187
Interest paid	(336)	—	(336)	(12)	(348)
Corporation tax paid	(112)	—	(112)	47	(65)
	1,972	(107)	1,865	(91)	1,774
Cash flows from investing activities – continuing					
Purchase of property, plant and equipment	(613)	—	(613)	—	(613)

	2026				
	Retail: underlying £m	Retail: non- underlying £m	Retail: total £m	Financial Services £m	Group £m
Purchase of intangible assets	(230)	—	(230)	—	(230)
Capital expenditure	(843)	—	(843)	—	(843)
Initial direct costs on new leases	(8)	—	(8)	—	(8)
Proceeds from disposal of property, plant and equipment	41	—	41	—	41
Interest received	23	—	23	—	23
	(787)	—	(787)	—	(787)
Cash flows from financing activities – continuing					
Proceeds from issuance of ordinary shares	20	—	20	—	20
Purchase of own shares for share schemes	(64)	—	(64)	—	(64)
Intragroup share scheme recharge	7	—	7	(7)	—
Other share-related transactions	(37)	—	(37)	(7)	(44)
Purchase of own shares for cancellation	(251)	—	(251)	—	(251)
Repayment of borrowings	(59)	—	(59)	—	(59)
Capital repayment of lease obligations	(504)	—	(504)	—	(504)
Dividends paid on ordinary shares:					
Dividends paid on ordinary shares (excluding special dividends)	(316)	—	(316)	—	(316)
Special dividend paid	(250)	—	(250)	—	(250)
	(1,417)	—	(1,417)	(7)	(1,424)
Intragroup dividend	400	—	400	(400)	—
Net increase/(decrease) in cash and cash equivalents – continuing	168	(107)	61	(498)	(437)
Net decrease in cash and cash equivalents – discontinued operations	—	(59)	(59)	(659)	(718)
	168	(166)	2	(1,157)	(1,155)
Bridge to retail free cash flow					
Retail cash flows from operating activities – continuing	1,972	(107)	1,865		
Retail cash flows from investing activities – continuing	(787)	—	(787)		
Capital repayment of lease obligations	(504)	—	(504)		
Retail free cash flow	681	(107)	574		

Alternative Performance Measures (APMs) (unaudited) continued

A2 Cash flows and borrowings continued

A2.1 Retail cash flows (Closest IFRS equivalent: Group cash flows) continued

Reconciliation continued

	2025 (restated*)				
	Retail: underlying £m	Retail: non- underlying £m	Retail: total £m	Financial Services £m	Group £m
Cash flows from operating activities – continuing					
Operating profit/(loss) – continuing	1,036	(214)	822	68	890
Depreciation and amortisation	1,156	59	1,215	—	1,215
Share-based payments and other:					
Net impairment charge/(reversal) on non-financial assets	2	20	22	—	22
Profit on sale of non-current assets and early termination of leases	(6)	(47)	(53)	—	(53)
Fair value movements	—	(2)	(2)	—	(2)
Share-based payments expense	71	—	71	2	73
Defined benefit scheme expenses	—	8	8	—	8
Defined pension benefit scheme payments	—	(45)	(45)	—	(45)
Operating cash flows before changes in working capital	2,259	(221)	2,038	70	2,108
Movements in working capital	98	105	203	(1,097)	(894)
Cash generated from operations – continuing	2,357	(116)	2,241	(1,027)	1,214
Interest paid	(347)	—	(347)	(12)	(359)
Corporation tax paid	(89)	—	(89)	36	(53)
	1,921	(116)	1,805	(1,003)	802
Cash flows from investing activities – continuing					
Purchase of property, plant and equipment	(617)	—	(617)	—	(617)
Purchase of intangible assets	(208)	—	(208)	—	(208)
Capital expenditure	(825)	—	(825)	—	(825)
Initial direct costs on new leases	(34)	—	(34)	—	(34)
Proceeds from disposal of property, plant and equipment	45	—	45	—	45
Interest received	27	—	27	—	27
	(787)	—	(787)	—	(787)
Cash flows from financing activities – continuing					
Proceeds from issuance of ordinary shares	20	—	20	—	20
Purchase of own shares for share schemes	(63)	—	(63)	—	(63)

	2025 (restated*)				
	Retail: underlying £m	Retail: non- underlying £m	Retail: total £m	Financial Services £m	Group £m
Other share-related transactions	(43)	—	(43)	—	(43)
Purchase of own shares for cancellation	(200)	—	(200)	—	(200)
Proceeds from borrowings	544	—	544	—	544
Repayment of borrowings	(623)	—	(623)	—	(623)
Net repayment of borrowings	(79)	—	(79)	—	(79)
Capital repayment of lease obligations	(487)	—	(487)	—	(487)
Dividends paid on ordinary shares	(308)	—	(308)	—	(308)
	(1,117)	—	(1,117)	—	(1,117)
Net increase/(decrease) in cash and cash equivalents – continuing	17	(116)	(99)	(1,003)	(1,102)
Net (decrease)/increase in cash and cash equivalents – discontinued operations	—	(52)	(52)	1,397	1,345
	17	(168)	(151)	394	243
Bridge to retail free cash flow					
Retail cash flows from operating activities – continuing	1,921	(116)	1,805		
Retail cash flows from investing activities – continuing	(787)	—	(787)		
Capital repayment of lease obligations	(487)	—	(487)		
Retail free cash flow	647	(116)	531		

* Refer to note 2.1 (b) and (c) for details of prior year restatements.

A2.2 Non-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	2026 £m	2025 £m
Defined benefit pension scheme payments	A2.1	(27)	(45)
Non-underlying cash movements:			
Retail restructuring programmes		(72)	(71)
Other		(8)	—
Operating cash flows		(80)	(71)
Effect on Retail cash generated from operations		(107)	(116)

Alternative Performance Measures (APMs) (unaudited) continued

A2 Cash flows and borrowings continued

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. 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 31 to the financial statements.

A3.2 Net debt/underlying EBITDA (closest IFRS equivalent: none)

Definition and purpose

Retail net debt divided by Group underlying EBITDA based on a 52-week rolling basis.

Helps management measure the ratio of the business' debt to operational cash flow.

Reconciliation

	Note	2026 £m	2025 £m
Retail net debt	31	5,743	5,758
Group underlying EBITDA	A4.2	2,211	2,222
Net debt/Group underlying EBITDA		2.6x	2.6x

Group underlying EBITDA is reconciled within the fixed charge cover analysis in note A4.2.

Comparatives are as originally reported.

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 retail net debt. The average is calculated on a 14-point basis which uses the average of 14 data points, representing the previous 13 period ends and the opening position.

Represents the total capital that the Group has utilised in order to generate profits. Management uses this to assess the performance of the business.

Reconciliation

Net debt as set out in note 31.

	Note	2026 £m	2025 £m
Return (Group underlying operating profit)	6.1	1,025	1,066
		£m	£m
Group net assets	Balance sheet	6,150	6,651
Less: Net pension surplus	33.4	(525)	(731)
Deferred tax on pension surplus	10.3	194	218
Less: retail net debt	31	5,743	5,758
Effect of in-year averaging		(17)	(42)
Capital employed		11,545	11,854
Return on capital employed		8.9%	9.0%

Comparatives are as originally reported.

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. 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	2026 £m	2025 £m
Group underlying operating profit	6.1	1,025	1,066
Add: Group underlying depreciation and amortisation expense	A2.1	1,186	1,156
Group underlying EBITDA		2,211	2,222
Repayment of capital element of lease obligations	A2.1	(504)	(487)
Underlying finance income	9	24	31
Underlying finance costs	9	(331)	(336)
Fixed charges		(811)	(792)
Fixed charge cover		2.7x	2.8x

Comparatives are as originally reported.

Additional shareholder information


Managing your shares



Our share registrar is managed by MUFG Corporate Markets. The quickest and most environmentally friendly way for you to view and manage your shareholding is electronically at <https://uk.investorcentre.mpms.mufg.com>.

Have your Investor Code (IVC) to hand and scan the QR code below for access to Investor Centre, a free, online secure service that enables you to manage and monitor all of your shares in one place via a mobile app or the web.



Please contact MUFG Corporate Markets for assistance with the QR code or the Investor Centre service.



Provide and maintain your bank/building society details to receive your dividend payments

Change your address

Submit your proxy voting instructions

Elect to receive shareholder communications electronically

If you need to contact MUFG Corporate Markets

Sainsburys@cm.mpms.mufg.com
+44 371 664 0555
 Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the international rate. We are open Monday – Friday, 9.00-5.30 excluding bank holidays in England and Wales.

For deaf and speech impaired customers, MUFG Corporate Markets welcome calls via Relay UK. see www.relayuk.bt.com for more information.

MUFG Corporate Markets, Central Square, 29 Wellington Street, Leeds, LS1 4DL

To read the latest version of our Privacy Notice and understand more about how we process your data, please visit <https://corporate.sainsburys.co.uk/privacy-policy/>.

To register, you will need your 11-digit Investor Code, which can be found on all communications issued by MUFG Corporate Markets. 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 MUFG Corporate Markets using the details above.

Financial calendar 2026/27

Financial year-end 2025/26	28 February 2026
Q1 trading statement	30 June 2026
Annual General Meeting	2 July 2026
Payment date of final dividend	July 2026
Interim (half-year) results announcement	22 October 2026
Q3 trading statement	January 2027
Preliminary (full-year) results announcement	April 2027

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, if you are resident in the UK, Channel Islands or Isle of Man, you may consider using MUFG Corporate Markets. For more information on MUFG Corporate Markets share dealing service, visit <https://sharedeal.cm.mpms.mufg.com>.

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 MUFG Corporate Markets. 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.

Sainsbury's corporate website

More information about J Sainsbury plc, including the latest results and reports, can be found on <https://corporate.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.

Additional shareholder information continued

Shareholders

Shareholder information as at 28 February 2026.

	2026	2025
Number of shareholders	89,422	92,786
Number of shares in issue	2,263,689,189	2,339,424,088

Annual General Meeting (AGM)

The 2026 AGM will be held at Leonardo Royal Hotel London St Paul's, 10 Godliman St, London, EC4V 5AJ at 11.00am on Thursday, 2 July 2026 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 <https://corporate.sainsburys.co.uk/>.

Dividends

A combined dividend payment of 15.1p per share, comprising an interim dividend of 4.1p and a special dividend of 11.0p per share was paid on 19 December 2025. Shareholders will be asked to approve a dividend of 9.6p per Ordinary share for the year ended 28 February 2026 at this year's AGM. If approved, this will be paid on 10 July 2026 to all shareholders who are on the register of members on 5 June 2026. Dividends will be made directly to your nominated bank or building society account by direct credit. Please visit <https://uk.investorcentre.mpms.mufg.com>, and to provide your account details.

For more information on dividends, please see page 37 and note 13 on page 162.

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 <https://uk.investorcentre.mpms.mufg.com>.

Shareholder security and share fraud

Be ScamSmart

Investment scams are designed to look like genuine investments. Find out more at www.fca.org.uk/scamsmart

Spot the warning signs

Have you been:

- contacted out of the blue
- promised tempting returns and told the investment is safe
- called repeatedly, or
- told the offer is only available for a limited time?

If so, you might have been contacted by fraudsters.

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

1. Reject cold calls
2. Check the FCA Warning List
3. Get impartial advice

Remember: if it sounds too good to be true, it probably is!

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 JSATY, where one ADR is equal to four ordinary shares. All enquiries relating to ADRs should be addressed to:

Shareholder Correspondence
PO Box 505000
Louisville
KY 40233-5000
USA

Tel (toll-free for US domestic callers): 1-888-269-2377
Tel (international callers): +1-201-680-6825

Website: www.mybnymdr.com

Email: shrrelations@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.

Useful contacts

Registered office

J Sainsbury plc
33 Charterhouse Street
London EC1M 6HA

Registered number 00185647

Sainsbury's corporate website

<https://corporate.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

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sainsburys@cm.mpms.mufg.com

Group Company Secretary

Nick Grant

Independent auditors

PricewaterhouseCoopers LLP

1 Embankment Place
London WC2N 6RH

Solicitors

Linklaters LLP

Stockbrokers

UBS
Shore Capital

General contact details

For any customer enquiries, please visit our websites:

Sainsbury's

<https://help.sainsburys.co.uk/help/contact-us>

Argos

www.argos.co.uk/help/contact-us

Habitat

www.habitat.co.uk/help/contact-us

Nectar

www.nectar.com/help

Sainsbury's Bank

<https://www.sainsburysbank.co.uk/support>

Glossary

Annual General Meeting (AGM) – This year the AGM will be held on 2 July 2026 at the Leonardo Royal Hotel London St Paul's, 10 Godliman Street, London, EC4V 5AJ, at 11:00.

Argos Financial Services (AFS) – Home Retail Group Card Services Limited; and Home Retail Group Insurance Services Limited.

bps – Basis points.

by Sainsbury's – Core own label brand.

CDP – Carbon Disclosure Project.

Click & Collect – Service which allows customers to place general merchandise and grocery orders online for collection in store.

Corporate Responsibility and Sustainability (CR&S) – The need to act responsibly in managing our impact on a range of stakeholders: customers, colleagues, investors, suppliers, the community and the environment.

CPI – Consumer Price Index.

Earnings per share (EPS) – Earnings attributable to ordinary shareholders of the Parent divided by the weighted average number of ordinary shares in issue during the year, excluding those held by ESOP Trusts, which are treated as cancelled.

Fair value – The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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 Regulation.

Greenhouse gas (GHG) – Gases in the atmosphere which absorb infrared radiation emitted from Earth's surface creating a 'greenhouse effect'.

Group – The Company and its subsidiaries.

GSCOP – Grocery Supply Code of Practice.

HFSS – High fat, sugar and salt.

IFRIC – International Financial Reporting Interpretations Committee.

IFRSs – International Financial Reporting Standards.

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.

Live Well for Less – Sainsbury's customer commitment to continue to help people live the life they want to live, with quality products at fair prices.

LTIP – Long-Term Incentive Plan.

Net zero – Our commitment to becoming net zero in our own operations by 2035 through reducing our GHG emissions as much as possible and not adding to the amount of GHG in the atmosphere.

Nectar – Sainsbury's loyalty programme.

Nom&Gov – the Nomination and Governance Committee.

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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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).

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