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Sir Christopher Hogg  
Corporate Governance Unit  
Financial Reporting Council  
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Aldwych House  
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5 March 2010

Dear Sir Christopher,

I am writing on behalf of the Board of J. Sainsbury plc following a discussion at our most recent Board on the proposed reforms to the UK Corporate Governance Code as set out in the FRC's Final Report dated December 2009.

With one notable exception about the proposed annual election of directors, the Board's view is that the Final Report contains a number of sensible and pragmatic conclusions. We agree that the Code remains fit for purpose and that it is vital that boards focus on the spirit of its underlying principles rather than adopt a tick box approach. The re-emphasis on board behaviours and the respective roles of the chairman and NEDs in a culture of openness and debate is of key importance, and the Board welcomes the focus on board evaluation and the development of directors.

## Annual Election of Directors

- Summary

The Board feels strongly that the proposal to move to any form of annual election is misguided. We believe this might create a recipe for short termism where directors and investors focus on the period leading to the next AGM and that it has the potential to act as a major distraction from driving the long term agenda. We believe that it will be far more constructive for both boards and investors to focus on engagement, communication and transparency all of which have a long term benefit. The Report recognises the importance of these aspects and the proposal to move to annual elections appears inconsistent with them.

- Short Termism

With an annual election, there is a danger that directors could become unduly concerned about their prospects of re-election. At worst, this might lead them to take decisions with which they think shareholders will agree even if they do

not believe they are in the long term interests of the Company. This might happen, for example, where there are issues that board members do not wish to communicate with shareholders because their disclosure might adversely affect the interests of the Company.

- Activists and Major Shareholders

The disproportionate power of activists and major shareholders might also be further accentuated by the process of annual elections. The threat, or perceived threat, from a major shareholder to vote against an individual's re-election could have an undue influence on the behaviour of that individual. Such shareholders, even if not that large, can exert disproportionate influence as directors might be concerned that, with the normal level of abstentions and a few other small votes against, they could lose their jobs. Activist shareholders already exert a good deal of influence – not necessarily in the long term interests of the Company. An annual election process will be grist to their mill. Thus, this move may in retrospect be seen as a charter for mischief making!

- Contracts for Difference

Funds can obtain significant voting power with little outlay through buying contracts for differences. Companies are therefore already subject to a strange form of democracy! Annual elections could exacerbate this issue.

- Fashionable Views

Shareholders can sometimes become taken with fashionable trends of thought, e.g. 'efficient' balance sheets or 'op co./prop. co.' solutions which boards oppose because of concerns about risk. With annual elections, these fashions might become over-influential.

- Instability

All this could create instability in companies rather than a process leading to measured decisions about the Company's best interest. The press would have a field day building up the tension ahead of AGMs. You can imagine frequent headlines of the variety "D-Day at XYZ plc. Whole Board likely to be toppled."

- Attitude of Directors

Directors may well become less committed to their companies if they are only given a commitment by the Company of twelve months. They might also feel less inhibited from moving from one company to another.

- Ability of Listed Companies to Secure Best Talent

Listed companies are in continuous competition not only with each other but also with private companies, particularly those owned by private equity firms, to recruit and retain talented individuals as both executives and non-executive

directors. The risk of losing office every twelve months on the basis of a shareholder vote would be unhelpful for listed companies if they wish to recruit and retain the best individuals.

- Protection of the Companies Act Today

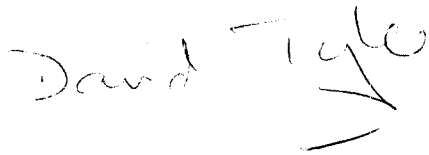
Finally, if Boards are perceived to have behaved badly, there is already a facility for shareholders to bring directors quickly to account. It only requires shareholders holding 5% of the voting rights to demand within 28 days a general meeting with resolutions to remove all or some of the Company's directors. We would question why shareholders need more than this?

- Conclusion

We fully support the principle that boards are accountable to shareholders but we do not believe that an annual election is the way to achieve it. It would bring a number of unintended consequences set out above. Instead, we believe that retaining the three year cycle and encouraging strong relationships with investors is the best means of encouraging long term perspectives.

I would be pleased to arrange a meeting or speak on the telephone on any aspect of this letter if you would find that helpful.

Yours sincerely

A handwritten signature in black ink that reads "David Tyler". The signature is written in a cursive style with a large, sweeping flourish at the end.

**David Tyler**