



Chair's letter

A thriving Sainsbury's is good for the UK



Martin Scicluna
Chair

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

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

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

A successful and competitive Sainsbury's

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

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

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

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

At the heart of Britain's relationship with food

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

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

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



Driving progress on sustainability

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

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

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

Financial review

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

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

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



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



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Our Board

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

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

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

Looking ahead with confidence

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

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

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

Martin Scicluna

Chair

16 April 2025