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Sir Christopher Hogg
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Dear Chris

You wrote to me in April inviting me to set out Sainsbury's views on the impact of the Combined Code. We have, of course, spoken about it quite recently but I thought it might be helpful to you to have something in writing.

My overall view is that the Code provides a sensible governance framework and that there is no need to change it. Generally, the spirit of the Code is sound and we have not been over-burdened by bureaucracy in achieving compliance or making fair disclosure. Since I became Chairman three years ago, we have tried to respond positively both to the spirit and letter of the Code and try to make it work for us. For example, in 2006 we carried out a Board evaluation exercise with external assistance and found that many benefits flowed from it – it enabled us to review the objectives, relationships and priorities for the Board at an early stage in its development following a period of considerable change, and I think it helped the Board to become more effective.

In your consultation paper, you have specifically asked whether the 'comply or explain' approach is working effectively. Over the last three years, we have found that our explanations have been readily accepted by institutional shareholders and representative bodies such as the ABI, although it must be said that our examples of non compliance have all been of a temporary nature, following directors stepping down from the Board.

You also asked whether Annual Report disclosures provide useful information to shareholders at proportionate cost to companies. Our experience is that we have not found the disclosure process to be over burdensome, although it seldom makes for a gripping read. We have attempted to provide specific details on how we apply the principles of the Code, for instance in relation to our Board evaluation exercises and the specific items that the Board and its Committees have focused on during the year. I suspect that the benefit of this is that it provides evidence to our shareholders that we are generally taking governance seriously within Sainsbury's.

If there is any further clarification that I can provide, please do not hesitate to contact me.

Kind regards



Philip Hampton