

MORRISONS

More of what *Matters*

Corporate Responsibility Review
2014/15

This is Morrisons ninth Corporate Responsibility (CR) Review.
It reports on our progress from the previous financial year.

(52 weeks ending 1 February 2015 unless otherwise stated).

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For more information visit:
www.morrisons-corporate.com/cr

About this Review...

For every product listed on every till receipt there is a story. Where the product comes from, what it contains, the resources needed to make it and how we bring all constituent parts together. Then there is the question of what we do to put that product on a shelf in our stores or deliver it to people's homes.

Our customers rightly expect good quality, service and value. We also know that they care about provenance and responsible sourcing, nutrition, welfare, environmental and ethical issues. Our customers and our wider stakeholders expect us to take care on their behalf as we go about our business.

This Review shares some of our work over the last financial year and highlights how we bring together all of these things. There's a great deal of information, but it's only a fraction of what we do day in day out. I hope that it gives an insight into what goes on behind what you read on every till receipt.



Steven Butts
Head of Corporate Responsibility

This Review should be read together with our 2014/15 Annual Report and Financial Statements. If you would like to comment on our corporate responsibility programme, the Review itself or any of the issues we highlight, please drop us a line at **cr@morrisonsplc.co.uk**

Morrisons overview

This is Morrisons

"Morrisons has grown from a market stall to the UK's fourth largest supermarket group."

Who we are

We are a British born and bred value-led grocer, focused on fresh food. High quality, fresh products are at the heart of everything we do. We have our own manufacturing production facilities that supply our stores to ensure that we sell only the best products. This gives us greater control over the provenance of our supply chain and the flexibility to meet the needs of customers. We have adapted to the changing demands of our customers with a multi-channel offer that gives the same great supermarket experience to customers in our convenience stores and through our online business.

Key

Supermarkets	
Morrisons convenience	
Online coverage	
Distribution centres	
Manufacturing	

This data is based on internal reporting regions and excludes our store in Gibraltar.



Online

Our online delivery service now covers nearly 50% of UK households.

Delivery COVERAGE

Fresh

Our vertically integrated supply chain and strong supplier relationships ensure only the freshest produce is sold to our customers.



Awards

Business in the Community Responsible Business Awards 2014
- Rural Action award
- Education award reaccreditation

The British Turkey Awards 2014
- Retailer of the Year award

Caravan Achievement Awards 2014
- Bronze award

The Charity Times Awards 2014
- National Partnership of the Year award

Corporate Engagement Awards 2014
- Silver award – Best collaboration of a single event with the National Farmers Union
- Bronze award – Best environmental and sustainable programme for 'Let's Grow'

The Healthy Food Awards 2014
- Highly commended: NuMe Cumberland Pie

Lovedbyparents Awards 2014
- One gold, two silver and two bronze awards

Nantwich International Cheese Awards 2014
- 18 gold awards, 18 silver awards, 17 bronze awards

Retail Industry Awards 2014
- Fresh Flower Retailer of the Year award
- Highly commended: Seafood Retailer of the Year and Fresh Produce Retailer of the Year

SuperMeat and Fish Awards 2014
- Meat Counter of the Year
- Store Team of the Year

Operational headlines 2014/15

Stores across UK, of which 153 are convenience stores
667

We make more than
60%
of the fresh food we sell



Customer visits to stores per week
12.1m

Online orders, over
1.1m



Launched I'm Cheaper cutting the prices of 1,200 products by an average of
17%

UK grocery market share
11.1%

Financial performance

Total turnover
£16.8bn

Underlying profit before tax
£345m

Group like-for-like sales (excl VAT & fuel) reduced by
(5.9%)

Full year dividend
13.65p

Awards achieved for Morrisons products, nearly
200

Improvement in working capital
£206m

What we did in 2014/15



£70m

Delivered our 1,000,000th order via our online delivery service morrisons.com

Savings delivered through vertical integration, including transferring beef cutting and packing from stores to production sites.



Launched Match & More customer loyalty card that price matches against all of our competitors including discounters.

£50m

Investment on improved systems focused on reducing shrinkage, waste and mark down and indirect procurement.



Improved customer experience in our stores including removing trolley locks and extending opening hours.

£20m

Chill chain investment to help improve the quality of our produce.

Full details of our financial performance can be found in our Annual Report and Financial Statements 2014/15
www.morrisons-corporate.com

Our business model

What we do *differently*

The Morrisons difference

At Morrisons, we **focus on fresh food**. Our Market Street departments, our butchers, bakers, fishmongers and greengrocers are skilled in a way no other supermarket in the UK can match and are passionate about what they do. They prepare food the way our customers like it and often to individual customer specifications. That focus on fresh food is present across the Group as well as in our new online and convenience businesses.

Our focus on fresh is supported by our 'farm to fork' business model. Unlike any other major UK supermarket, we manufacture more than half of the fresh food we sell ourselves, operating our own abattoirs and food production factories as well as our own farm for research and development purposes. We also operate our own distribution network.

What we do

We *make* things

- We are one of the largest fresh food manufacturers in the UK.
- We own, operate and control a greater proportion of our fresh food supply chain than any other major grocery retailer in the UK.
- Every day we make more than half of the fresh food we sell in store and online.
- Our connected supply chain gives our customers assurance over the provenance, quality and safety of our food.
- We buy direct from farmers and have the ability to process whole animals or crops, utilising more of what we buy with less wastage.
- We employ and train qualified butchers, fishmongers, greengrocers and bakers in store, allowing our customers to tailor quantities and cuts of meat and fish to suit their preferences.



We *buy* things

- We pride ourselves on buying as much fresh food in the UK as we can – 100% of our Morrisons own brand fresh meat is British sourced, supporting British farmers.
- We work with our suppliers through the Morrisons farming programme to play our part in ensuring British farming remains competitive and sustainable.
- We are committed to sustainable supply chains and purchasing our products ethically.
- We have made our supply chain shorter by dealing direct with more of our suppliers.
- We insist on high manufacturing standards from our suppliers to ensure the integrity and quality of our products.



Then we *move* them

- We operate seven regional distribution centres and one national centre, servicing our supermarkets and three convenience distribution centres.
- Our fleet consists of over 545 tractor units and 1,606 trailers that cover over 97m kilometres per year.
- We've streamlined our fleet making it more efficient in terms of delivery time and frequency of deliveries, reducing the amount of kilometres travelled in comparison to the volume we transport year on year.
- Our scale allows us to reduce costs and increase efficiency throughout our operations, therefore reducing carbon emissions.
- Our supply chain to store allows us better control over the freshness and availability of products.
- Morrisons.com home deliveries are supported through our service agreement with Ocado, allowing us to use technology and distribution operations that are first class, thoroughly tested and adaptable so they can be rapidly expanded.





Our integrated **supply chain** helps us to better manage materials and resources and gives us confidence in the provenance and safety of our products. In addition, this allows us to minimise waste and costs and makes it easier to react swiftly to changing customer demands.

To further reassure customers of our commitment to offering **great value** we have introduced our Match & More card during the year. This means price is never a reason for customers to shop elsewhere and allows customers to focus on what is different and better, about Morrisons.

And *sell* them in our stores and online

- We provide a distinctive shopping environment, showcasing our focus on fresh food and the skills of our colleagues.
- Our product ranges include Morrisons own brand, giving our customers the flexibility to choose the right product at the right price.
- Our industry-leading Match & More card provides a price comparison tool in our customers' pockets, neutralising the need to choose any other supermarket based on price alone.
- Our convenience proposition is tailored to meet local needs with a significant proportion of sales space dedicated to fresh food.
- Our online grocery business also showcases our expertise and experience in fresh food, including a doorstep freshness check and virtual craftsmen.







How we are different

Fresh

- **From field to fork in hours**
  Controlling food provenance, safety and quality. Getting food onto our shelves fresher and faster.
- **Prepared by us**
  Making more fresh food than any other supermarket.
- **Consistently excellent**
  Delivering our fresh-focused customer experience in stores and online.
- **Monitoring to our standards**
  Through our Ethical Trading Code and Manufacturing Standards.

Value

- **Passing savings on to the customer**
  Our business model allows us to take cost out of the supply chain to pass on to customers.
- **Honest, clear pricing**
  Transparent promotions and clear shelf edge pricing are complemented by our Match & More guarantee.
- **Quality**
  If a customer is not 100% satisfied, neither are we. We offer refunds and replacements on products prepared by us.
- **Reducing our waste**
  Having the ability to buy whole animals and crops direct from farmers and processing through our own operations reduces waste.

Service

- **Friendly customer service**
  Our warm customer service provides enhanced perception, engagement and loyalty.
- **Skilled colleagues**
  Our in-store skilled colleagues tailor portion sizes to suit customers' personal preferences.
- **Availability**
  In store, our operation allows us to react quickly and efficiently to customer needs, catering for local demand.

Chairman's introduction

More of *what matters*

"Customer trust is something you earn, it is not a given."

Andrew Higginson, Chairman



Food industry challenges

The wider challenges we face in the food retail sector, that we write about in this Review, are not straightforward. Whether it is about the competitiveness of the British farming community, food waste, emissions reduction or ensuring that all suppliers adhere to proper labour standards there are layers of complexity to each matter which sometimes cloud how best to deal with it.

Our priorities

Despite the really tough business environment that we currently find ourselves, what is evident in this Review is that we continue to play our part to address many of these issues where we can. The reason for that is straightforward by comparison; there are good business reasons for doing so.

This is not something that is new for us. We've been making the point, publishing details and demonstrating this through our activity for quite some time. Let me take just one example from the list that I highlighted earlier. Our customers tell us that they like to buy fresh British food so it is in our interest and theirs to make sure we support a sustainable British farming industry. There is a clear expectation that we have quality British meat and produce on our shelves but behind what you can see in our shops we do a great deal more. Whether it's buying direct through our own manufacturing operations, committing to 100% British on key lines or the positive effect of our dedicated farming programme, we are playing our part.

That is not to say that there aren't serious difficulties in British farming that are not easy to solve. Over the last year, concerns over milk pricing in the dairy industry, food safety challenges such as campylobacter in poultry and waste in the supply chain have all re-emerged. What I hope this Review gives you is a sense of how we approach these types of issues.

The starting point is that we have to put our customers' interests first, because without our customers trust we have no business and we cannot act. However, we balance this out against all of our stakeholders' views, concerns and opinions in a measured and informed way. This is good governance and it is a better way of doing business.

Looking ahead

As I wrote in my review in the Annual Report and Financial Statements 2014/15 I am delighted that David Potts now joins us as our new CEO. He brings more than 40 years' experience in grocery retailing and having worked alongside him for 15 years, David's considerable talent will be focused on how best to serve our customers.

To do this we intend to simplify the way we operate. This will free up resources from within the business so that we ultimately can offer our customers a better deal. This will not be an easy process but any activity undertaken over the next year will be done with the same balanced approach that we always have; taking into account all of our stakeholders' views to keep our business on the same values based footing. The Board's view and one that I would like to emphasise, is that how Morrisons does something is as important as what it does. We believe that customers respond to this approach and they will continue to see it reflected in our stores.

Corporate Responsibility sponsor

Executive *oversight*

"We continued to deliver progress through our key governance bodies."

Martyn Jones, Group Corporate Services Director,
Corporate Responsibility Sponsor at Executive Committee



Operational executive oversight

Oversight of our corporate responsibility programme is provided at both Executive Committee and Main Board level. This year we continued to deliver progress through our key governance bodies: the Responsible Sourcing Group, Future Food Supply Group, Food Safety Steering Group, Health and Safety Steering Group and the Environment Steering Group.

I chair these groups and my aim is to bring together the expertise in the business to share a common approach that delivers the right balance between doing the right thing for our customers and the need of commercial growth.

We also look at new ways to shape our activity. One outcome this year was to hold a formal stakeholder workshop at the House of Commons on our carbon management strategy and renewable energy options, which was independently facilitated by our assurance providers, DNV GL. The workshop helped to shape our thoughts on our longer term energy strategy and the opportunities available to Morrisons to make our business more resilient for the future. Further details on the workshop, can be found on page 16 of this document.

Challenges during the year

Two new issues emerged during the year that will be of interest to stakeholders reading this Review. The first was in relation to data security following the theft of colleagues' personal data. After our initial, immediate response to close down and eradicate information that had been leaked we undertook an extensive review of our existing data security across the business through our Information Management Steering Group. The group has full responsibility for scrutinising and improving management practices, policies, awareness and training. We take the protection of confidential data very seriously and will continue to monitor and further improve security controls.

The second was a food safety issue, that the Chairman referred to in his introduction, and concerned the reduction of campylobacter contamination in poultry. The aim of both Government and the food industry is to increase appropriate controls in the food supply chain and raise consumer awareness, particularly in relation to preparation and handling of fresh chicken in the home. We have a comprehensive strategy in place which is already showing positive results. We will continue to work with the Food Standards Agency, our suppliers and other industry partners taking concerted action and driving further improvement.

Independent verification and feedback

This year's Review has again been through independent assurance by DNV GL using their methodology VeriSustain. VeriSustain draws, in particular, on concepts and guidance contained in the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines, the AA1000AS (2008) Assurance Standard from AccountAbility and the International Standard on Assurance Engagements 3000 (ISAE 3000) from the International Federation of Accountants.

Independent verification is an important part of our programme and should provide readers with confidence in what we do and how we write about it in this Review.

2014/15 activity

Headlines

1 Responsible buying

- Taking responsibility for our supply chains.
- Sourcing with care.



100%

British own brand fresh meat sold in our stores

100%

UK wild caught and landed seafood is required to be sourced from RFS vessels



Own brand suppliers that are Sedex members

100%

2 Healthy lifestyles

- Promoting health and wellbeing.
- Providing choices to customers and colleagues.

change 4 life

partner

1bn

calories removed from Morrisons own brand Italian range



26

pledges signed in the Government's Public Health Responsibility Deal

3 Our People

- Supporting colleagues to develop and grow.
- Engaged colleagues provide better customer service.

Colleague stability

90.4%



75%

Colleague Engagement Index: How engaged are colleagues?

YOUR SAY THE CLIMATE SURVEY

Over

780,000+

training days delivered

4 Environmental management

- Protecting the resources we're dependent on.
- Effective cost management.

40%

reduction in refrigeration gas emissions

25.8%

absolute reduction in carbon emissions (2005 baseline)

98%

store waste diverted from being sent direct to landfill

5 Supporting communities

- Contributing to community spirit.
- Talking to customers about local issues that matter to them.

£2.2m

raised for charity partner

Sue Ryder
incredible hospice care



LOVE FOOD hate waste

Providing food waste tips via our social media channels to

0.5m followers

200,000

hours given to local community activity through our in-store Community Champions

Why it matters	What we will do next
• Sustainable supply chains • Traceability and quality control • Securing the best suppliers • Risk management • Brand integrity	• Further investment in applied British farm research. • We require suppliers to only source Roundtable on Sustainable Palm Oil (RSPO) certified mass balance or fully segregated palm oil for all own brand products. • All wood and wood derived products will be FSC or equivalent where possible. • Focus on working conditions of higher risk supply base through better integrated monitoring and auditing.
• Product quality and value • Customer benefit • Colleague choice and productivity • Positive social value	• Continued delivery of the Government's Public Health Responsibility Deal commitments. • Continue with focus on Market Street deals on fresh produce. • Extend calorie labelling at the point of choice for products made and prepared in store. • Product range reviews to provide healthier choices to our customers.
• Customer service • Attracting and retaining talent • More engaged colleagues • Retention and attendance • Productivity	• Monitor, measure and improve colleague conditions and workplace experience across the Group. • Continue to develop our colleagues to provide the best possible customer service. • Monitor and measure the diversity of our workforce. • Develop and deliver an 'unconscious bias' programme to assist our managers in the recruitment of a diverse workforce.
• Greater resilience • Resource efficiency • Increased productivity • Cost management to drive affordability	• Support WRAP's delivery of Courtauld Commitment III. • Deliver 30% reduction by 2020 in our operational carbon emissions (2005 baseline). • Remove waste direct to landfill from manufacturing. • Deliver 20% reduction in operational water consumption by 2020 (2012 baseline).
• Closer community connection • Future customers • Colleague feel good factor • Giving something back	• Enhance community engagement through stores' Community Champions. • Raise more funds for Sue Ryder, providing support and care for people with life-changing illnesses. • Through our pre-employment programme 'Our Club' we're helping to get people who have been disadvantaged in society into work. • Establishing more local food redistribution channels with community partners.

Rationale and materiality

Establishing *what matters*

Our corporate responsibility activity and reporting is determined by a straightforward analysis of social and environmental issues that we believe have the greatest importance and likelihood of impact on the Company's overall business strategy.

What factors determine corporate responsibility materiality?

Internal

- Strategic priorities
- Business change
- Financial, social and environmental performance
- Risk register
- Advice from colleagues

Focus areas

External

- Market change and performance
- Stakeholder engagement
- Competitor benchmarking analysis
- Regulation
- International media focus and news
- Reporting trends

How we determine what matters

Once we have identified relevant issues, we used the following matrix to prioritise during 2014/15



2014/15 focus areas

1. Supplier working conditions
2. Diversity
3. Training and development
4. Key commodities sourcing
5. Water consumption
6. Health and nutrition
7. Food waste
8. Carbon emissions management
9. British farm sourcing

How we manage this formally

Monitoring

We monitor the wider issues that affect our business, take specialist advice and actively engage with our stakeholders.

Analysis

We analyse business risks and opportunities and flag this within our wider leadership.

Commitment

We may develop specific commitments or KPIs to drive and measure positive change throughout the business. We appoint business leads to manage each area and reduce the risk or seize opportunities for progress. This is then upwardly reported through our formal governance process.

Review

We keep each commitment and KPI under review. Business leads are required to provide quarterly updates on their priority areas. Each commitment is mapped and reviewed on a quarterly basis as well as an end of year review.

Our focus areas explained

Responsible buying

British farm sourcing

Our credentials as a fresh food retailer are underpinned by our strong British farm sourcing. We work directly with farm suppliers in a way that is unique in the sector and where we can we develop programmes that support British producers which, in turn, protects our supply.

Key commodity sourcing

Decisions we take about where we buy from are undertaken with care. It's about taking responsibility for stages of the production and supply chain that we are able to control or influence.

The demand for key commodities such as palm oil and timber could lead to ill managed expansion of production and result in serious environmental and social consequences including destruction of natural capital, loss of biodiversity, conflict and threat to local livelihoods and communities.

Supplier working conditions

With thousands of own brand products in our stores, our supply chain and the people within it span the globe. Customers trust in our products; they expect us to take responsibility for fair supply chain working conditions, protection of workers' rights and good relationships with our suppliers.

Healthy lifestyles

Healthy eating

As a food business, we take responsibility to promote health and wellbeing to both our colleagues and customers. We want to make it easier for them to make healthier informed choices and engage in more active lifestyles.

Selling healthier food attracts a wider customer base, provides choice and in turn creates brand loyalty.

Primarily we do this through our competitively priced fresh food offering but we also carefully monitor and reformulate processed own brand products to find the right balance of taste, nutrition and preservation.

Our people

Training and development

Having the right people is essential to our business, we are better able to deliver excellent customer service and meet our strategic objectives. In order to engage and retain the best people we must provide the resources and structures to help them develop their talent.

Diversity

Colleagues within our business need to reflect UK society, provide opportunities and careers for different types of people from diverse backgrounds. A wider range of people drives innovation because different people tackle challenges in a variety of ways.

The key is making sure that our business is flexible and adaptable enough to provide equal opportunities to allow all colleagues to actively shape and build our company.

Environmental management

Carbon emissions management

The issue of climate change is one of the greatest challenges to the global community. As well as the clear moral case for emissions reduction, changing climate patterns are a material issue for our business as they are a major threat to food security.

Effective resource management relating to energy use, transport, refrigeration and waste, all contribute to emissions and are fundamental to managing our costs.

Water consumption

Changing climate patterns, population growth and agriculture affect water resource and availability. In the UK for example, we have seen the impact of recent droughts and floods on infrastructure, agriculture and people's livelihoods. Reducing our water footprint at an operational level not only makes environmental sense, but financial sense too. Finding innovative ways to reduce use can save the business money on water supply, waste water disposal and other associated costs.

Supporting communities

Food waste awareness

The issue of food waste continues to be topical with our stakeholders and we know it's something our customers care about. Being a food business, we want to ensure we provide useful advice and information on how our customers can reduce their food waste in the home and save money.

Surplus food redistribution

We responded to many enquiries from a variety of stakeholders on surplus food redistribution during 2014/15. It makes sense that surplus food still fit for human consumption, that can't be sold, is redistributed or donated to community organisations who can use it, turning potential waste into positive community activity.

Stakeholder engagement

Listening *and responding*

Stakeholder engagement is vital to ensuring that our approach to sustainable business is both relevant and effective. It enables us to identify issues and opportunities, respond to changing needs, adhere to best practice and reflect different views and feedback on our business operation.



Common topics raised in 2014/15

1. Communities

Job creation is rooted in the locations where our stores operate. We've worked hard to ensure our recruitment supports applicants from across the community and can up-skill people once they are part of the team. We recognise the importance of community engagement and have developed a colleague-led programme that supports local causes.

- Surplus food donations
- Local community investment
- Charitable partnerships
- Food banks

2. Customers

We receive customer feedback in store and at head office, through insight, market research, focus groups, panels, our website, correspondence and social media. We know that customers recognise sustainability issues are important. They want us to make it easier for them to be supportive through healthier and more responsible buying habits, without additional cost.

- Responsible sourcing of key commodities
- Supplier working conditions
- Operational food waste
- Food affordability

3. Colleagues

We continue to build our formal colleague engagement with regular surveys throughout the year to monitor progress. We've already implemented a new suite of family friendly policies and continually reassess our employment terms, team structures, training needs and level of support for colleagues.

- Training and development
- Engagement
- Benefits
- Health and wellbeing

4. Government and regulators

We have regular dialogue, respond to consultations, support initiatives and enter debate on business, industry and specific sustainability issues. Government policy implemented through legislation, regulation and increasingly sector specific voluntary agreements forms the back drop to our operational activity.

- Food waste and security
- Environmental management
- Training and development
- Social inclusion

5. Investors

As well as direct comment and review of our business operation from shareholders, we also speak to with institutional advisory bodies and research analysts who scrutinise our activity on a range of environmental and social measures as well as financial performance.

- Supply chain management
- Supplier working conditions
- Environmental management
- Responsible marketing and selling

6. Non-Government Organisations

For industry associations, unions, campaign organisations to charities, we continually engage and work with NGOs both formally and informally. At a basic level we will respond to information enquiries through correspondence. On more complex matters we may fully engage with an NGO and work collaboratively to progress a particular issue.

- Animal welfare
- Responsible sourcing of key commodities
- Food waste
- Farm gate prices

7. Media

We have an ongoing dialogue with the media and provide access and information for broadcast, print and social media. This is both proactive and reactive and helps us to communicate with other stakeholders, opinion formers and customers. Other stakeholders utilise the media through a wide variety of channels to communicate their views and opinions on relevant issues.

- Food waste
- Supplier working conditions
- Farm gate prices
- Healthy eating

8. Suppliers

We trade with companies all around the world and our challenge is to ensure that their operation is aligned with our values, policy and responsible business practices. Through our terms of trade, monitoring processes, technology, supply chain management, certification and auditing we work hard to ensure compliance.

- Responsible sourcing of key commodities
- Groceries Supply Code of Practice
- Supplier working conditions
- Animal welfare

Governance

Effective *management*

Corporate governance facilitates effective, entrepreneurial and prudent management that delivers long term success. It is driven by the leaders of a company who come together regularly.

They operate within established values to determine strategy as distinguished from the day-to-day operational management. Our corporate responsibility programme is formally incorporated into our governance structures.

Corporate Compliance & Responsibility Committee

Development and progress in our sustainability agenda are reported at the highest level to the Corporate Compliance and Responsibility Committee (CCR). The CCR meets at least three times a year and is chaired by Penny Hughes, a Non-Executive Director. The CCR performs an oversight, monitoring and advisory role for key areas of corporate governance and development including health and safety, environment, competition, regulatory ethical compliance and corporate responsibility.

Executive Committee

Implementation measures and performance are reported to the Executive Committee which is chaired by our Chief Executive. The Executive Committee is responsible, amongst other matters, for the development and implementation of strategy (subject to the overall supervision by the Main Board), financial performance, reporting and control, risk management and the development of corporate policies and procedures for the Group.

The central commitments and KPIs for the corporate responsibility programme are managed on an ongoing basis under the stewardship of relevant Executive Committee Directors who are assessed alongside their wider performance as part of their Professional Development Review (PDR).

Corporate Responsibility commitments & KPI owners

Across the business we have a key contact for each commitment and KPI.

These contacts are responsible for day-to-day management and progress. They work alongside our stakeholders to ensure we are effectively managing the issues that matter to our business.

Each contact is required to provide quarterly updates to the Corporate Responsibility team and their relevant Executive Committee Director.

Steering groups

In areas of key strategic focus, we operate a series of Steering Groups that support specific activity and implementation. These include our Future Food Supply Group, Responsible Sourcing Group, Food Safety Group, Health and Safety Group and Environment Steering Group.

Policy changes, action and performance requirements that relate to the programme are cascaded to colleagues across the business through PDR objectives, team and line manager meetings as well as internal communications.

Key focus areas for steering groups during 2014/15:

Environment Steering Group

This group supported the establishment of a revised carbon strategy. It took onboard recommendations from a formal stakeholder roundtable which looked at our energy strategy and the role for renewable energy supply. The Steering Group supported the roll out of energy efficient lighting in stores and facilitated inter-divisional development on waste management.

Food Safety Group

The group linked with Environmental Health teams across the UK, designed and supported the delivery of a food safety course for new store management teams. The group introduced self audits to allow stores time to focus both on hazard spotting and the promotion of good practice.

Future Food Supply Group

This group looked at the availability and development of local and global markets for key commodities including beef, lamb and dairy. The group managed the development of farming applied research which aimed to provide support to keep British farm sourcing competitive.

Health and Safety Group

This group focused on safety critical checks and accurate record keeping within stores. A review of waste stream contractors was undertaken on current health and safety policies and procedures to ensure industry best practice. The training of management in their health and safety duties and responsibilities was also reviewed and action taken to ensure that all management received refresher training at least every five years.

Responsible Sourcing Group

The group addressed specific issues including, amongst other issues, the development of the Morrisons farm productions standards, own brand sourcing, implementation and progress of our palm oil policy, the development of our responsible fish sourcing policy, labelling requirements and the use of icons that provide specific messaging and information for customers.

Our performance in detail

Assurance *statement*

Scope and objectives

Morrisons PLC (Morrisons) commissioned DNV GL Business Assurance Services UK Limited ("DNV GL") to undertake independent assurance of the Corporate Responsibility Review 2014 (the "Report") for the 52 weeks ended 1st February 2015.

We performed our work using DNV GL's assurance methodology VeriSustain™[1], which is based on our professional experience, international assurance best practice including AA1000 Assurance Standard, International Standard on Assurance Engagements 3000 (ISAE 3000) and the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines.

We evaluated the report for adherence to the VeriSustain™ Principles (the "Principles") of stakeholder inclusiveness, materiality, responsiveness, completeness, neutrality and reliability.

We evaluated the performance data using the reliability principle together with Morrisons data protocols for how the data are measured, recorded and reported. The performance data in scope were: waste, packaging, emissions, accident rate, training days, employee turnover, employee climate survey and pesticide Maximum Residue Levels. Courtauld III Commitment data and figures were not available at the time of our review and are outside scope.

We understand that the reported financial data and information are from Morrisons Annual Report and Accounts 2014/15, which are subject to a separate independent audit process. The review of financial data taken from the Annual Report and Accounts is not within the scope of our work.

We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance opinion. We are providing a 'moderate level' of assurance. A 'high level' of assurance would have required additional work at Group and site level to gain further evidence to support the basis of our assurance opinion.

Responsibilities of the Directors of Morrisons and of the assurance providers

The Directors of Morrisons have sole responsibility for the preparation of the Report. In performing our assurance work, our responsibility is to the management of Morrisons; however our statement represents our independent opinion and is intended to inform all of Morrisons' stakeholders. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. This is the fourth year that we have provided assurance.

We had one other contract with Morrisons in 2014, to provide independent facilitation of a stakeholder workshop on renewable energy, which does not constitute a conflict of interest with this assurance work.

DNV GL's assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been provided in good faith. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

Basis of our opinion

A multi-disciplinary team of sustainability and assurance specialists performed work at headquarters and site level. We undertook the following activities:

- Review of the current corporate responsibility issues that could affect Morrisons and are of interest to its stakeholders;
- Review of Morrisons approach to stakeholder engagement and recent outputs;
- Review of other information provided to us by Morrisons on its reporting and management processes relating to the Principles;
- Interviews with seven Directors and senior managers responsible for management of corporate responsibility issues and review of selected evidence to support issues discussed.

We were free to choose interviewees and functions covered by interviews;

- Site visits to Colne abattoir and Morrisons Headquarters to review process and systems for preparing site level corporate responsibility data and implementation of corporate responsibility strategy. We were free to choose sites to visit and sites are selected as part of a rolling assurance programme, to ensure coverage of different parts of the business each year;
- Review of the processes for gathering and consolidating the specified performance data and, for a sample, checking the data consolidation;
- Review of supporting evidence for key claims and data in the report. Our checking processes were prioritised according to materiality and we based our prioritisation on the overall materiality of issues at a corporate level.

Opinion

On the basis of the work undertaken, nothing came to our attention to suggest that the Report does not properly describe Morrisons adherence to the Principles. In terms of reliability of the performance data, nothing came to our attention to suggest that these data have not been properly collated from information reported at operational level, nor that the assumptions used were inappropriate.

Observations

Without affecting our assurance opinion we also provide the following observations.

Stakeholder Inclusiveness

The participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.

Morrisons vertically integrated business model allows the business to better respond to stakeholders on issues relating to food production, for example the enhanced animal welfare standards introduced in abattoirs in 2014.

[1] The VeriSustain protocol is available on dnvgl.com

Morrisons continues to engage with specific stakeholder groups as part of its day-to-day activities and examples of engagement and an overview of the common topics raised by stakeholders are provided in the Report. We welcome plans for more issue based stakeholder workshops, to discuss challenging areas and seek stakeholder input to solutions to these challenges, such as the approach taken for the renewable energy workshop in 2014.

Materiality

The process for determining the issues that are most relevant to an organisation and its stakeholders.

The Report demonstrates a good understanding of the range of material issues that apply to Morrisons operations. We recognise that the outcomes of Morrisons materiality process present the priority issues. We recommend the report includes a more systematic approach and description of how the materiality process uses the outcomes from stakeholder engagement to determine the priority issues for management and how this informs its overall strategy, focus areas and metrics.

Where significant issues arise outside the five focus areas, there should be a process for determining whether these will be included in the report.

Responsiveness

The extent to which an organisation responds to stakeholder issues.

Morrisons has a good Governance structure to oversee its CR programme – evidenced through the board level Corporate Compliance and Responsibility Committee (CCR) and supported by other steering groups for key focus areas, such as the Responsible Sourcing Group and Future Food Group. There has been a continued focus on maintaining close supplier relationships, demonstrated by groups such as the Supplier Forum, that meets four times a year to discuss and resolve issues pertinent to the supply chain. We also observed additional training provided to buyers. 'Know Your Responsibilities' covers how buyers should behave in their relationship with suppliers. We are encouraged to see this approach and the plan to roll out similar training to suppliers in 2015.

There are a wide range of issues covered in the Report and details of each issue area with supporting metrics. Future Reports would benefit from developing a more refined set of short and long term specific targets to report on. These should be clearly linked to the material issues and focus areas for the CR programme.

Morrisons should also consider reporting on the areas of focus and key challenges covered by the CCR.

We note that Morrisons achieved its target to ensure all own brand suppliers are members of SEDEX which is an important step in its Ethical Trading programme.

Completeness

How much of all the information that has been identified as material to the organisation and its stakeholders is reported.

Morrisons management of issues is comprehensive and the report provides a summary of the indicators used to manage them. In some cases, the data does not always provide an understanding of overall performance in a way that allows stakeholders to form an opinion on performance trends and comparison with benchmarks. We recommend reviewing reported indicators to ensure a more complete view is provided and that enables such comparisons to be made.

Neutrality

The extent to which a report provides a balanced account of an organisation's performance, delivered in a neutral tone.

The Chairman's statement clearly describes the challenges that the business is facing, which provides a useful context for the rest of the report. The approach to reporting on each issue area – covering the context, action, achievements and next steps in a consistent format – is helpful.

We recommend the report next year includes the impact of the current restructure.

Reliability

The accuracy and comparability of information presented in the report, as well as the quality of underlying data management systems.

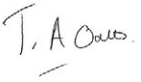
A notable development for Morrisons in 2014 was the roll out of an Energy Management System across all stores, following the initial pilot in 2012/13. The data provided should allow Morrisons to drive further operational and behavioural change, supporting group wide energy use reduction. We look forward to seeing the results of a similar approach being applied to water reporting through 2015, which should support Morrisons in communicating their progress in more detail.

We restate our observation that data collection in many areas of the company is largely a manual process, with information provided from different sources using a range of collation techniques and covering various reporting periods.

We recommend Morrisons should continue improving its methods of data collection and, where feasible, automate the process to increase accuracy and support a move towards real time reporting. Data collection methodologies should be documented internally for each KPI to enhance continuity and ensure data integrity, accuracy and consistency from one reporting period to the other.

For and on behalf of DNV GL Business Assurance Services UK Limited
London, UK

18th May 2015



Tracy Oates
Principal Consultant and Lead Assuror
UK Sustainability, DNV GL – Business Assurance



Mark Line
Senior Principal Consultant and Reviewer
UK Sustainability, DNV GL – Business Assurance

DNV·GL

Responsible buying

What we do

We operate a complex and fast paced business. Decisions we take about how we operate and where we buy from must be undertaken with care. It's about taking responsibility for the stages of the production and supply chain that we are able to control or positively influence.



Charlotte, Shepherdess at Morrisons Farm, Dumfries House.

British farming

We work with the farming community to *champion British* primary sourcing

British farming and its long term viability is essential to our business. The industry needs to offer good quality products but also be competitive, affordable, profitable and sustainable. Rising input costs, difficult weather patterns and pressure from producers abroad are all challenging British farmers.

What we are doing

Buying 100% British We continue to lead the market through our commitment to buying British meat. All our own brand fresh meat sold in our stores remains 100% British on fresh beef, lamb, pork and chicken.

Research and development At Morrisons Farm at Dumfries House, Scotland we look at ways of making UK livestock production more sustainable and resilient, working with the farming community and industry experts. Details on our farming programme and activity from the year can be found at www.morrisons-farming.com

Securing British food supply Our Future Food Supply Steering Group comprises of senior level representation from all relevant business areas including agriculture, manufacturing, trading, corporate responsibility and brand and provided oversight and direction to a variety of farming research projects this year. The Group identified the key challenges to affordable and sustainable UK supply across all major proteins, focusing on the future raw material supply strategy for each key protein over the next five to ten years.

Who we are working with

Royal Agricultural University (RAU) We're creating up to five postgraduate internships for RAU students across the food supply chain, providing opportunities for students to obtain experience across a range of activities within Morrisons farming programme, including work experience, teaching opportunities and project work. The RAU's food development kitchen will also provide expertise to our trainee butchers, bakers and fishmongers on craft skills.

What we achieved



Continued research and development at the Morrisons Farm

RAU partnership established

Royal Agricultural University Cirencester

Business in the Community's Rural Action Award winner

AWARD WINNER 2014 BUSINESS IN THE COMMUNITY

What's next

- We will continue to work with our farming suppliers and the RAU to deliver our projects to make British farming sustainable.
- We will establish an industry-leading dedicated 'meat eating quality' assessment capability within our processing facilities to further improve the taste and texture of our meat products for customers.



Beef

We won Business in the Community's *Rural Action Award* for our commitment to sustainable British beef farming

Beef is major product category for us and one over which we can exercise relatively more control, as a result of our direct sourcing model. Through our active supply chain groups, we are keen to increase the competitiveness, sustainability and efficiency of UK beef farming, popularizing British breeds. This supports our commitment to keep British affordable for our customers.

What we are doing

Buying 100% British All of the fresh beef we sell is British and our processing of beef at our manufacturing sites were close to record levels in 2014/15. We purchased 156,000 cattle, a 6.7% increase on the previous year.

Selling traditional beef This range supports native British breeds of cattle such as the Beef Shorthorn. Previously only available on the butcher's counter, the range has now been converted to a pre-pack format using new technology available at our Winsford manufacturing facility. This extends the shelf-life and versatility of the product. Sales of traditional beef have achieved almost 200% year-on-year growth. The Shorthorn, once a protected rare breed, is one of the fastest growing breeds of cattle in the UK and now safely off the breeds at risk register.

Producing yearling beef Yearling beef continues to be an important supply chain innovation for us, with numbers increasing year-on-year. We've communicated the benefits to suppliers and expanded the number of cattle breeds eligible for cattle farmers to make the scheme more flexible.

Who we are working with

Innovate UK Morrisons is part of a consortia awarded funding by Innovate UK, as part of the UK Government's Agri-Tech Strategy. One of the new technological tools developed under this programme is called Beef Monitor uses Visual Image Analysis as an on-farm tool for assessing the readiness of beef cattle for slaughter and also as a predictor of meat yield. This non-intrusive technology uses images captured by cameras mounted within the cattle shed to carcass score the cattle passing underneath.

Farmers We're working with an auction house to help selected farmers apply for finance to help with the cost of purchasing cattle. The scheme has been trialled with a small group of farmers and 1,500 cattle were financed during the year.

What we achieved



6.7%
increase on British beef purchased compared to 2013



Over
2,000
farmers subscribed to our mobile farming app

What's next

- Expand cattle finance programme during 2015/16.
- Expand our mobile farming app, which enables Morrisons suppliers to access herd data on the move and link into live cattle movement data.



Lamb

We process our *own brand fresh and frozen lamb* direct from British suppliers

In order to secure successful British lamb production, farmers must adopt best practice methods on welfare, genetics, on-farm efficiencies and nutrition whilst continuing to build on the reputation of UK fresh lamb in a competitive global market.

What we are doing

We continue to prepare own brand fresh and frozen lamb at our abattoirs and processing sites, supplied direct by UK farmers. In 2014, we purchased over 0.5m lambs, a lower number than previous years due to increased consumer resistance to the higher market price of lamb meat. All lamb we purchase is Red Tractor scheme assured.

Electronic Lamb Identification (EID) We extended EID systems to our British lamb abattoir in Colne, Lancashire to coincide with the introduction of compulsory EID lamb tagging in England. Our Turriff abattoir in Scotland was the first in Europe to provide animal specific data to farmers. This is of real benefit to farmers to help with their breeding, rearing and feeding programmes helping to protect the future of UK lamb production.

Who we are working with

More Taste Less Waste During the year, we made a successful bid under the UK Government's Agri-Tech Strategy (Administered by Innovate UK) for a major programme of research into UK lamb breeding.

Together with our academic partners at the Scotland's Rural University College (SRUC), we were awarded over £1m funding for a four year sheep breeding programme, with the majority of research to be carried out at the Morrisons Farm. The aim of the project is to identify a breeding line that delivers greater intra-muscular fat, which improves the eating quality of lamb, through carefully controlled breeding and the measurement of characteristics. One result will be an Estimated Breeding Value for individual rams which farmers can use as a selection aid, that will help farmers produce lambs with more taste for our customers and less waste for them.

What we achieved



British lambs purchased

0.5m

£1m

funding for sheep breeding programme

100%

British fresh own brand lamb

What's next

- We will extend the use of EID systems in England to provide the same level of detail for English farmers.
- Progress the More Taste Less Waste lamb breeding project, funded by Innovate UK, with our partners at SRUC.
- Host an open day for farmers and industry bodies at our Dumfries House farm focused on new technology in sheep farming.



Pork

We continue to be one of the *biggest supporters* of the British pig industry

We know that many of our customers have confidence in British pork production and farming standards. We are committed to ensuring that British farming is our major marketplace, that it remains buoyant and continues to develop.

What we are doing?

Buying 100% British We continue to be one of the biggest supporters of the British pig industry and remain committed to 100% British fresh pork.

Supporting UK pig production Following the significant expansion of our Colne abattoir, our annual pig requirement has grown from 1.3m in 2013 to 1.5m pigs in 2014, an increase of over 15%. These figures equate to 17% of UK pig production which is greater than our grocery market share.

Who we are working with?

Suppliers We are working with JSR Genetics and Yorkshire Farmers on a project to measure and identify variability in the UK pork supply chain. As with other project work undertaken in our farming programme, our focus is to try and further improve the consistency and quality of the meat product. This requires development and installation of individual animal electronic identification.

The project focuses on identifying and reducing variability in the pork production process, both pre and post farm gate that creates inconsistency in the finished product. In the longer term, this will reduce the costs in processing and make the final products better for our customers.

Wrap waste project We have started a new research project with WRAP to look at potential waste hot spots in our pig supply chain. This type of research provides both benefit to our business and some generic information that will be of interest and may provide insight for the rest of the industry.

What we achieved



1.5m
British pigs purchased

Morrisons accounts for over
17%
of UK pig production

100%
British fresh own brand pork

What's next

- Become the first UK meat processor to install eartag-based electronic animal identification at our Colne abattoir.
- Work with farm suppliers and our internal supply chain to establish the degree of variability in the UK pork supply chain and understand the impact on pork eating quality.



Chicken and *eggs*

All our *fresh own brand chicken* is produced to higher welfare standards, first introduced in 2012

The key challenges with UK poultry and egg production is the balance between chicken welfare, industry competitiveness, affordability and product quality.

What we are doing

Buying 100% British We remain committed to buying 100% British own brand fresh chicken, with total volumes increasing by 1.3% during the year. All of our fresh own brand shell eggs are also sourced from British farms certified to British Lion Quality standards, from hens housed in enriched cages as a minimum. All eggs used as an ingredient in Morrisons own brand products are from free range systems wherever possible.

Forest Farm range Formerly named Nature's Nest, our enhanced free range fresh shell eggs promotes biodiversity and environmental enrichment. The aim with this range is to further improve conditions for hens, and at the same time, enhance the local environment.

Raising the welfare standard of our UK fresh chicken We have successfully embedded a higher welfare regime for all UK sourced housed chickens which applies across all our fresh own brand chicken. The regime includes more space for the birds, natural light, bales, pecking objects and perches.

Who we are working with

Chicken suppliers We've introduced monthly reporting of nine key welfare indicators across our fresh chicken production. This data enables us to quickly identify and address any departure from expected standards. Through this system we have also begun to track renewable energy as a % of total energy used by all our UK chicken farms. Across our supply chain this is now in excess of 70%. We've developed our partnerships with suppliers to better manage feed input price volatility through joint feed purchasing decisions. This gives everyone involved in the supply chain greater certainty over future prices.

Egg suppliers We've supported our suppliers in their implementation of a cloud-based real-time flock benchmarking system to allow producers to better identify variability in their production inputs and outputs.

What we achieved

100%
British fresh own brand chicken and shell eggs



All our fresh own brand chicken is higher welfare

68%
of shell eggs sold in our stores are free range

What's next

- We will develop on-farm systems for measuring and recording bird use of different forms of environmental enrichment.
- We will introduce regular communications to our poultry suppliers to promote sustainable British poultry production.
- We will trial a model to look at how to better manage feed input variability through joint feed purchasing.
- Once initial data is available from the flock benchmarking system, we will publish findings and further develop the system.



Dairy

We are working with processors and farmers to better *manage price volatility* within the dairy supply chain

Increased production in all major producing countries, including the UK, to meet expected growth in global demand for dairy led to an unprecedented drop in farm gate prices in 2014. The challenge is that set against this backdrop we continue to support the UK dairy farming industry to further promote on-farm efficiency and animal welfare.

What we are doing

100% of our own brand liquid milk and fresh cream are produced from British farms. Two thirds of the cheese we sell is through our own brand range, of this over 85% is made in Britain from British milk.

Buying direct from processors The way we purchase milk is different to other fresh British farm supplied commodities. We buy our own brand milk through processors rather than direct from the farmer. Processors set the price for what the farmers receive we have no direct control over farm gate prices.

Who we are working with

Liquid milk processors We are able to provide expertise and try to facilitate change even though we don't buy direct. Working with our liquid milk suppliers Arla Foods and Dairy Crest PLC, we're using a new mechanism to help the dairy supply chain better manage market price volatility. Building on the work we carried out on cheese with First Milk in 2013, we have extended the concept of a market-based risk management into our liquid milk supply chain. This year we are working to establish our first dedicated milk supply group through Dairy Crest offering the potential for dairy farmers to better manage exposure through hedging (investing in a futures market to offset the risk of fluctuations in milk prices).

Industry experts Working alongside leading experts and Arla dairy farmers, we produced a guide entitled Feeding your Dairy Herd, which contains impartial advice on different feeding regimes and additives, this was distributed to over 3,000 dairy farmers.

What we achieved

100%
British own brand milk and cream



NEW
mechanism to help dairy farmers manage price volatility

Feeding your dairy herd report published



What's next

- Plan to deliver a best practice guide for the use of antibiotics in the treatment of dairy cows in 2015.
- Establish a UK-wide beef from dairy programme to source additional beef from the dairy herd through dedicated calf collection and rearing centres.
- Establish our first dedicated milk supply group with a new transparent milk pricing model linked to quoted commodities.



Seafood

Our seafood sourcing policy *utilises independent third party* advice and metrics from the Sustainable Fisheries Partnership

Seafood is a major global commodity bringing nutritional, social and economic benefits to many communities. Due to its scale, impacts from farming, catching and selling seafood, present major challenges to bringing responsible seafood through the supply chains and in to store.

What we are doing

We have a comprehensive, well established sourcing programme. Over the last year we have been working closely with NGOs looking at risks in our supply chains and ensuring social as well as environmental issues are addressed through fishery improvement projects.

Who we are working with

GlobalG.A.P aquaculture technical committee Third party certification at each stage of our supply chain provides independent assessment of compliance against multi-stakeholder standards and our participation ensures these standards continue to be relevant and up to date.

Seafish Responsible Fishing Scheme (RFS) Oversight Board In addition to our commitment to buy all UK caught and landed seafood from RFS certified vessels, we aim to make this standard available to our international supply chains as well.

Sustainable Seafood Coalition (SSC) We are members of the SSC who provide independent advice on the issues surrounding wild capture fish, farmed fish, bait fish and fish used into fish feed, they also commit us to codes of conduct on any environmental claims made on our products.

Shrimp Sustainable Supply Chain Task Force We joined with EU and US retailers, Thai processors and NGOs to form a task force. The aim is to address labour abuse in the Thai seafood industry and also link to our ongoing work of fishery improvements in SE Asia.

US AID MARKET steering committee Aiming to develop fishery improvement protocol for ASEAN countries including environmental, social, economic and quality indicators that Governments and industry can use to benchmark their progress towards sustainable fisheries.

Global Sustainable Seafood Initiative Developing a benchmarking tool based on the FAO codes of conduct against which seafood certification schemes can be assessed and recognised as compliant.

What we achieved



Our policy requires

100%

UK caught and landed seafood to be from Seafish Responsible Fishing Scheme vessels

100%

own brand tuna is either pole and line or caught FAD free



Members of the Shrimp Sustainable Supply Chain Task Force

SHRIMP SUSTAINABLE SUPPLY CHAIN TASK FORCE

What's next

- We'll be supporting the extension to have all vessels that supply Morrisons independently assessed and certified by RFS or equivalent in our international supply chains by the end of 2021.
- Implementation of the SSC final codes of conduct for responsible sourcing and environmental claims for seafood products.
- Independent certification for all of our fishmeal and fish oils by 2020.



Palm oil

We work with our suppliers to ensure the palm used within our *own brand products* is from certified sustainable sources

The demand for palm oil has led to ill managed production in some regions, resulting in serious environmental and social consequences. This includes loss of valuable natural habitat biodiversity, conflict and threat to local farming livelihoods. The move to a fully sustainable palm oil industry remains challenging, particularly with derivative based ingredients, where there can be little availability or market transparency of sustainable alternatives.

What we are doing

We require all of our suppliers to source palm oil, palm kernel oil and derivatives through the Roundtable of Sustainable Palm Oil (RSPO) certified supply chain system. This includes fully segregated, mass balanced and the use of GreenPalm certificates. By the end of 2015, all palm oil and palm oil derivatives in own brand products are required to be sourced through fully segregated or mass balanced systems.

We regularly survey our suppliers to ensure compliance with our policy and work with them on any queries they may have regarding the RSPO certification process. Our latest 2014/15 supplier survey showed 35.7% of palm oil from fully segregated supply chains, 27.8% from mass balance supply chains, 15.8% GreenPalm certificates and 20.6% from uncertified sources.

Who we are working with

Our manufacturing sites – All palm oil and derivatives used at our Farmers Boy manufacturing site are RSPO certified mass balance systems and where possible fully segregated. Seven out of eight ingredients within our Rathbones bread manufacturing site contain RSPO fully segregated palm oil and derivatives.

Suppliers – Alongside our regular surveys, we promote our palm oil policy to our suppliers, working with them to ensure compliance. Where required, we provide suppliers with guidance on the RSPO certification process.

What we achieved

We require

100%

RSPO certified palm oil, palm kernel oil and derivatives in our own brand products

Good progress made towards

2015

target to only use RSPO certified fully segregated or mass balance palm oil in own brand products

Our Farmers Boy site uses only certified mass balance or fully segregated palm oil



What's next

- We will continue to survey suppliers and ensure everyone is fully compliant with policy.
- We will work towards our target to source only RSPO certified mass balance or fully segregated palm oil and derivatives.
- We will deliver supplier training and advice on palm oil sourcing and the RSPO certification process.



Timber

We are committed to sourcing wood and wood derived own brand products through ***responsibly sourced supply chain*** systems

Forests play a key role in the world's environmental and economic health; they capture carbon, retain water, help cool down air temperature and host complex biodiversity and natural ecosystems.

Every year, millions of acres of natural forest are destroyed due to illegal logging, poor forest management practices and a growing global demand for forest and agricultural products.

What we are doing

We have a long term commitment to selling own brand products that use certified or recycled timber to ensure forests used to produce our products are managed responsibly.

Morrisons has extended the scope of our policy to include all timber derived products sold by us under our own brand.

Who we are working with

Forest Stewardship Council (FSC) We support certification systems such as the Forest Stewardship Council (FSC). Morrisons adopts an 'FSC first' approach to own brand products meaning FSC certification should always be sought first.

If FSC certified timber is not available in sufficient quality or volumes, or its use is not commercially viable for particular products, we pursue other suitable responsibly sourced alternatives.

WWF WWF have launched a new 'Forest Campaign' aimed at making responsible trade the norm. As signatories, we are supporting a range of pledges, including the commitment to buy timber based products from sustainable sources by 2020 and make our performance public.

What we achieved

67%
FSC or equivalent own brand home and leisure products

100%
FSC or recycled own brand household and beauty products



What's next

- 100% of our timber and timber derived products sold as Morrisons own brand will be third party assessed for illegal logging by the end of the year.
- We will continue to promote responsibly sourced timber based products and respond to customer demand for clearly labelled certified products.



Supplier working *conditions*

We work with our suppliers to ***improve their social and environmental performance*** and ensure they are meeting our high sourcing standards

Customers expect us to take responsibility for fair supply chain working conditions, protection of workers' rights and good relationships with our suppliers. This is a challenging and fast moving agenda to manage; something that is highlighted by ongoing media coverage of conditions experienced by some workers and awareness of modern slavery.

What we are doing

We re-launched an enhanced ethical trading policy and communicated this to suppliers and colleagues; we've also outlined our plans to integrate industry benchmarked ethical trading principles into our core business activities, underpinned by a robust risk-based platform.

All of our suppliers have now joined Sedex, we have ethical audits for the majority of high risk sites and we will work in 2015 to ensure all high risk sites have valid audits. We have a mechanism in place to ensure that prospective supplying sites are also registered on Sedex, with a completed self-assessment, prior to commencement of trade with us.

We have dedicated additional resource to the relevant team, continued to embed ethical trading principles across Morrison Group subsidiaries and increased our engagement with a number of external stakeholders.

Who we are working with

Sedex We chair the Sedex Regional Associate Auditor Group (AAG) for China – an invaluable forum, bringing together retailers, manufacturers and audit bodies, aimed at driving consistency and standardisation in ethical and social auditing.

Bangladesh Accord This independent, multi-stakeholder agreement, aspires towards making all Bangladeshi garment factories safe places to work.

Stronger Together We're a founder member of this multi-stakeholder alliance, which brings together retailers, manufacturers, labour providers, workers and support bodies. It aims to reduce human trafficking, forced labour and other hidden third party exploitation of workers. Through Stronger Together, we're helping to educate trading partners in our supply chains about these important issues.

What we achieved

Relaunch
of our ethical trading policy

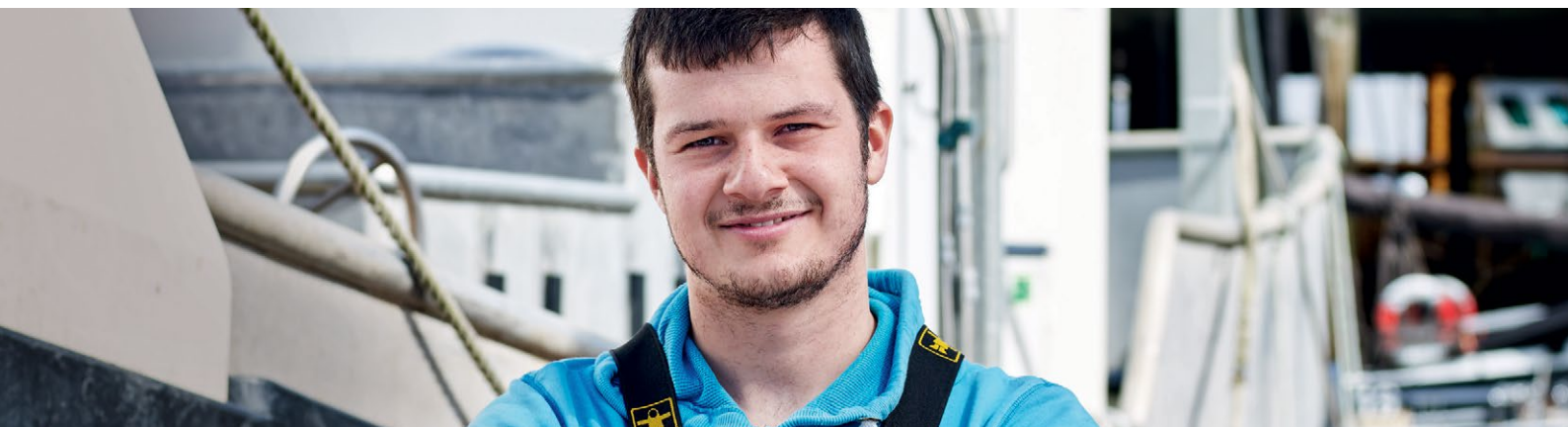
100%
own brand suppliers are now Sedex members

Empowering responsible supply chains
Sedex®

stronger together
tackling hidden labour exploitation

What's next

- Implement detailed, risk-based action plans across our Group's own brand supply chains.
- We will work with the Bangladesh Accord on its initial safety inspection programme on fire, electrical and structural safety.
- Continue active participation in the Stronger Together initiative.



Groceries Supply *Code of Practice*

Each year we are required to provide *refresher training* to our buyers on the operation of the Code

The Groceries Supply Code of Practice (GSCOP) (the 'Code') applies to all grocery retailers with an annual turnover in excess of £1bn. Essentially, the Code creates certain specific rights and obligations that further regulate our trading relationship with suppliers.

What we are doing

In addition to new training for colleagues and discussions with suppliers, we actively engage with the relevant regulatory bodies, the Office of the Groceries Code Adjudicator (GCA) and the Competition & Markets Authority (CMA), to build best practice in relation to the Code.

Who we are working with

The Groceries Code Adjudicator Over the course of the year, we provided information for both the GCA and CMA on a range of areas of interest across the sector including contract formation, deliveries into our depots, forecasting and supplier charges. Alongside other retailers, we agreed with the GCA to create a new reciprocal policy on profit recovery charges to help address industry-wide concerns over historic claims for income made by retailers and suppliers. This was positively received by the GCA and promoted at the GCA's first annual conference in June 2014.

Specifically related to Morrisons, the GCA requested details for charges requested of suppliers who were offered multi-channel sales in stores, online and convenience. The GCA published a case study on the review which, in relation to the substantive issue of multi-channel participation, concluded that Morrisons was not in breach of the Code (Part 9).

Suppliers During 2014/15 we have successfully worked with suppliers to resolve the majority of complaints that have arisen with reference to the provisions of the Code.

In summary, 18 new complaints were made by suppliers and then notified to our CCO. In total, 14 of those were withdrawn or resolved directly with the relevant supplier during the course of the year.

Buyers We undertook an enhanced annual training programme for all supplier-facing colleagues. This involved a bespoke face-to-face presentation for all buyers and relevant trading colleagues and a follow up e-learning module. We also undertook a further detailed review of relevant processes utilising our Internal Audit team. Actions were identified for continued process improvement including the establishment of an additional compliance and monitoring function within the trading division.

What we achieved

78%
of new complaints resolved during the year

207
suppliers agreed new profit recovery policy

550
hours of new training and testing reviews undertaken by colleagues

What's next

- Building an independent self monitoring and compliance function within the trading division in addition to our existing formal GSCOP governance structure.
- New training programme for trading using more real world examples to help buyers with practical examples gaining more insight into our performance through supplier insight and feedback.



Buyer *training*

We're training our buying teams on the policies and procedures they must follow to ensure *responsible trading*

Our trading teams are responsible for maintaining Morrisons reputation and fulfilling key commercial, regulatory and policy obligations. A wide range of guidance and training are available and must be adhered to in order to ensure responsible trading. It is important that colleagues fully understand and are reminded of emerging issues, latest developments and the consequences if we don't get it right, as well as where to go for more support and additional information.

What we are doing

This year, we ran a detailed, blended training course called 'Know your responsibilities' (KYR) training specifically aimed at colleagues involved in grocery buying at Morrisons. The training provided key information on the following areas:

GSCOP The Groceries Supply Chain Market Investigation Order came into force in 2010. The Code sets out specific trading obligations in our supplier relationships, negotiations and agreements.

Morrisons sourcing and product integrity policies Our sourcing policies are non-negotiable and necessary to reduce risk, protect our reputation and respond to customer concern.

Pricing and promotions policies Morrisons over-arching pricing policy details pricing and associated promotions will be clearly communicated, legal and transparent. Our price promotions have to offer genuine value for money to customers at all times.

Who we are working with

Trading All relevant trading colleagues are required to take 'Know Your Responsibilities' training to ensure compliance with our legal duties and Morrisons policies.

Morrisons Training Academy We worked with Morrisons Academy to deliver the training. Training was delivered in two hour interactive sessions by our GSCOP Code Compliance, Policy and Trading Standards teams. Guidance materials and follow up e-learning modules accompanied the sessions.

What we achieved

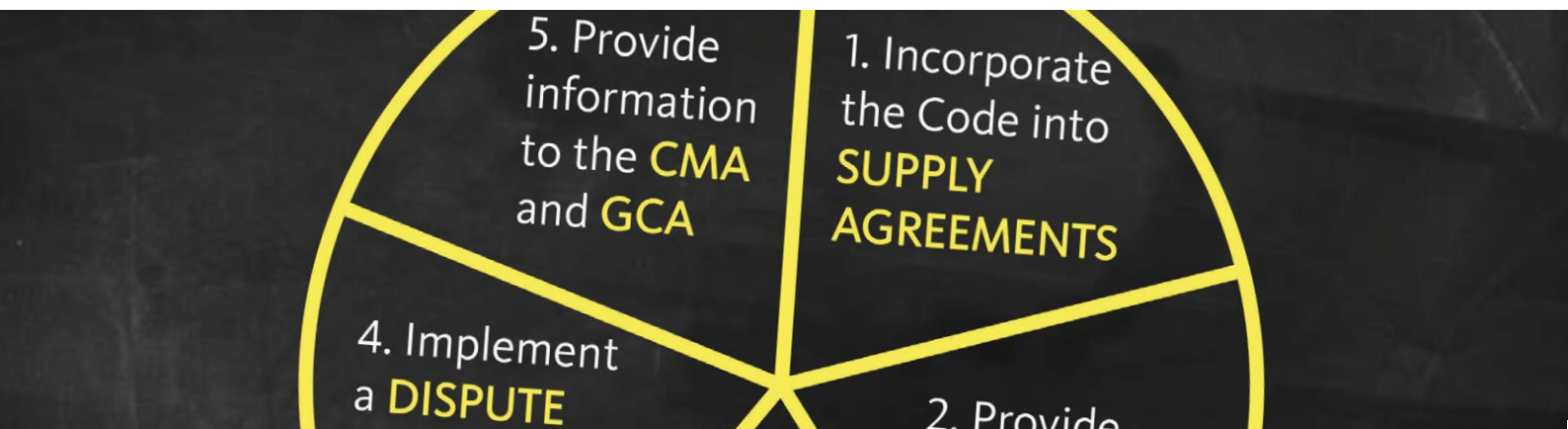
391
colleagues in total attended training in the year

100%
buyers completed GSCOP training

"I really enjoyed the course and the presentation made good use of lots of 'real life' examples which really helped my understanding."
Morrisons Buyer

What's next

- Extended learning materials for trading teams.
- Know your responsibilities training for all new buyers within trading and repeat sessions for extended discussions including supply chain and external contractors.



Healthy lifestyles

What we do

We are able to promote health and wellbeing to our customers and colleagues through responsible food options. We want to make it easier for them to make healthier informed choices and engage in more active lifestyles.



Fresh British apples in our Cheadle Heath store

Public Health *Responsibility Deal*

We are delivering on 26 Public Health *Responsibility Deal* pledges

Launched in 2011, the Government's Public Health Responsibility Deal brings together food retailers, manufacturers and other influential bodies to improve public health. Organisations signing up to the Responsibility Deal commit to taking action voluntarily to improve public health through their responsibilities as employers, as well as through their commercial actions and their community activities.

What we are doing

Morrisons is delivering on Responsibility Deal pledges in all areas: alcohol, food, health at work and physical activity. We report on our progress to the Department of Health every year. Our latest annual update can be found here: **https://responsibilitydeal.dh.gov.uk/partners/partner.**

In 2014/15, we signed up to two important new pledges. Firstly, building on our progress to date we committed to new salt targets for 2017. Secondly, we were the first retailer to sign a new alcohol-related pledge, which commits businesses not to produce or sell any carbonated product with more than four units of alcohol in a single-serve drinks can.

Who we are working with

Suppliers We continue to work with our suppliers to reduce levels of salt, fat and sugar in our products without affecting taste and quality. In partnership with suppliers we are also delivering clear front of pack labelling to help customers make informed choices about the food they eat.

Colleagues We are also engaging our tens of thousands of colleagues in activity to promote health and wellbeing, from charity challenges to health screening and disability awareness training. In this we are supported by a range of different stakeholders, including our charity partner Sue Ryder and Remploy.

What we achieved

7.4
tonnes of salt removed from our most popular ready meals during 2014/15

950m
calories removed from our soft drinks during 2014/15

We are delivering on
26
Public Health Responsibility Deal pledges

What's next

- Maintain progress towards the 2017 Responsibility Deal salt target.
- Help get more customers and colleagues running through our sponsorship of the Great Run Series.
- Achieve accreditation for our in-house occupational health service.



Healthy *eating*

We're continuing to make it *easier* for customers to make *balanced choices* in store, without having to compromise on taste, quality or affordability

The UK consumes more sugar, saturated fat and salt and less fruit, vegetables, fibre and oily fish than is recommended. At Morrisons, we want to make it easier for customers to make healthier choices and help reduce their consumption of nutrients of public health concern.

What we are doing

Product reformulation By reformulating our own brand products, we are able to review levels of nutritional content and reduce salt, saturated fat, sugar and calories without compromising on the product's taste or quality. Reformulation of our Italian ready meal range helped to remove over one billion calories, 22 tonnes of saturated fat and 3.5 tonnes of salt. Our low fat yoghurt range was also reformulated removing over 76m calories and 58 tonnes of sugar.

Out of home calorie labeling In line with legislative requirements, we're updating our calorie labeling on out of home eating to display kilojoules in addition to calories. We also provide all nutritional information on our café dishes on our customer website.

Front of pack colour coded nutrition labeling We continue to roll out colour coded nutrition labelling. In order to drive consistency and help customers to better understand the information on the labelling, we have introduced the scheme to our customer magazine and in-store recipe cards.

Affordable fresh fruit and vegetables We had over 2,000 seasonal promotions in 2014/15 across our wide produce range making it easier and more affordable for customer to make healthier choices.

Who we are working with

Suppliers During 2014, relevant nutritional policies were updated and reissued to our own brand suppliers to ensure transparency and communication of our public commitments.

Change4Life We partnered with the Government's public health campaign, Change4Life. We use Change4Life as a communication tool to talk to our customers and colleagues about healthy lifestyles.

Government's Public Health Responsibility Deal (RD) We work with the Department of Health to deliver RD pledges which aim to improve the UK's health and wellbeing. Further information on this work can be found on p32.

What we achieved



Over **1bn** calories removed from our Italian ready meals during 2014/15

Change4Life partner

change 4 life

2,000 fruit and vegetable promotions during 2014/15

What's next

- Our in-store café menus will display both kilojoules and calories by Spring 2015.
- We will continue to roll out front of pack colour coded nutritional labelling on our own brand products.
- We will continue to work with Change4Life to provide consistent communications to our customers and colleagues on healthy lifestyle choices.



Wellbeing

The ***health and wellbeing*** of our colleagues is key to a positive and high performing workforce

We understand the importance to our colleagues and their families of a healthy lifestyle and positive work life balance. We also recognise the positive impact that this can have on individual health and the performance and growth of our business. Healthy and high performing colleagues are the most valuable asset of any company and we believe that good health is good business.

What we are doing

Across our business, colleague sickness during the year was 3.85% with total absence at 4.01%[1].

Agenda refresh We have refreshed our health and wellbeing agenda to focus on the needs of our colleagues and the evolving business. Our Health and Wellbeing Steering Group meets quarterly to assess business activity aimed at improving colleague attendance, healthy lifestyles, productivity and engagement.

Risk based case management model We have introduced a revised management model so colleagues benefit from early contact and intervention from specialists to reduce sickness absence.

Physiotherapy services We have expanded physiotherapy services to increase access to timely advice and support for musculoskeletal conditions.

Mental health tools and resources We have devised and rolled out new tools and resources to enhance the management of mental health conditions.

Who we are working with

Aviva We have partnered with our Private Medical Insurer and Employee Assistance Programme providers to enhance the benefits offering to all colleagues.

Regional Ambulance Trust We supported Regional Ambulance Trusts by installing Automated External Defibrillators in all of our sites and stores as requested.

Safety, Health and Wellbeing (SHaW) teams We have established SHaW teams at pilot sites including several stores to test and improve our approach in keeping colleagues safe and healthy. The aim of this is a more integrated and unified programme across the Group.

What we achieved

Pledged our support as a Mindful Employer

MINDFUL EMPLOYER

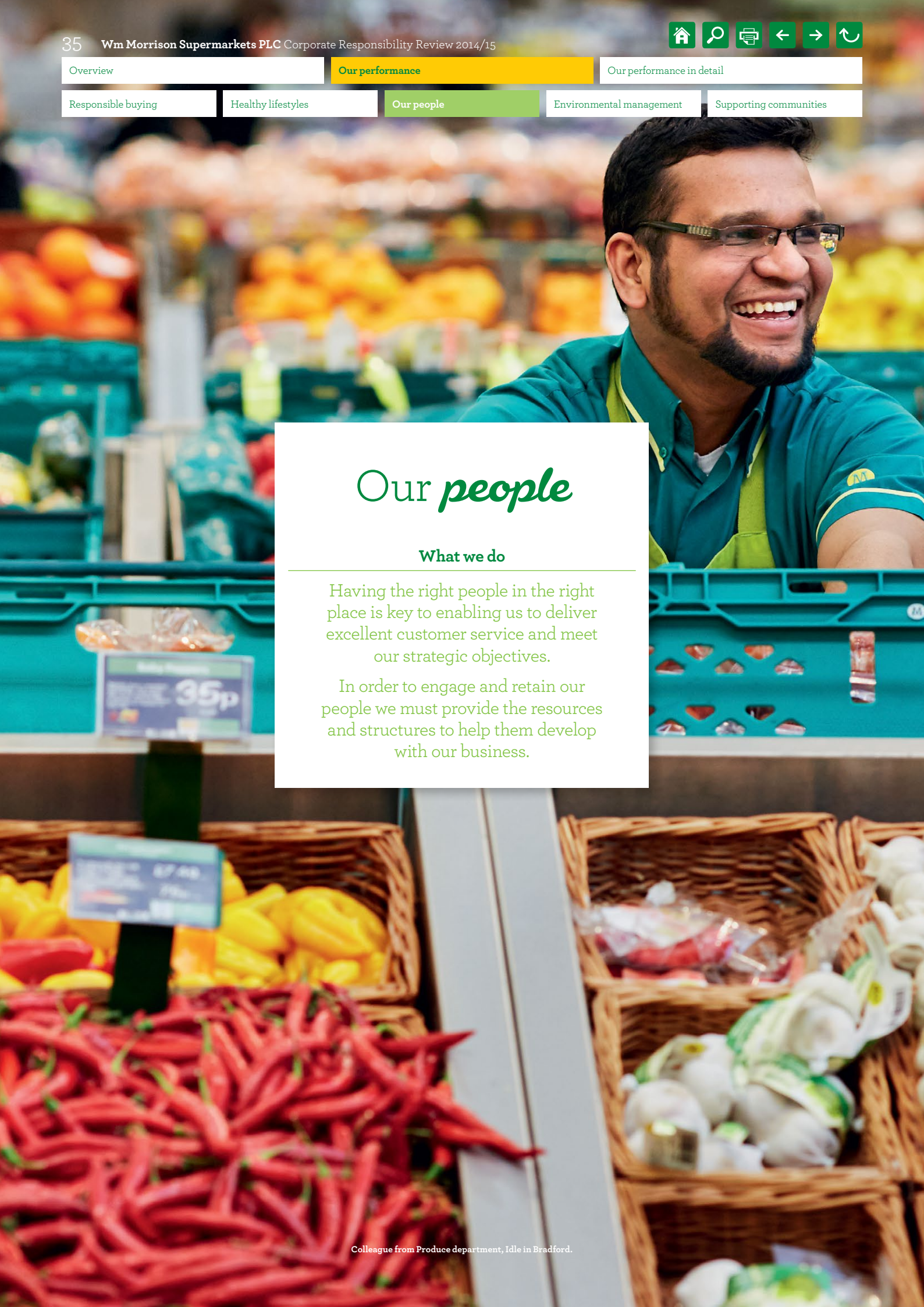
SHaW
teams established

What's next

- Expand SHaW teams across all manufacturing and logistics sites to combine resources and continually improve the health and safety of colleagues across Group.
- Roll out annual Team Resilience Assessment for all colleagues so that any work related stress is identified and acted upon.
- Achieve National Safe Effective Occupational Health Service accreditation for our internal Occupational Health Service.

[1] Year to date figure up until the 18th Jan 2015.





Our *people*

What we do

Having the right people in the right place is key to enabling us to deliver excellent customer service and meet our strategic objectives.

In order to engage and retain our people we must provide the resources and structures to help them develop with our business.

Colleague from Produce department, Idle in Bradford.

Serving *our customers*

We want to ensure that our strategy is focused on *delivering the best possible service for our customers*

We continue to focus on getting the right people in the right place at the right time to support our customers' needs and to deliver our strategy.

What we are doing

Match & More As part of launching our new Match & More card, we invested time to train Checkout Operators, Customer Services Assistants, petrol station teams and those stepping into temporary front of house 'Ambassador' roles. As a result, colleagues have been able to confidently and proactively explain our new Match & More proposition to our customers.

Opening hours As part of our plans to make our stores easier to shop we have increased our opening hours in 246 stores. Our customers told us that they wanted to shop with us up to two hours earlier and two hours later than our previous opening times. Changes to working patterns were made on a purely voluntary basis with colleagues offering to change their shifts to support our new opening hours.

Who we are working with

Store management teams We are simplifying accountability and ensuring decisions are taken at the right level in stores by changing our store management structure. This will allow us to better serve our customers and operate more efficiently. We have consulted with our colleagues on the structure itself and on the restructure process. A comprehensive training programme is in place to support our store leadership team in their new roles including topics such as leading change and engaging colleagues.

Manufacturing divisions We have invested in continuous improvement methods by training all managers in problem solving techniques. Over 200 colleagues were involved in the Business Improvement Techniques Apprenticeship scheme, which delivered significant efficiency gains across our sites. We have also introduced a standardised approach to site meetings, which has improved the quality of daily performance discussions.

What we achieved

Over

200

colleagues involved in our Business Improvement Techniques Apprenticeship Scheme

Match & More card training introduced



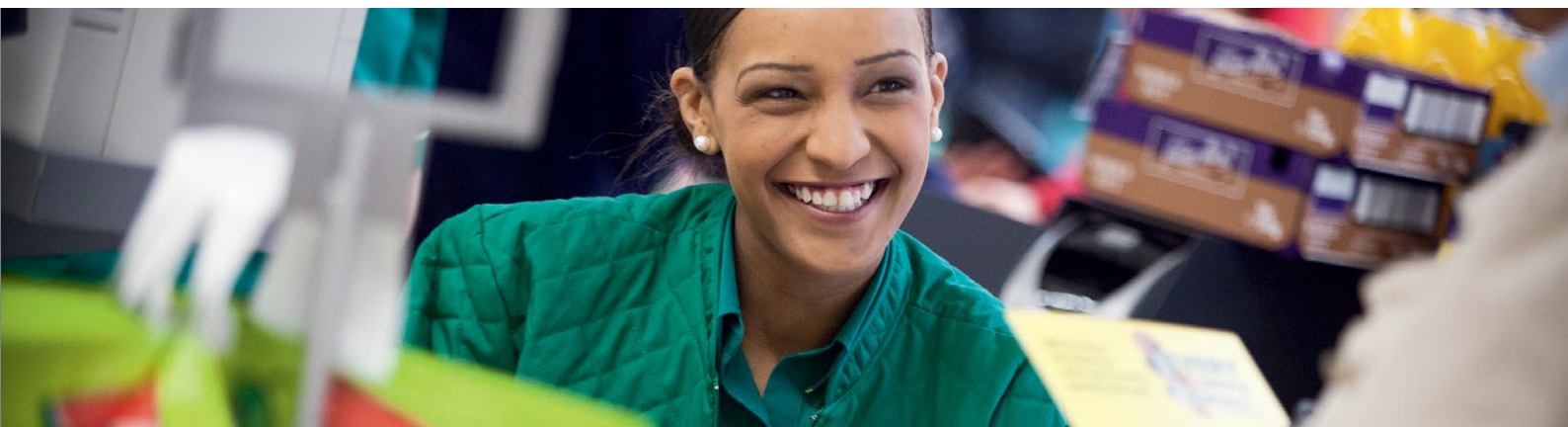


Extended

opening hours in 246 stores

What's next

- We will recruit around 5,000 shop floor staff to further improve service, increase availability and open more checkouts.
- We will have completed the restructure in all of our supermarket stores by Spring 2015.
- A structural review of colleague roles throughout manufacturing, logistics and head office will take place.



Engagement

We want Morrisons to be a great place to work, *where colleagues enjoy what they do* providing our customers with great service

We measure and improve engagement to ensure our colleagues are motivated, positive and delivering the best service to our customers.

What we are doing

Building the skills of our leaders 775 leaders have already started our new colleagues programme, which includes training on managing change, as well as engaging colleagues.

Giving colleagues a stronger voice We've made it much easier for our colleagues to share their feedback through our engagement survey, our newly introduced colleague Facebook page and an internal social media platform which increases formal and informal comment from our people.

Action themes From our annual climate survey we identified five action themes where we needed to take sustained, decisive action to improve. These are sponsored by the business' senior leaders.

Who we are working with

Colleagues During the period we completed our annual colleague engagement surveys, giving every colleague the opportunity to share their views.

The Colleague Engagement Index showed that colleague engagement with the business had improved by 2.1% in comparison to the previous year to 75%.

What we achieved

89%

of colleagues who participated in the engagement surveys

Colleague focused social media platforms introduced

Colleague Engagement Index: How engaged are colleagues?

75%

What's next

- We'll create colleague listening groups in all stores, which will include senior managers from various functions who can act on colleague feedback.
- Following our annual survey, we're taking decisive action to fix the things that get in the way of our people doing their best work.
- We've created a new colleague forum increasing the frequency and scope to discuss the things that matter most to colleagues.



Training and *development*

We aim to give colleagues the time, qualifications and support needed to ***grow and develop*** their work skills

Training right across our business is focused on helping colleagues improve their knowledge and skills so that collectively we deliver the best customer service and experience.

What we are doing

Foundation degree programme We continue to deliver foundation degrees to colleagues within retail, logistics and supply chain divisions through various University partners.

Graduate trainees We recruited 72 graduates, in addition to 136 currently in the business completing their training.

Future business leaders We have refreshed our future business leaders programme for 24 colleagues across the business.

Manufacturing qualifications Colleagues at our abattoirs became the first in England to be awarded qualifications from Welfare of Animals at the Time of Killing. The qualification assesses individuals skill levels to ensure high animal welfare standards during slaughter.

Head office training academy We invested in a new training facility to support specialist department functions in our head office. Training academies are in place for each function, focusing on specialist skills as well as developing broader capabilities that can be applied across the business.

e-learning The majority of stores now have e-learning zones, helping each colleague gain easy access to training and development tools to help them succeed at in their roles.

Who we are working with

Market Street managers Managers from our in-store Meat and Fish departments continue to attend Masterclasses at Billingsgate Market Seafood School and at Morrisons Farm to further develop and showcase their knowledge to our customers.

Apprenticeships Over 800 colleagues completed apprenticeships this year, with over 270 colleagues completing a Level 2 Craft Apprenticeship in Butchery and Bakery.

Manufacturing sites Over 200 manufacturing colleagues are involved in the Business Improvement Techniques Apprenticeship scheme, providing problem solving techniques training.

What we achieved

Over **800** colleagues completed apprenticeship training

1,650 people progressed from shop floor

780,000 training days delivered to colleagues

What's next

- Significant business process change training will be required to support the roll out of sales based ordering.
- Leadership development to support an extensive colleague appraisal process change. The new personal development scheme is called 'Market Leader.'



Young people *in employment*

We will play our part in *tackling youth unemployment* in the UK by providing bespoke life skills and training

Current statistics suggest that young people in the UK are nearly three times more likely to be unemployed than the rest of the population, the largest gap in more than 20 years. In addition, it is estimated that for every young person unemployed, it costs our economy around £14,000 per year. At Morrisons, we want to secure future talent for our business, engage the communities in which we operate and help to strengthen the UK economy.

What we are doing

Our Club Our pre-employment training programme for people aged 18-24 aims to break the barrier for young people who are experiencing difficulties gaining employment as a result of little or no work experience. Our Club focuses on transformational behavioural change and skills development in areas of high unemployment.

Let's Work Over 40 graduates and management trainees took part in our pilot schools employability programme in ten secondary schools in West Yorkshire, we offered advice on employability topics such as critical and strategic thinking, negotiation and conflict management, communication styles, personal brand and career opportunities at Morrisons.

Who we are working with

IGD's Feeding Britain's Futures We are members of IGD's Feeding Britain's Futures campaign, bringing together the food industry it aims to help unemployed young people get back into the work place through training opportunities.

Jobcentre Plus We partner with the Department for Work and Pensions on a national level, working with local jobcentres to tackle unemployment in young people.

Centrepoint We work with Centrepoint, the UK's leading homeless charity for young people, helping those who've experienced homelessness get back into employment.

What we achieved

89%
Our Club candidates in employment

Over 400
pupils taking part in our work schemes

Business Lead Youth Training Schemes award winner

HR Distinction Awards

What's next

- Aim to support 450 sixth form students in Bradford through our Let's Work programme, making it the biggest employer-led youth employment programme in the district.
- Offering 1,000 places across the UK in 2015, as part of IGD's Feeding Britain's Future and providing over 100 volunteers to support the programme.
- Our Club will continue across the UK including Newcastle, Sunderland, London and South Wales.



Health and *safety*

We are committed to achieving the ***highest standards*** of health and safety at work through a process of continuous improvement in both practice and performance

The health and safety of our colleagues is of the highest importance. It is imperative that we offer guidance, training and protection from accidents, particularly in higher risk areas within our business such as manufacturing and logistics. When accidents do occur, we must have robust systems in place to record, manage and rectify.

What we are doing

Accidents during the year were reduced by 14.5% compared with our previous year.

Slip resistant footwear Following the introduction in 2013 of slip resistant footwear to colleagues working wholly or mainly in open food preparation areas we've seen significant reductions in colleague slip accidents in these areas.

Group Health and Safety restructure We have changed the format of Group Health and Safety to refocus efforts on Manufacturing, a high risk and complex area for health and safety issues.

Safety critical issues We reduced the amount of checks and records undertaken front of store to enable our teams to focus more on safety critical issues. These include pre-start checks for forklift trucks and rider operated pallet trucks, racking safety in the warehouse and floor safety inspections.

Tablet technology The Health and Safety Retail team were provided with tablet technology to improve the way store audits are conducted, help identify trends, produce more impactful real time reporting and enable the business to better target resource to achieve the greatest effect.

Who we are working with

BS OHSAS 18001 Our Group Health and Safety management system is now aligned to BS OHSAS 18001 standard, ensuring appropriate policies, procedures and controls are in place to achieve safe working conditions.

Wakefield Council We continue to build our Primary Authority Partnership with Wakefield Council. We have issued assured advice on a number of topics and will be issuing an inspection plan in 2015.

What we achieved



tablet technology provided in retail to conduct store audits

14.5%

reduction in Group accidents in comparison to FY13/14

What's next

- We will be introducing revised information across divisions to improve colleague engagement and simplify health and safety related communication.
- We will work with our Occupational Health team to reduce incidences of work-related ill health.



Diversity

We aim to provide ***equal opportunities*** for all our colleagues, utilising their talents and supporting them to build their career

We must ensure that our business encourages and supports colleagues, utilises their talents effectively and is flexible and adaptable enough to provide equal opportunities for all our colleagues to build a career.

What we are doing

Women in senior management During 2014/15, we employed 53,272 men and 66,506 women. In addition, 101 of our senior managers and five of our Board Directors were men, while 33 of our senior managers and two of our Board Directors were women. The Board continued to maintain its requirement to maintain formal representation at not less than 20%.

Creating role models Throughout the year we have actively created visible role models to inspire people in our organisation to progress their own careers. As part of this we have launched a new website, which provides career stories and hints and tips on growing with our business. We have also won a number of awards recognising the value of our work over the last year including Everywomen Retail Ambassador, Timewise Part time Power awards and Yorkshire Young Achiever of the Year.

Creating opportunities We introduced a process known as the 'balanced slate', this means for every senior role, we will ensure we have a balanced shortlist of internal candidates considered for the role, this will always include at least one women, one person stepping up and one person moving across the division.

Who we are working with

Executive Committee We have developed and delivered unconscious bias training to our Executive Committee and embedded unconscious bias as part of our retail change programmes. This has helped our managers to consider their own biases and how this impacts their leadership style and decision making.

All of our Executive Committee are also mentoring senior women, this is a two-way process to help our Executive Committee understand the challenges women face in the workplace and also help our women to be successful in their current and future roles.

What we achieved

Executive Committee mentoring

Senior role models created

NEW

balance slate process introduced

What's next

- Continuing to develop our managers on unconscious bias and embed our new leadership framework which will also support the diversity agenda.
- Building greater guidance and rigour into our talent management processes to ensure we build the best teams with a cross section of people.
- Developing our colleagues and supporting our high potential women to progress their careers.



Environmental management

What we do

We are a different supermarket. We are a major food manufacturer as well as a retailer and consequently we operate and control more of our direct supply chain. We aim to drive efficiency and invest in new technologies across our estate, to give us greater resource management and more control over waste and costs.



Outside our store at Stanground, Peterborough.

Operational *food waste management*

Our structure means we are able to create systems to *reduce waste* at each stage of our direct food chain

According to WRAP figures, 15m tonnes of food is wasted in the UK. As both a manufacturer and retailer we follow the food waste hierarchy of prevention, redistribution, recycling, recovery then responsible disposal.

What we are doing

Partnering with our supply chain Our manufacturing capability allows us to scale production up or down dependent on sales forecasts. We've relaxed our grading of fresh fruit and vegetables and we sell less normally shaped fruit and vegetables. Further examples of food waste reduction activity in manufacturing can be found on page 44.

Store management A British Retail Consortium report published this year estimated that retail food waste accounts for 1.3% of total food waste in the UK. Our figures show that in our stores food waste represents around 0.3% of sales. To manage waste in store, we operate an effective waste reduction programme. This starts with careful stock management and rotation. Products will be marked down in price rather than wasted. Remaining stock is sold to staff or used in our colleague canteen wherever possible.

Blue dots We've introduced blue dots on highly perishable produce packaging to help colleagues ensure the chill chain on these products is never broken, therefore reducing waste at store and in the home.

Who we are working with

Suppliers We work hard with our suppliers to make sure products arrive in the correct quantities and with the best shelf life.

Redistribution partners Where edible surplus is unavoidable within our supply chain we work with our redistribution partners Company Shop, Community Shop, FareShare and His Church. On a store level, we're also partnering with FoodCycle. Further information on surplus food redistribution can be found on page 53.

Parliamentary inquiries We responded to Government on this issue at the House of Lords Select Committee and House of Commons Environment, Food and Rural Affairs Committee's inquiries into food waste and security.

WRAP We are long term active supporters of WRAP's Love Food Hate Waste campaign and Courtauld Commitments, for further information on Love Food Hate Waste activity see p52.

What we achieved



Blue dots on packaging to help colleagues reduce waste

Working with partners on surplus food redistribution



What's next

- Exploring further opportunities to reduce operational food waste including working with loss prevention teams to look at food waste arising at store level.
- Continue to support Courtauld Commitment III and take an active role in WRAP's Product Sustainability Forum.



Store general waste *management*

Waste reduction continues to be a ***strong area of focus*** for our business

Waste cannot simply be 'thrown away', it has to go somewhere. The best approach is to focus on prevention but where unavoidable waste does occur there are options. Responsible disposal means utilising waste by re-using, recycling or processing for alternative use, such as energy. Our aim has been to send zero waste direct to landfill. However, waste processing facilities vary regionally.

What we are doing

We operate a strong reduction and recycling programme treating waste as a resource and work with our contractors to maximise reprocessing.

In 2010, we committed to a target to achieve zero store waste going direct to landfill by 2013. This target is all but achieved as we have reached 98% direct diversion. To meet our original target would require us to transport waste on a daily basis a considerable distance from a cluster of stores in a geographic area that is not supported by a full waste diversion infrastructure.

The net effect in increased transport and cost does not make this a practical or an environmentally beneficial option. We continue to keep this under review and will close out the commitment if and when practical to do so. We regularly review alternative disposal and treatment methods at the few remaining stores where waste is sent direct to landfill.

Details of our store waste breakdown can be found on page 64.

Who we are working with

Key waste service providers – We work closely with our providers ensuring, where economically possible, we send zero waste direct to landfill.

What we achieved

98%
store waste diverted from being sent direct to landfill

Near zero
waste direct to landfill, maintained for 3 years

What's next

- We will continue to review alternative disposal and treatment methods for any waste at our stores.
- We will maintain our current position, diverting the majority of our store waste direct from landfill.
- We are focusing attention on our manufacturing sites to replicate a zero waste direct to landfill commitment.



Waste in *manufacturing*

We are aiming for *zero waste* direct to landfill from our manufacturing facilities

Our waste reduction programme is not restricted to our stores; as a major manufacturer we ensure effective waste management across our production operations as well. However, as each manufacturing site is different from food processing, abattoirs to produce packing, a one size fits all approach is not possible.

What we are doing

Zero waste sites In 2013, we set ourselves a target to send zero waste direct to landfill by 2016. We've made good progress and 12 out of our 15 manufacturing sites now operate on this basis.

Meat recovery Previously disposed of as waste, we've undertaken a project on the recovery of meat from soft pork bones. This single project has reduced animal by-product waste by 56 tonnes per year from the leg butchery line.

Waste newsletter Created each quarter and distributed to all manufacturing sites, the newsletter aims to highlight the importance of waste reduction amongst colleagues and encourage people to contribute their ideas and suggestions.

Who we are working with

WRAP We've worked for several years with WRAP to help prevent and reduce waste. We're currently working with them on a project to look at waste arising in our pie manufacturing facilities and future prevention.

Local suppliers We sell cardboard boxes to local suppliers to ensure they are reused back into the supply chain rather than recycled.

Smoothie suppliers Outgraded citrus fruits from our manufacturing sites are now sold on to suppliers to be used in relevant products such as smoothies and juices.

What we achieved

12
zero waste manufacturing sites

Sales of outgraded citrus fruit sold on to suppliers for other food use



New WRAP pie waste project in Farmers Boy manufacturing



What's next

- Increased focus on reducing energy costs in manufacturing including water consumption.
- Potential use of new technology at our abattoirs to separate out waste allowing the component parts to be effectively used for energy operation. The energy could be used to fuel our manufacturing sites.
- Roll out training to other sites following the successful WRAP pie waste project within manufacturing.



Operational carbon *emissions*

We've *successfully lowered* our operational carbon emissions for yet another year

The issue of climate change is one of the greatest challenges to the global community. As well the clear moral case for emissions reduction, changing climate patterns are a material issue for our business as they are a major threat to food security. Effective resource management relating to energy reduction is fundamental to managing our costs as well.

Our emissions figures include electricity, gas, haulage, travel, refrigeration and waste.

What we are doing

Making progress against our 30% by 2020 target Reducing our operational carbon emissions in line with our target (against a 2005 baseline) continues to be a key focus within our business. Despite our manufacturing expansion and growth of convenience and online, our carbon intensity continues to reduce year-on-year since 2010.

Getting clearer visibility Our focus in 2014 was the implementation of an energy management platform across our supermarket estate to provide better visibility of where, how and why energy is being used.

Using DEFRA conversion factors DEFRA conversion factors increased in 2014 by 11%. Our emissions related to electricity consumption increased by 8.5% as a result.

Reducing gas Our continued reduction in absolute carbon emissions was heavily supported by a 40% reduction in refrigerant gas emissions and a 1.3% reduction in natural gas usage.

Who we are working with

Stores We continue to roll out LED lighting across our estate, with a further 100 stores to be completed in 2015. We will also focus on refrigeration maintenance to minimise both refrigerant gas and water leaks, maximising the availability of our refrigerated shelf space.

Manufacturing Greater production volume and new lines in addition to an £18m expansion of the cold chain to improve the shelf life of our fresh produce has meant an increase in our carbon emissions for manufacturing. As a result, we've now begun development work on a multi-site food waste to energy project to reduce our overall business emissions from manufacturing in order to balance current and future growth.

What we achieved

25.8%
absolute reduction in carbon emissions since 2005

40%
reduction in refrigeration gas emissions

1.3%
reduction in natural gas usage

We were reaccredited with the Carbon Trust standard

CARBON TRUST STANDARD
REDUCING CO2 YEAR ON YEAR

What's next

- We will review the resilience of our key business operations to protect us from any potential shortening in grid supply. This needs to be from either a reduction in demand, load shifting or renewable energy on site generation.
- We will continue to find ways of expanding our operations in a carefully managed or carbon neutral way creating energy efficiencies where possible.



Store energy *efficiency projects*

Whilst ***we continue to drive energy reduction*** across the business, the focus remains firmly on the efficient use of power within our retail estate

A significant proportion, around 78%, of our carbon impact is within our retail division. Our attention remains in achieving the most efficient use of electricity and gas within our supermarkets and reducing the refrigeration gas impact from our cold chain.

What we are doing

Renewable energy investment Where feasible, we installed roof mounted solar PV arrays to our new main store developments. In 2014, 75% of new stores had panels fitted.

Refrigeration doors Throughout 2014, we increased the use of refrigeration doors on our chilled produce displays, which reduces energy consumption. This solution has now been deployed in our petrol filling station kiosks and convenience stores.

Refrigeration efficiency As part of our store refresh programme we upgraded the refrigeration equipment in a selection of our stores, replacing high global warming potential gases and in several cases converting to natural refrigerant gas systems. We also improved our maintenance regimes. This significantly reduced leakage rates and the combination of all this activity helped reduce our refrigerant gas emissions by 40% year-on-year.

Energy management We have now deployed an intelligent energy management system across our supermarket estate. With a detailed level of energy monitoring across our stores in real-time, along with providing a single platform for our various controls systems from refrigeration and heating to ventilation and lighting, we have been able to optimise our equipment performance.

Who we are working with

Swindon, Dorcan Way store We opened our Swindon, Dorcan Way store with a large roof mounted solar panel array and a ground source heating system as our first trial of the technology. The results have been impressive with 15% greater energy output from the ground source system than envisaged at the design stage.

Weybridge store We opened our Weybridge store with refrigeration doors fitted to over 70% of our fresh and chilled produce, with only fast moving product displays and low level chiller units not included.

What we achieved

Store refrigeration upgrades

Renewable energy solar panels installed in

75%

of new main estate stores

NEW

energy management tool to monitor in-store usage

What's next

- Detailed analysis of the associated energy savings from the use of doors on refrigeration units in store.
- Roll out on refrigerated doors to another three stores during 2015.
- Our new energy management system will support more effective communication for our refreshed energywise colleague facing energy reduction campaign in 2015.



Renewable energy *stakeholder workshop*

We're looking at emerging *energy options* to ensure our business is fit for the future

As we continue to reduce our operational carbon emissions, we can see the challenges ahead in achieving our 30% absolute reduction by 2020 target. To date, we have focused our work on in eliminating carbon emissions rather than investing in renewables. In addition, potential issues around the security of supply in the future means we should look at how our business uses energy to make it more resilient to stress in the energy market.

What we are doing

Morrisons hosted a renewable energy stakeholder workshop at the Houses of Parliament to discuss our renewable energy strategy leading up to 2020.

At the workshop, we asked the assembled experts what our level of ambition for renewable energy generation should be, what type of technology we should invest in and was there a place for third party investment for renewable energy projects within our estate.

Key themes from the workshop included renewable energy generation on Morrisons estate, security of supply and business continuity, opportunities for community collaboration and customer engagement, power purchase agreements and improving our external communications about smart energy use with customers.

Who we are working with

The workshop was hosted by Penny Hughes, Main Board Non-Executive Director and Chair of the Corporate Compliance and Responsibility Committee. Independent facilitation of the event was provided by our assurance partners DNV GL and attendance from energy specialists from the following organisations:

Temporis Capital, UK Power Networks, Forum for the Future, Jacobs Engineering, EDF Energy, Legal and General, Wolseley UK, Energy Managers Association, GMI Energy and David Vincent Associates.

What we achieved

Morrisons

1st

renewables stakeholder workshop

NEW

formal stakeholder forum structure

What's next

- We will use the discussions from the renewable energy workshop to help shape our energy strategy.
- Having undertaken this stakeholder review, we can apply its structure to other topical issues where we can benefit from formal external input into our Corporate Responsibility programme.



Logistics

We're creating haulage efficiencies, *reducing miles travelled and cutting emissions* whilst supporting our business growth

Our fleet is now supporting more sales channels as we increase our presence in convenience and online. This increases the number of delivery points we service on a daily basis. As our business continues to grow, it's important we optimise routing and convert volume into efficient movements, utilise appropriate trailer size and that we fill our vehicles to reduce empty space.

What we are doing

Through a series of initiatives, we managed to take more than 1.4m kilometres off the road during 2014/15:

Extended trailers We doubled the number of extended trailers (30 pallet capacity) to 150. Almost 20% of our trailer fleet is now made up of extended trailers and double deckers.

Bridgewater Convenience Distribution Centre (CDC) We've restructured and invested in more efficient networks with the opening of a third CDC in Bridgwater, as well as the closure of warehouses in both Bathgate and Wakefield.

Road to rail We increased our rail operations from 48 to 60 containers per week, switching approx 625,000km p.a. from road to rail.

One-way hauliers We increased our usage of one-way hauliers, avoiding having trucks returning to depots empty and taking a further 310,000km off the road.

Delivery frequencies We reduced delivery frequencies to many stores taking a further 470,000km off the road.

Primary Consolidation Centres We opened Primary Consolidation Centres in Corby, Yeadon and Northfleet to reduce the number of kilometres our suppliers accumulate delivering their product into our DCs.

Who we are working with

Technology partners We're working with technology partners to produce optimal plans and manage compliance. All our HGV fleet now uses in-cab telematics technology to help our drivers achieve the most fuel-efficient driving techniques.

Suppliers We are collaborating with our suppliers and third party logistics partners to maximise the potential of our inbound consolidation network.

What we achieved

1.4m kilometres taken off the road in 2014

20% of our trailers are extended or double deckers

What's next

- We're planning to further expand our use of telematics in 2015 to monitor/improve other aspects of driver performance which will enable us to increase our fuel efficiency further.
- We continue to trial new fuel and aerodynamic technology to explore cost-effective ways to improve fuel efficiency.
- We'll introduce revised carbon-related KPIs in 2015 to better understand our carbon emissions efficiency in transport.
- We'll continue to review our convenience network, looking at how we utilise our existing assets to reduce the impact of additional kilometres to service the new locations.



Water *consumption*

The UK is not immune from global water variability and quality issues. We *monitor our consumption* and promote *responsible use*

Changing climate patterns, population growth and agriculture all affect water resource and availability. It is important that we ensure responsible usage of water throughout our operations to effectively manage our environmental impact and associated costs to the business.

What we are doing

Our approach to operational water consumption has been through an active reduction programme based on monitoring and the use of smarter systems, coupled with developing capital projects to find ways to save water during normal business use.

20% absolute reduction by 2020 target In 2012, we set a target to reduce our operational water consumption by 20% by 2020, against a 2012 baseline. Although business growth has actually seen us increase our consumption since then, we continue to develop our water strategy in line with this commitment and have confidence in the plan we have developed.

Store by store analysis Using the data provided by our in-store monitoring systems we have undertaken site surveys of the 80 stores with the highest consumption to identify leaks and maintenance issues. Our initial work shows that 10% of the stores' consumption can be saved through these site surveys.

Customer toilets repair We have refurbished 100 customer toilets across our estate, installing water efficient taps and cisterns, as well as resolving existing water leaks. This programme is set to continue into 2015, with more than 180 stores planned to be completed this year.

Who we are working with

Utilitywise During 2014, we worked closely with Utilitywise to develop our strategy for delivering our 2020 water reduction target. Utilitywise will be offering a full service to monitor, manage and reduce our water consumption in line with our plan.

Regional suppliers We have been working with various regional suppliers to investigate what they can do to help us save water. We have been focusing on our larger manufacturing and distribution centres, which use significant amounts of water and need special consideration to ensure we use as little water as possible.

Stores As part of our ongoing energy awareness campaign, Energywise, we continue to work with our stores to encourage positive behaviour change.

What we achieved

Reduction analysis undertaken at
80 **stores**

100
store washrooms refurbished

What's next

- We will develop the water reduction plan with Utilitywise to ensure we are investigating all possible avenues for saving water.
- Using an extensive in-store monitoring systems, we are running localised trials on water-efficient equipment to identify major roll out opportunities.
- We will continue to monitor the developing market for water competition, especially where it can help us find new ways to save water or waste water.



Packaging

Smart packaging, which protects products in transit and extends shelf life, is good for us, our customers and *the environment*

Packaging plays a fundamental role in preserving the integrity of a product, helping to significantly reduce food waste. The resources needed to create, manufacture and, in the case of food, transport products are more impactful than packaging alone so preservation is critical. The key is smart packaging limiting the amount used with the most effective materials, ensuring it still serves its purpose to protect and, for food, prolong shelf life.

What we are doing

Reducing our impact 2014 figures show a further 6.3% reduction in packaging weight across Market Street in comparison to 2013. Total Market Street packaging has now fallen by 36% since the Courtauld Commitment was launched in 2009.

New product development As part of every new product development, we aim to reduce the environmental impact of our packaging. Our aim is to optimise packaging, increase recycled content, improve recyclability and improve our customer recycling messaging on pack where possible.

Extending shelf life By moving selected fresh meat that is traditionally packaged in store to our Winsford factory to be factory wrapped, we have extended its shelf life from four to 16 days.

Innovations We look for new innovations to reduce the environmental impact of our packaging. For example, we trialled a 'Green Leaf' cap on our own brand Soave wine range. The new seal contains 64% less aluminium and can be completely removed, making it easier for the bottle to be recycled. It also takes up less space when transported which reduces the size of cap shipments to the bottling plant by around 60%, cutting transport emissions.

Who we are working with

WRAP Morrisons has been an active signatory in all phases of WRAP's Courtauld Commitments and are members of WRAP's Product Sustainability Forum.

OPRL Since 2011, we've been moving on-pack recycling information from our old 'Recyclopedia' messaging to the industry recognised On-Pack Recycling Label (OPRL) system providing a simpler, UK wide recycling message. Our compliance team will now reject any food specifications that do not have an OPRL symbol reference on packaging, where space allows.

What we achieved

2.08%
reduction in total own brand packaging (against 2012 baseline)

Market Street packaging reduced by
36%
since 2009

Factory packed skins extending shelf life from 4 to 16 days



What's next

- Successful delivery of the final phase of Courtauld Commitment III.
- As members of the Product Sustainability Forum, we will help formalise the structure and commitments of the next phase of WRAP's industry-wide waste reduction programme, Courtauld 2025.



Supporting communities

What we do

Our stores are made up of local people; the 12.1m customers that shop there and the 117,000 colleagues that serve them are connected by community issues. Together we support local good causes.

Manchester FoodCycle hub collect fresh surplus food from our Salford store

Love Food *Hate Waste*

We've continued to help our customers and colleagues to ***reduce their food waste*** at home

WRAP estimates that 15m tonnes of food is thrown away in the UK each year. Of this, nearly half (7m tonnes) is generated at home with the average UK household throwing away £250-£400 a year. Engaging our customers and colleagues on this issue is essential to help them get more value from the food they buy. We know this is best tackled through consistent communication, delivered in a positive way.

What we are doing

We actively support WRAP's 'Love Food Hate Waste' campaign; this is driven through our corporate social media channels, website and internal communications.

We provide information, hints and tips on how best to plan their food shopping, store food once it's bought and then utilise leftovers to save money and reduce waste.

Morrisons online shoppers can better manage the contents of their fridge through the information set out on their customer receipt, which includes product by product details of where to store their items and when they need to be used by.

Who we are working with

Love Food Hate Waste '10 cities' campaign WRAP launched a focused effort in 10 cities across the UK and we were selected as the supporting retailer in Sheffield and Newcastle. We provided marketing materials and competitions in Sheffield and Newcastle stores to help get our customers attention on this important issue.

IGD Working on Waste In collaboration with WRAP and other retailers, we are part of IGD's Working on Waste initiative. Working on Waste specifically targets people working in the food industry to encourage them to reduce food waste in the home. As part of this initiative, we took part in a month long campaign which provided food waste hints, tips, recipe challenges and competitions to our colleagues via our internal communications channels.

What we achieved

LFHW in-store activity in Sheffield and Newcastle



Helping colleagues to reduce waste through IGD Working on Waste group

WORKING ON WASTE

Launched new LFHW micro website



What's next

- Continue to communicate Love Food Hate Waste messaging to our customers and colleagues.
- Appoint food waste champions across the business to promote and inspire more people to save money and reduce food waste.
- Take part in IGD's 2015 Working on Waste working group activity.



Surplus *food redistribution*

We ***redistribute edible surplus food*** from our supply chain across the country to people who need support

One in five of the UK population lives below the poverty line, with many struggling to afford basics including food. As a major food sector business, we can enable the transfer of edible surplus food that can't be sold in our stores and redistribute it to provide social benefit.

What we are doing

The food that is typically disposed of through our operations is food waste and not surplus. Where edible surplus does occur, we work with trusted partners to redistribute products.

Find out how we manage and reduce our food waste throughout our operations on page 43.

Who we are working with

At store

FoodCycle In 2014, we began a limited programme working with national charity, FoodCycle to develop a best practice model for charities to collect surplus food. Local FoodCycle hubs collect on a weekly basis from our stores and use the items donated to cook nutritious vegetarian meals for vulnerable, often isolated, people within the local community.

In our supply chain

Community Shop Membership to Community Shop is open to people living in a specific postcode area and in receipt of welfare support. Members get access to heavily discounted food and are offered programmes of tailored support such as return to work guidance and advice. We redistribute products from our food online service to Community Shop that become surplus because of the strict shelf life promise we've made to our online customers.

Company Shop Products with incorrect labelling, damaged cases, or packaging design issues are collected under a carefully controlled process by Company Shop. Stock is then sold on at a discounted price through their company shops in businesses operating within food retail.

FareShare and His Church Both organisations provide solutions for residual stock by redistributing goods to charities in the UK. They work with our suppliers with our approval to collect and redistribute goods that can't be sold through our stores.

What we achieved

Continued support of Community Shop's expansion

COMPANY SHOP

Community Shop

Trial partnership with FoodCycle

FOOD Cycle

Working with our redistribution partners



What's next

- Expansion of FoodCycle partnership to 20 stores across the UK.
- Extending the scale of surplus redistribution within our chilled supply chain.
- Working with Government and industry to identify opportunities for increasing redistribution of food that might otherwise be wasted.



Let's Grow *food education*

We're *educating our customers of tomorrow* on the food journey and the importance of fresh food

In 2008, we identified a lack of resource in schools for outdoor growing and gardening equipment in UK schools. Despite there being a requirement to teach children about horticulture and where fresh food comes from.

During 2014, new food, cooking and nutritional material was added to the National curriculum, with the aim to ensure that all pupils understand and apply the principles of nutrition, as well as to learn basic cooking skills.

What we are doing

Working with the Department for Environment Food and Rural Affairs taskforce, we created the Let's Grow programme. Let's Grow teaches children about the story of fresh food through the practical experience of growing fresh fruit and vegetables in an outdoor environment.

As part of Let's Grow, we launched the Academy of Food online food education programme. The Academy teaches schoolchildren more about the story of food and food production. The website helps schoolchildren discover how our food is produced. Lessons, activities and videos are linked to the new curriculum, they learn from Academy-trained butchers, bakers and fishmongers, helping them to develop the knowledge and skills necessary to prepare nutritious healthy dishes.

The Let's Grow programme's primary aim remained in supporting schools in their need for equipment. Our annual review of the equipment in the Let's Grow catalogue ensures that we offer schools the items they need the most as their horticultural spaces develop.

Who we are working with

Foodshare Used our Let's Grow channels to encourage schools to start a 'share bed' where all produce grown is donated to local charities. A great life lesson for children by giving to those who need some support.

The Scouts Association and Girlguiding Girlguiding and Scout units can now teach children about food education. Our Gardener Badge with the Scouts receiving 30,000 orders.

The School Food Plan Used our schools network to give schools all the guidance necessary to improve their food service.

What we achieved

£20m
worth of gardening and cooking equipment donated since 2008

30,000
orders for Scouts Our Gardener badges

Over 5m
schoolchildren engaged

Providing young people with food education

ACADEMY OF FOOD BY MORRISONS

What's next

- Development and publishing of further educational resources through the Academy of Food website.
- We want to encourage more local groups to register to the Academy of Food.



Local *community activity*

We strive to be a good neighbour, creating a ***positive impact*** in the areas in which we operate

With the majority of customers and 75% of store colleagues from local neighbourhoods, every store must play an active part in the local community. At best, our stores can act as local engagement community hubs.

What we are doing

Sue Ryder partnership Our national partnership with Sue Ryder aims to raise funds for help and local facilities for those diagnosed with life changing illness and their families. Colleagues and customers took part in various fundraising activities during 2014 and raised £2.2m in the first year of the partnership.

Morrisons Foundation We launched the Morrisons Foundation, which provides match funding for colleagues and grants to both local and national charities.

In-store community champions We have over 500 in-store Community Champions in operation in our core supermarkets. Community Champions work as ambassadors linking each store with its local community. During 2014/15, Community Champions gave £1.2m and over 200,000 hours to local causes.

Supporting food banks We've worked with a number of food bank charities on a local level since 2007. Collections are decided at store management level and managed by our in-store Community Champions. During 2014/15 we had 91 stores operating food bank collection points working with 132 charities that provide food for people in need.

Who we are working with

Colleagues We listen to our colleagues and help where possible to support the local causes they really care about. They are the main drivers in our community engagement strategy and help the business to achieve great fundraising results and local activity.

Customers Thanks to the generosity of our customers in our stores, we are able to support a wide variety of causes and make a difference to the communities in which we operate.

What we achieved

£2.2m
raised for our Sue Ryder partnership

Supporting
132
charities with food banks



Community Champions gave
200,000
hours to local causes

What's next

- We aim to raise £2.4m for our Sue Ryder partnership during 2015/16.
- Community Champion training to more effectively embed the role in each store and bring benefit for its near community.
- Further roll out and extension of the Morrisons Foundation in its first full year of operation.



Responsible *buying*

Commitments and associated KPIs	What we did in 2014/15	What's next
Source 100% British fresh own brand meat	Maintained 100% British Morrisons own branded fresh beef, lamb, pork, chicken, milk and shell eggs.	Maintenance of British Morrisons own branded meat and poultry.
By 2015, we require own brand products to contain RSPO certified mass balance or fully segregated palm oil and derivatives for all own brand products	We surveyed our own brand supply base to monitor compliance with our policy to source from RSPO certified sources. 15.8% of suppliers purchase GreenPalm, 27.8% mass balance palm oil, 35.7% fully segregated and 20.6% from non-certified sources. **Morrisons Rathbones:** eight ingredients contain palm oil/derivative/kernel oil, seven are from fully segregated sources with the remaining from mass balance certified sources. **Morrisons Farmers Boy:** continue to purchase all their palm oil requirements to a minimum of mass balance and where possible fully segregated.	We will work with suppliers to ensure compliance with our policy requirement to source through an RSPO certified supply chain system. Any own brand products that contains palm oil or derivatives at new product development stage must be from either mass balance or fully segregated systems.
Review utilisation of RTRS (or equivalent) sourced soya in own brand products and in animal feed	Retained RTRS membership. 'Good' rating in the WWF's Soy Report Card 2014. Progressing with alternate protein sources for chicken. Currently part of a consortium project scoping the feasibility of utilising insects for a natural chicken feed.	We have established a project with Cargill Meats Europe and Nandos to review the contribution insect protein can have as a soymeal substitute. We will commence our second project at the Morrisons Farm at Dumfries House to grow our own animal feed protein requirements and reduce reliance on importing protein feeds onto the farm.
Maintain sustainable seafood policies to apply across all own brand ranges	Delivered our commitment that all UK wild caught and landed seafood comes from RFS boats. Agreed an International trial with Seafish which will undertake a GAP analysis in the Ben Tre Fishery Improvement Project in Asia that we are leading. Implemented regular review meetings with our suppliers to agree action plans so that fisheries ranked as high risk or not assessed will become medium or low risk. Formally signed the Sustainable Seafood Coalition codes of conduct for Responsible Sourcing and Eco-labelling of seafood products – targeted on pack full compliance September 2015. North Devon skate and ray project – This fishery is taking proactive steps to improve the sustainability of stocks achieving a mechanism by which we can guarantee we are buying ray wings from fish meeting the minimum landing size and it also links into the UK Government CEFAS Shark By-Watch UK 2 project. Led Ben Tre Fishery Improvement Project – The aim of this project is to achieve third party certification for the fish feed ingredients derived from this fishery. These ingredients are used in our basa aqua feed.	We will be supporting the extension of the policy and aim to have all vessels that supply Morrisons independently assessed and certified by RFS or equivalent in our international supply chains by the end of 2021. Implementation of the Sustainable Seafood Coalition's final codes of conduct for responsible sourcing and environmental claims for seafood products. We will continue to work with Government to raise awareness of illegal fishing and to implement traceability systems with certification to ensure that we don't buy this material. Independent certification for all of our fishmeal and fish oils by 2020.

Responsible *buying* continued

Commitments and associated KPIs	What we did in 2014/15	What's next
Review relevant categories to find opportunities to increase FSC (or equivalent) coverage **By 2015, we aim to be FSC certified or alternative approved certificate**	Signatories to the WWF UK Timber Sourcing campaign, commitments are as follows: Buy timber and timber products from sustainable sources by 2020 and make our performance public. Support the call for the EU to close the loopholes in the current EU Timber Regulation so that all timber and timber products must be from legal sources. Support the call for the UK Government and the EU to complete the transition to a market in sustainable timber and timber products by 2020. 69% of own brand home and leisure products are from FSC or equivalent certified sources. 100% of own brand household and beauty products are from FSC or equivalent certified sources.	Continued compliance with EU Timber Regulations. Maintain FSC or equivalent coverage across own brand products.
Establish applied farm research programme to support British farming	Projects in 2014: • Feeding the modern dairy cow; • Animal health management in dairy cows reducing antibiotic use; • Innovate UK grant – lamb development; • Innovate UK grant – VIA Turriff; and • Yearling beef eating quality research. Launched a partnership with the Royal Agricultural University including joint research that will help boost sustainable supply chains. The collaboration will involve long term projects to determine best practice so farmers can better meet the demands of customers.	New and continued projects: • Dairy cow health report to be published in 2015, in response to concerns over antibiotic use in farm animals; • Innovate UK funded lamb project at Dumfries House; • Innovate UK funded VIA project in Scotland ongoing; • Alternate protein consortium with Cargill and Nandos; • Beef from dairy herd; • Milk price hedging for farmers and processors; and • Continued work with the RAU on research projects.
Enhance farm animal welfare policies and auditing processes	New farm production standards policy for all own brand products has been developed and implemented.	Supplier surveys to ensure compliance to our production standards.
Implementation of all own brand suppliers on to Sedex and for all higher risk suppliers/sites to share ethical audits by the end of 2014	Own brand suppliers advised of Ethical Trading Policy and our Sedex and ethical audit requirements. 100% of own brand suppliers are now Sedex members. Over 70% of first-tier high risk sites are sharing valid ethical audits.	Implement detailed, risk-based action plans across our Group's own brand supply chains. We will work with the Bangladesh Accord on its initial safety inspection programme on fire, electrical and structural safety. Continued active participation in Shrimp Sustainable Feed Taskforce and Stronger Together Initiatives.
All Morrisons own brand suppliers to be audited against our own Food Manufacturing and Product Manufacturing Standards	We have conducted 957 audits this year with 382 non-food.	We will continue to audit against our own brand Manufacturing Standards.

Healthy *lifestyles*

Commitments and associated KPIs	What we did in 2014/15	What's next
Continually developing our approach to nutrition and formulation of products **Providing customers with clear, consistent advice**	We continue to roll out colour coded front of pack labelling and extend it to other media, including the Morrisons Magazine recipes and supplier funded recipe cards, to drive consistency and aid consumer understanding. We have ensured that our Sourcing and Product Development teams are aware of the need to match existing nutritional profiles when products are retendered or reformulated, to maintain or improve upon current levels where possible. We became partners of Change 4 Life, the Government's public health campaign, through which we talk to customers and colleagues about healthy eating. In January 2015, their focus was on sugar reduction so we worked with the Digital team to create a 'sugar swaps shop' online where customers could easily find lower sugar options. We also provided our colleagues with Change 4 Life materials to share information on eating more healthily.	We will continue to roll out front of pack colour coded nutritional labelling on our own brand products.
Revive and further improve healthy product range in line with the re-launch of our chilled meal solutions	Developing nutrition policy for Café to ensure that kids' meals under the Just for Kids branding are nutritionally appropriate.	Continued promotion of our healthier eating ranges.
Extend calorie labelling at the point of choice for products made and prepared in store **Provide calorie information on our website**	We have updated labels on Market Street products where energy is displayed to ensure we are compliant with legislation, which requires kilojoules to be given alongside calories. Our Café team are updating menus to incorporate these changes into our revised menu. This year we have made available on the website full nutrition information for Café dishes to help customers.	Our in-store Café menus will display both kilojoules and calories by Spring 2015.
Continue with 'Pick of the Street' Market Street deals on fresh produce, making it easier and more affordable for customer to make healthy choices	We no longer communicate produce promotional offers as 'Pick of the Street', we are running our 'Fresh in Season' and our 'Season's Best' promotions which are designed to offer value and generate healthy ideas for our customers. We offer over 2,000 seasonally relevant promotions a year across our produce categories making it easier and more affordable for customers to buy fresh.	Continue to invest in promotions across fresh categories on Market Street.

Our *people*

Commitments and associated KPIs	What we did in 2014/15	What's next
Deliver sector leading training and skills development to our people **Revised wording:** Build a skilled workforce that supports the broader UK economy	780,000 training days delivered to colleagues. Over 800 colleagues completed apprenticeship training, with over 180 colleagues completing Level 3 Craft Apprenticeships. 1,650 colleagues progressed from shop floor.	Continued development of e-learning zones to store colleagues across the business. Store training provided for the introduction of sales based ordering systems. Leadership development to support our new colleague market leaders training, personal development programme.
Build colleague stability and retention through the application of our Values **Revised wording:** Treat colleagues fairly and appropriately in accordance with our Values	Colleague turnover: 20.55%.	Ongoing commitment.
Monitor, measure and improve colleague conditions and workplace experience across the Group	89% of colleagues participated in the colleague survey. 75% of colleagues feel engaged with the business according to Colleague Engagement Index, an increase of 2.1% in comparison to 2013/14. Social media platforms introduced to colleagues.	Create listening groups in all stores. Leverage technology to accelerate the rate of productivity improvements. Development of a new colleague forum .
To be an employer of choice. Staff remuneration, benefits and policies **Revised wording:** Great place to work, flexible benefits and policies	Updated and improved benefits and policies across the business.	New colleague bonus scheme to be introduced replacing profit share. Additional flexible colleague benefits to be launched.
Increase female representation in our senior management group from 13% to 30% by 2014	Whilst this target was unachieved, significant progress was made with 25% senior female representation in the business at the end of 2014/15.	We're now focusing our efforts on making sure underlying HR systems on diversity are in place and correct, further details can be found on page 41 of this Review.
NEW. Monitor and measure the diversity of our workforce	During 2014/15, we employed 53,272 men and 66,506 women. In addition, 101 of our senior managers and five of our Board Directors were men, while 33 of our senior managers and two of our Board Directors were women.	Continue to monitor and measure diversity across the business to inform our strategy on being an inclusive business with equal opportunities for all colleagues.

Our *people* continued

Commitments and associated KPIs	What we did in 2014/15	What's next
Develop and deliver an 'unconscious bias' programme to assist our managers responsible for store recruitment to assist recruitment of a diverse workforce	Delivered unconscious bias training to our Executive Committee and also embedded unconscious bias as part of our retail change programmes across our store estate. Executive Committee mentoring senior women within the business.	Embed new leadership framework to support the diversity agenda across the business.
Reduce accident rates in Manufacturing and Logistics by 5% by the end of 2014	Commitment achieved. Group colleague accidents are down 14.5%.	Revised strategies across divisions to improve colleague engagement, simplify health and safety related information to enable ease of use. Occupational Health development across the business to help reduce the incidence of work-related ill health.
Undertake specific activity to target hard to reach youth unemployment	89% of Our Club candidates are now in employment. Let's Work scheme introduced. Continued active participation in IGD's Feeding Britain's Futures campaign.	Aim to support 450 sixth form students in Bradford through our Let's Work programme. Offering 1,000 places across the UK in 2015 as part of IGD's Feeding Britain's Future and providing over 100 volunteers to support the programme. Our Club will continue across the UK including Newcastle, Sunderland, London and South Wales.

Environmental *management*

Commitments and associated KPIs

30% absolute reduction in operational carbon emissions by 2020 (2005 baseline)

What we did in 2014/15

25.8% reduction in carbon emissions against 2020 target.

40% reduction in refrigerant gas emissions.

1.3% reduction in natural gas.

Energy management platform introduced.

Continued roll out of LED lighting across estate.

Roof mounted solar PV arrays in 75% of main estate stores.

Refrigeration upgrade in a selection of stores.

'Real-time' intelligent energy management system in place to monitor usage.

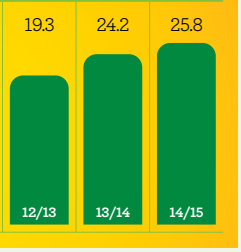
Carbon Trust reaccreditation achieved.

Group GHG Emissions for year ending 31 December

Emission source	2005 Baseline Year	2014 Prior Year	**2015 Current Year**	Change vs. Baseline
Combustion of fuel and operation of facilities				
Natural gas	102,470	148,122	146,911	+43.4%
Haulage	139,847	97,294	109,990[1]	(21.3%)
Business miles	4,511	4,217	3,643	(19.2%)
Fugitive Emissions				
Refrigerant	455,929	190,793	105,173	(76.9%)
Energy purchased for own use				
Electricity	798,596	697,309	756,595	(5.3%)
Other				
Staff travel	37,282	35,081	24,162	(35.2%)
Waste	36,730	21,606	22,197	(39.6%)
Total	**1,575,365**	**1,194,422**	**1,168,671**	**(25.8%)**
Intensity ratio: kg CO_2e per ft^2 GIA	50.4	31.3	29.5	(41.5%)

1 In 2014 we captured 3rd party fuel use which was omitted in 2013. This increased the carbon footprint versus 2013. On a like-for-like basis the 2014 carbon footprint for fuel use was 95,641 tCO_2/yr and in 2013 the emissions were 97,294 tCO_2/yr. This provides an absolute reduction of 1,653 tCO_2/yr.

Reduction in absolute carbon emissions (2005 baseline) %



What's next

Implement 2015/16 energy efficiency plan to deliver further savings.

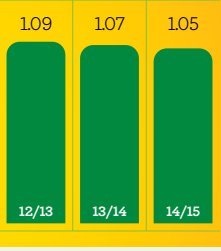
Review the resilience of key business operations.

Multi-site food waste to energy project scoping and development in manufacturing.

Environmental *management* continued

Commitments and associated KPIs	What we did in 2014/15	What's next
20% reduction in operational water consumption by 2020 (2012 baseline)	Increase in water consumption due to expansion of operations. Customer toilets refurbishment in 100 stores to repair leaks. Store by store analysis established to detect water consumption issues. 'Waterwise' colleague consumption awareness campaign now part of wider 'Energywise' colleague awareness campaign. Strategy development with key supplier to develop action plan for 2020 target to bring savings from driving efficiency.	Establish a contract to get non-retail sites metered to provide better monitoring and highlight more savings. Refurbishment of customer toilets in 180 stores. Further development of water reduction plan. Water lab work to identify potential opportunities for roll out.
Zero waste direct to landfill from manufacturing by 2016 **Courtauld III commitment for supply chain and manufacturing target: 3% absolute reduction in manufacturing waste (2012 baseline)**	12 zero waste manufacturing sites, an increase of ten sites since 2013/14. Outgraded fruit not fit for purpose within our sites sold on to third party suppliers. Used cardboard boxes within our sites sold on to third party suppliers. Meat recovery project from soft pork bones underway. Working with WRAP, project underway to evaluate waste mapping methodologies to reduce pie waste at our Farmers Boy manufacturing site, potentially using these learnings at our other manufacturing sites. Waste newsletters produced showcasing reduction work completed by the manufacturing sites.	Potential use of a centrifuge to separate proteins at abattoirs. The energy from this could be used to fuel our sites. Further cascade of lean manufacturing practices across our operations. A key challenge in order to achieve zero waste is contaminated plastics from our meat processing plants. Each manufacturing site now has a budgeted waste reduction figure for 2015/16 with additional focus on reducing energy costs.
Ongoing carrier bag reduction year-on-year	Overall single carrier bag usage reduced by 1.8%.	Continued year-on-year reductions.
Monies raised through carrier bag charging **We will report online**	www.morrisons-corporate.com/CR/Our-carrier-bag-savings-in-the-UK/	We will continue to report online carrier bag savings for Wales and Scotland. We will include reporting online for England carrier bag charging when this comes into force.

Single carrier bag usage bn



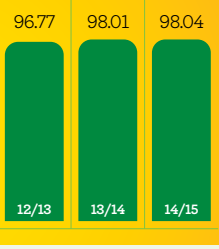
Environmental *management* continued

Commitments and associated KPIs	What we did in 2014/15	What's next
Zero waste direct to landfill from stores by 2013	98% diverted from landfill. Total waste produced 192,393.67 tonnes.	Our challenge is maintaining the current diversion from landfill. We will continue to review alternative disposal and treatment methods at our stores.
Build on the training and technical support available to suppliers as well as promoting integrated pest management and careful monitoring of Maximum Residue Levels (MRLs)	We have run a supplier pesticide conference in conjunction with Audax, our pesticide compliance manager. 33 suppliers attended. This conference re-freshed training on how to use the Morrisons Pesticide Control Lists(MPCLs), as well as raising awareness of changing EU legislation. We continue to improve the levels of supplier compliance to the MPCL through the new supplier database we are operating. Compliance is now over 95%. We have shared pesticide approval and banned lists with Pesticide Action Network (PAN).	We will continue to maintain our leading standards on pesticide management and engagement with our suppliers. In the next year we will use our crop/country risk matrix for pesticide control to target support and further strengthen our proactive management of risk. Build on our relationship with the PAN.
Making sure edible food that we can use never goes to waste	FoodCycle Clacton on Sea, Chorlton-Cum-Hardy and Speke store surplus food redistribution trials are successfully running and ongoing. Continued partnerships with Company Shop, Community Shop, His Church and FareShare.	Aim to partner stores with 20 FoodCycle hubs by the end of 2015. Ongoing partnerships with our supply chain redistribution partners.

Stone waste. recycling and diversion analysis 2014/15

	Tonnes	Percentage
Card	107,804.28	
Confidential paper	911.37	
Polythene	7,114.45	
ABP	5,406.57	
Light tubes	7.85	
Oil	4,151.93	
Other recyclables	142.22	
Diverted trade waste	63,082.80	
Total recyled/reprocessed	188,621.47	98.04%
Landfill	3,772.20	1.96%
Total		100.00%

Total store waste diverted from landfill %



Environmental *management* continued

Commitments and associated KPIs	What we did in 2014/15	What's next
Effective management of emissions from haulage as part of our overall emissions target	Submission for 2015 Logistics Carbon Reduction Scheme Awards to showcase our efforts to move goods onto rail and water. 1.4m kilometres taken off the road. Doubled the number of extended trailers to 150. Opened Convenience Distribution Centre in Bridgewater.	We are planning to further expand our use of telematics in 2015 to monitor/improve other aspects of driver performance which will enable us to increase our fuel efficiency further. We continue to trial new fuel and aerodynamic technology to explore cost-effective ways to improve fuel efficiency. We will introduce carbon-related KPIs in 2015 to better understand our carbon emissions efficiency in transport.
Food waste customer awareness campaign	We launched a micro site on food waste reduction providing tips on planning, storing, portioning and cooking: www.morrisons.com/LFHW Launched in-store customer activity in Newcastle and Sheffield for WRAP's 10 cities campaign including 'do one thing differently' pledge competitions. Took part in IGD's Working on Waste month to communicate the food waste message to colleagues.	We will continue to communicate food waste reduction tips to customers and colleagues. Appoint food waste champions in the business to promote and inspire more people to save money and reduce waste. Take part in IGD's 2015 Working on Waste working group activity.
1,500 own brand products to be converted to On-Pack Recycling Label (OPRL) system in 2014	Whilst this commitment was not achieved, OPRL labelling is considered during every new product development stage. Where space allows, we ensure every food product carries the logo.	We aim to increase the number of packs with the logos and improve the quality of the information we are receiving from our suppliers.
Courtauld III **Improve packaging design through the supply chain to maximise recycled content, improve recyclability and deliver product protection to reduce food waste, while ensuring there is no increase in the carbon impact of packaging by 2015 (from a 2012 baseline)** **Reduce traditional grocery ingredient, product and packaging waste in the grocery supply chain by 3% by 2015 (from a 2012 baseline)**	Provisional summary report shows that we reduced total packaging by 2.08% against 2012 baseline.	We will work to achieve Courtauld Commitment III. As members of WRAP's Product Sustainability Forum, we will help formalise the structure of Courtauld 2025.

Supporting *communities*

Commitments and associated KPIs	What we did in 2014/15	What's next
Refresh current local community strategy so engagement better supports the needs of local people	All stores now have community notice boards installed. Morrisons Foundation launched providing grants and colleague match funding up to £500. www.morrisonsfoundation.com **Convenience** All convenience stores now have their own community toolkit, which gives colleagues ideas and guidance as to how to engage with their communities.	Development of the Morrisons Foundation in its first full year of operation.
Effective community Engagement through stores Community Champions	A trial took place in 22 stores for Community Champions and Store Managers with participants receiving formal half day training on community engagement.	Further roll out of formal community engagement training for in-store Community Champions.
Greater encouragement for stores and communities to become more involved with Let's Grow	In 2014, Let's Grow saw record levels of vouchers being distributed. £20m worth of gardening and cooking equipment has been donated since 2008. Academy of Food launched providing schoolchildren with educational videos and resources on the story of food www.morrisons.com/letsgrow We partnered with the Scouts Association and Girlguiding. We co-created an activity booklet and Let's Grow gardener badge for children to earn by completing gardening tasks.	Further develop educational resources for the Academy of Food online including Let's Farm, Let's Fish and Let's Bake resources.
Raise funds for Sue Ryder, providing support and care for people with life-changing illness	£2.2m raised for the Sue Ryder partnership. Funds raised will go to support three key areas: **Community services** – Working with healthcare professionals to support people with end of life care needs at home. **Family support teams** – Ensuring carers and family members of a loved one who is approaching the end of their lives receive the care and support they need at a stressful and emotional time. **Online support community** – This will support anyone affected by end of life care issues, with users able to ask advice on a range of topics; share their own experiences and advise others; access online information resources and signposting to other services.	Aim to raise £2.4m for Sue Ryder during 2015/16 through colleague and customer fundraising.

Designed & Produced by

Radley Yeldar
www.ry.com

Photography by

Richard Moran
www.richardmoran.co.uk

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

Visit our website:
www.morrisons.com