

3rd February 2021

Future Builder 2020 – Performance Measures

The long-term incentive vehicle in use at Sainsbury's is known as Future Builder. Awards are granted annually to senior managers, including to executive directors.

As outlined in the 2019/20 Annual Report, we delayed setting targets for the 2020 Future Builder awards to enable us to better understand the impacts of the Covid-19 pandemic on our business and the broader economy.

The performance measures and targets have now been determined. This award is based on performance measured over the three financial years ending March 2023.

The targets for the 2020 Future Builder awards are as follows:

	Weighting	Threshold (25% vests)	Maximum (100% vests)
Cumulative free cash flow	50%	£900m	£1,400m
Return on capital employed	25%	6.75%	9.75%
Underlying basic EPS	25%	19.8p	26.5p
Underpin	The Remuneration Committee must be satisfied that the Company's underlying performance over the period justifies the level of vesting		

1. Free cash flow is defined as net cash generated from retail operations, after perpetual security coupons and cash capital expenditure but before strategic capital expenditure, and including payments of lease obligations, cash flows from joint ventures and associates and Sainsbury's Bank capital injections.
2. ROCE is based on the Group underlying profit before interest and tax for the whole business. Capital employed is defined as Group net assets excluding pension deficit/surplus, less net debt (excluding perpetual securities).
3. Underlying basic EPS is based on underlying profit after tax divided by the weighted average number of ordinary shares in issue during the year.

Further details including information regarding other elements of the remuneration package for executive directors will be provided in the 2020/21 Directors' Remuneration Report.