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Dear Hazel,

Please find herewith the J Sainsbury plc responses to the questions set out in section 7 of the APB Consultation paper on audit firms providing non-audit services to listed companies that they audit.

In summary, our opinion is that the current governance process in place is robust. This is achieved via 3 key areas:

- The role of the Audit Committee in the consideration and approval of any non-audit fee services to be provided by the current auditors. J Sainsbury plc have a clear policy in this regard as stated in the Annual Report;
- The disclosure required under the current governance within the Annual Report; and
- The approval of shareholders at the Annual General Meeting of the resolution to reappoint the auditors.

Issues on which the APB seeks views

In response to the Treasury Select Committee's recommendation, and against the background information provided in this Consultation Paper, the APB is seeking the views of all stakeholders – investors, companies and their directors and management, accountants and other interested parties – on the following questions.

In respect of listed companies:

1 (a) Do you think that the provision of non-audit services by accounting firms to their audit clients currently impacts confidence in the independence of auditors?

Our own experience is that this does not affect investor confidence if a strong governance framework is in place.

There does not appear to be any demonstrable evidence that audit quality is in doubt and therefore that further restrictions on non-audit services are necessary. Indeed the Treasury Select Committee themselves reported that they had received very little evidence that auditors failed to fulfil their duties as currently stipulated.

The audit profession is subject to extensive inspection and monitoring (which includes a review of independence both at firm-wide and engagement level) and in December 2008, the Audit Inspection Unit (AIU) reported that overall it considered the quality of auditing in the UK to be fundamentally sound.

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Many non-audit services that continue to be provided, particularly at the FTSE 100 level, can only realistically be carried out by the auditor (for example, review of interim statements). Other services could be provided by other firms; however, it is often the case that these services can be provided more efficiently and cost effectively by the auditors owing to their knowledge of the business.

Non-audit work for J Sainsbury is considered and approved by the Audit Committee who have a clear policy in place (as stated in the Annual Report) for the provision of non-audit services by the external auditors, which is consistent with the APB Ethical Standards No.5 – Non Audit Services provided to Audit Clients and the FRC “Guidance on Audit Committees” 2008. The Audit Committee are well placed to assess whether such work presents a conflict. The Combined Code, under a ‘comply or explain’ mechanism, requires the Annual Report to explain to shareholders how, if the auditor provides non-audit services, auditor objectivity and independence is safeguarded and notes to the financial statements provide detail of the respective fees that have been incurred. We believe that this disclosure gives investors sufficient transparency to form a view on the independence of the company’s relationship with the auditors, and that investors have the opportunity to express their views on it through the resolution seeking the auditors re-election.

1 (b) Are you aware of any instances where the provision of non-audit services by accounting firms to their audit clients has or may have adversely affected audit quality?

No

We are only aware of instances where it has enhanced audit quality as these services can be provided more efficiently and cost effectively by the auditors owing to their knowledge of our business. By undertaking the non-audit work they are automatically in full knowledge of that piece of work during the audit.

2 If you do consider that the provision of non-audit services has adversely affected audit quality or currently impacts confidence in the independence of auditors please identify which non-audit services are of concern.

N/A, as we do not consider that the provision of non-audit services has adversely affected audit quality or currently impacts confidence in the independence of auditors.

3 In the light of your answers to questions 1 and 2, do you think that there needs to be a change in the approach taken by APB to the setting of standards relating to the provision of non-audit services by auditors to the entities that they audit?

In our opinion, the governance process already in place is robust. This is achieved via the consideration and approval of the Audit Committee, along with the disclosure within the Annual Report and the shareholders vote at the Annual General Meeting on the reappointment of the auditors.

4 If you think that there should be a change in the current arrangements, would you advocate:

- **Complete or more extensive prohibitions on the provision of non-audit services by accounting firms to their audit clients within the Ethical Standards for Auditors;**
- **The imposition of other requirements through the Ethical Standards for Auditors (and if so which);**

- **More active corporate governance – e.g. so that non-audit service engagements were required to be pre-approved by the company's board of directors or audit committee;**
- **Better (and more extensive) disclosure in financial statements.**

We do not believe that any change to the current arrangements is required. As noted above, the governance process already in place is robust.

5 In setting the standards relating to auditor independence, do you believe regard should be had to the perceived benefits that are derived by companies from the provision of non-audit services by their auditors?

Yes.

The auditors' knowledge of our business along with their systems reliance means that they can often provide non-audit services more efficiently and more cost effectively than other firms

6 Are there any other views that you would like the APB to take into account?

No.

Please feel free to contact us if you require any further information regarding our response.

Yours sincerely,



Darren Shapland
Chief Financial Officer



Gary Hughes
Chairman of the Audit Committee