

# Remuneration report

This report is made by the Board on the recommendation of the Remuneration Committee. The first part of the report provides details of remuneration policy. The second part provides details of the remuneration, pensions and share plan interests of the Directors for the 52 weeks ended 21 March 2009. The Directors confirm that this report reflects the provisions of Schedule 7A of the Companies Act 1985.

A resolution will be put to shareholders at the Annual General Meeting ("AGM") on 15 July 2009 asking them to approve this report.

## Remuneration Committee

The Remuneration Committee is chaired by Bob Stack. The Committee comprises Bob Stack, Anna Ford and Val Gooding, all of whom are independent Non-Executive Directors. The Committee met five times in 2008/09.

Tim Fallowfield, Company Secretary, acts as secretary to the Committee. Philip Hampton, Justin King and Imelda Walsh, Human Resources Director, are invited to attend Committee meetings. The Committee considers their views when reviewing the remuneration of the Executive Directors and Operating Board Directors. They are not involved in discussions concerning their own remuneration.

The responsibilities of the Committee include:

- determining and agreeing with the Board the broad remuneration policy for the Chairman, Executive Directors and the Operating Board Directors;
- setting individual remuneration arrangements for the Chairman and Executive Directors;
- recommending and monitoring the level and structure of remuneration for those members of senior management within the scope of the Committee, namely the Operating Board Directors and any other executive whose salary exceeds that of any Operating Board Director; and
- approving the service agreements of each Executive Director, including termination arrangements.

The Committee's terms of reference are available on the Company's website ([www.j-sainsbury.co.uk/governance](http://www.j-sainsbury.co.uk/governance)).

The Committee is authorised by the Board to appoint external advisers if it considers this beneficial. Over the course of the year, the Committee was advised by Deloitte LLP ("Deloitte") whose consultants attended four of the five Committee meetings and received copies of the relevant papers for all meetings. Deloitte also provided the Company with unrelated advice and consultancy on human resources systems development, direct tax and due diligence. Towers Perrin provided comparative data which was considered by the Committee in setting remuneration levels. Total Shareholder Return ("TSR") calculations are supplied by UBS, who provided broking and banking services to the Company during the year.

## Remuneration policy

The Committee is proud of the ongoing growth and success of the Company during these very challenging market conditions. It continues to believe that the five areas of focus within the Company's strategy (as described in the Business Review) will generate good long-term growth. It is committed to ensuring that the management team is rewarded for continuing to deliver the Company's growth plans and long-term shareholder value.

It remains the Committee's intention, therefore, that Executive Directors' and Operating Board Directors' remuneration should be competitive, both in terms of base salary and total remuneration, taking into account the individual Director's role, performance and experience. This approach is designed to promote the Company's short and long-term success through securing and retaining high calibre executive talent. Basic salary is targeted around the median of the market with an opportunity to earn above median levels of total reward in return for exceptional performance. The Committee has regard to a number of factors as described below in determining Executive Directors' salaries, including the general level of salary increases awarded throughout the Company. A significant proportion of the total remuneration package is performance-related, aligning management's and shareholders' interests. Remuneration policies and practices are designed to create long-term value for shareholders through their alignment with the corporate strategy, key targets and objectives.

## Remuneration review

At the AGM in 2006, shareholders approved an incentive framework which was designed to support the Company's business strategy over the medium to longer term. It was consistent with best practice and comprised the Deferred Annual Bonus Plan with a performance-related share match, and the Long-term Incentive Plan 2006 (the "Value Builder Share Plan").

The framework was developed in order to build on the sales-led recovery plan announced in 2004 by embedding key measures of financial and capital efficiency, as well as supporting strong performance of the core business by delivering quality earnings, growing profits and generating cash for future investments and/or return to shareholders.

In the 2008 Remuneration Report, the Committee indicated its intention to conduct a review of the remuneration policy during the year. This was to ensure that the policy continued to:

- support the Company's long-term strategic goals beyond the four-year business milestones announced in 2004;
- provide a common focus for the top 1,000 managers (from Chief Executive to supermarket store managers) on critical business measures and ensure appropriate alignment of pay and incentive plans from Executive Directors to store manager level; and
- deliver market competitive reward opportunities to a high performing management team.

In addition to the above, the Committee was mindful that total quantum levels should not increase in the current climate.

The review identified the need to revise several aspects of the remuneration framework to maintain its effectiveness.

Although none of the changes necessitates formal shareholder approval, detailed proposals were issued in advance to the Company's main investors and key institutions in respect of the Company's intentions to:

- reduce the combined potential that could previously have been earned through the annual bonus plan and the Deferred Annual Bonus Plan from 300 per cent to 250 per cent of salary for Justin King and from 180 per cent to 160 per cent of salary for Darren Shapland, Mike Coupe and Operating Board Directors, split equally between cash and share-based awards as set out below;
- for 2009/10, retain the performance measures and leave their relative weighting unchanged in respect of the annual bonus plan's cash-based element;

- replace the Deferred Annual Bonus Plan, which is conditional on a single TSR measure, with a deferred share-based award that is governed by a range of key financial and non-financial measures (including TSR) – these strategic measures contribute to the long-term, sustainable growth and success of the Company;
- for 2009/10, reduce awards granted under the Value Builder Share Plan from those made to Executive Directors since 2007, such that the award for Justin King is up to 200 per cent of salary (previously 250 per cent) and 160 per cent of salary for Darren Shapland and Mike Coupe (previously 200 per cent); and
- leave the performance matrix scale and performance conditions for 2009/10 Value Builder awards unchanged, but revise the way in which pension accounting costs are applied to the measurement of the Value Builder Share Plan's performance conditions to smooth out volatility and better reflect the level of cash generated by the Company.

The Committee has ensured that each of the above changes maintains a suitable degree of stretch within the incentive plans. In accordance with the Remuneration Policy, significant out-performance is still required in order for above median levels of reward to be earned. Further details on the above changes are set out in the relevant sections of this report.

#### Components of remuneration

The balance between the fixed (basic salary and pension) and variable (annual bonus and long-term incentive plan) elements of remuneration changes with performance, and the variable proportion of total remuneration increases significantly for increased levels of performance. For median performance, it is anticipated that broadly 60 per cent of total remuneration for Executive Directors will be performance-related in 2009/10.

The main remuneration components for the Executive Directors and Operating Board Directors comprising basic salary, incentive plans, pensions and benefits are set out below:

##### i) Basic salary

Basic salary for each Executive Director is determined by the Committee, taking account of the Director's performance, experience and responsibilities. The Committee also reviews Operating Board Directors' salaries taking similar factors into account. The Committee considers salary levels in comparable companies by referring to relevant pay data in the UK retail sector, in companies with annual sales revenues over £5 billion and also in companies with a market capitalisation of between £3 – £10 billion. This approach ensures that the best available benchmark for the Director's specific position is obtained. When determining Executive Directors' salaries, the Committee also has regard to economic factors, remuneration trends and the general level of salary increases awarded throughout the Company.

The Committee approved the following basic salaries for 2009/10:

- Justin King's basic salary was increased to £900,000 per annum (previously £872,000; 3.2 per cent uplift). This level of award is market aligned and is consistent with the percentage increases awarded for store colleagues and the wider management team.
- Darren Shapland continues to deliver an outstanding individual performance and contribution to the Company in a broad and demanding role and now takes responsibility for three additional areas of store development, procurement and corporate strategy, in addition to his 'normal' CFO duties. The Committee considered that his salary was no longer commensurate with his expanded role and increased experience, and in view of this, as well as market competitive practice, the Committee increased his basic salary to £560,000 per annum (previously £513,000; 9.2 per cent uplift).

- Mike Coupe has become a highly-valued member of and contributor to the Board since his appointment to it in August 2007. His role will expand in 2009/10. Accordingly, his basic salary was increased to £510,000 (previously £487,000; 4.7 per cent uplift).

By way of further context, Executive Directors' basic salaries increased by 2.5 per cent in 2008/09, consistent with the level applied to management and central non-management colleagues.

##### ii) Annual incentives 2008/09

All bonus plans across the Company are aligned under a set of common principles. For 2008/09, Board and management plans retained the same key targets based on profit and sales growth, product availability, plus an element for individual performance.

In 2008/09, a profit 'gateway' measure was introduced rather than a sales gateway as had been applied in prior years, reflecting the increasing emphasis on growing profit. In addition, a higher weighting was applied to the profit measure.

The profit, sales and availability targets were also shared across all store colleague bonus plans. Availability is measured across all stores on a regular basis by an independent third party, conducting random and unannounced store visits.

In determining bonus payments for 2008/09, the Committee took account of performance against each of the plan's measures in addition to individual targets. 2008/09 was a strong year financially for the Company: the profit gateway was exceeded, sales grew well in a challenging climate, and availability in our stores was improved. As such, a bonus ranging between 63 to 66 per cent of the maximum opportunity was awarded to Executive Directors in respect of 2008/09. This compares with a bonus range of 64 to 86 per cent of the maximum opportunity for 2007/08, reflecting the very stretching nature of the profit out performance targets set for 2008/09.

The 2008/09 bonus plan for store colleagues was based on the achievement of sales, availability and customer service targets measured in their individual stores, underpinned by a corporate profit target. As a result of store and corporate performance in 2008/09, around 120,000 colleagues will receive a bonus payment in respect of the 2008/09 financial year totalling around £60 million. This is a higher level of awards than was made in 2007/08, whereby around 117,000 colleagues received a bonus totalling around £47 million.

##### 2009/10

Following the remuneration review, the Company's annual incentive arrangements for 2009/10 will comprise a cash-based element and, for Executive Directors and senior management, a share-based element which carries a further two-year deferral period. The share-based incentive replaces the Deferred Annual Bonus Plan, thereby maintaining the alignment of Directors' and shareholders' interests.

The cash-based element of the annual bonus plan will remain unchanged in terms of its measures and it will continue to incentivise the achievement of stretching profit, sales and availability targets as well as individual performance measures. The greatest weighting of the measures will remain profit and it will again act as the overall 'gateway' target. However, the maximum cash bonus potential that can be earned for 2009/10 will reduce from 150 per cent to 125 per cent of salary in respect of Justin King and from 100 per cent to 80 per cent of salary in respect of Darren Shapland and Mike Coupe.

The share-based element will be launched to cover the top levels of management. It has been designed to reward them for achieving stretching annual targets which contribute to building sustainable, long-term growth of the Company. Share-based awards will be made to participants subject to a basket of key strategic measures which will be aligned under four broad performance categories:

- financial performance;
- returns to shareholders;
- relative performance against peers; and
- strategic goals.

At least one half of the award will be based on the delivery of financial performance (e.g. profit) as well as returns to shareholders. The balance will be based on measures which will assess the Company's performance relative to its competitors (e.g. market share; relative sales growth) as well as key strategic/corporate goals (for 2009/10 these will be linked to the five areas of focus e.g. space targets). In addition, no shares will be awarded unless the profit gateway target (as applied to the cash annual bonus plan) is achieved.

Shares may be awarded with a value of up to 125 per cent of salary for Justin King and 80 per cent of salary for Darren Shapland and Mike Coupe. Performance will be measured over one financial year, but any shares awarded will be deferred for a further two years to ensure that management's interests continue to be aligned with returns to shareholders.

For reasons of commercial sensitivity, the specific details of the targets for the 2009/10 financial year cannot be disclosed in this Report, but further disclosure will be made in respect of these next year. The Committee will review the performance of the targets following the 2009/10 year-end and will confirm the resulting share-based awards. Share awards in respect of that cycle will not be released until after the end of the 2011/12 financial year, and they will be subject to forfeiture if the participant resigns from the Company or is dismissed for misconduct or cause during the two-year deferral period.

### iii) Long-term incentives

Incentive arrangements for Executive Directors in respect of the 2008/09 financial year consisted of the Deferred Annual Bonus Plan and Value Builder Share Plan. Awards earned under each of the incentive plans are non-pensionable. This section describes these plans in detail, together with the J Sainsbury plc Share Plan 2005 (known as the 'Making Sainsbury's Great Again Plan'), which is now closed and no further grants will be made under it. From the 2009/10 grant cycle onwards, only annual grants under the Value Builder Share Plan will continue to be made.

#### Deferred Annual Bonus Plan 2006

Since its introduction, the Deferred Annual Bonus Plan has applied to the top levels of management including Executive Directors and currently comprises around 40 participants in total.

The first deferral took place in June 2007, in respect of the 2006/07 bonus awards and a second deferral was made in June 2008, in respect of the 2007/08 bonus awards. Whilst the Plan (which solely measures TSR performance relative to the peer group set out below) has merits which were supported by the Committee on its introduction in 2006, the Committee believes that these have been limited in the last two years by the takeover approaches in relation to the Company and by consolidation in the retail sector. Accordingly, as a result of the remuneration review the final deferral under the Plan will be made in June 2009, in respect of bonus awards earned for the 2008/09 financial year, and once this has occurred, no further deferrals will be made other than in exceptional circumstances.

Under the Plan, a percentage of the Executive Directors' earned annual bonuses is deferred into the Company's shares for a period of three years. The compulsory deferral for Justin King is 25 per cent of his bonus, with 20 per cent compulsory deferral for Darren

Shapland and Mike Coupe. In addition, Executive Directors may elect to defer a further proportion of their annual bonus, provided it does not exceed their compulsory deferral level. In respect of the 2007/08 bonus award, Justin King decided to defer the maximum level of 25 per cent of his bonus on a voluntary basis. Darren Shapland deferred 20 per cent of his bonus, the maximum allowed on a voluntary basis.

The Plan measures the Company's TSR performance over a three-year period against a bespoke UK and European retail comparator group comprising: Ahold, Carrefour, Casino, Delhaize, DSG International, Home Retail Group, Kingfisher, Marks & Spencer, Metro, Morrisons, Next and Tesco.

Up to two matched shares may be awarded for each share deferred depending on the extent to which the TSR measure is achieved. No shares are awarded for below median performance, and the full match will only apply where the Company achieves first place within the comparator group. At median position the match will be 0.5 shares for each deferred bonus share and the share match will be pro-rated at every position between median and first place.

To the extent that the performance condition is met at the end of the three-year performance period, the matched shares will be added to the deferred bonus shares. The deferred bonus shares and half of the matched shares can be accessed immediately, while the remainder will be held over for a further year. Dividends or their equivalents will accrue on shares that vest.

#### Long-term Incentive Plan 2006

The top 1,000 managers in the Company participate in this Plan (known as 'the Value Builder Share Plan'), from the Chief Executive to supermarket store managers, and share common performance measures.

Under the Plan a core award of shares in the Company is granted to all participants, calculated as a percentage of their salaries and scaled according to grade. As set out below, dependent upon performance, core awards can grow by up to four times. No awards vest for performance below the threshold levels.

Following the remuneration review, the Committee has determined that for 2009/10, it will:

- reduce long-term incentive awards under the Plan from those made since 2007. A core award of 50 per cent of salary will be granted to Justin King and of 40 per cent of salary to both Darren Shapland and Mike Coupe. This is compared to core awards of 62.5 per cent and 50 per cent of salary allocated to Justin King, and Darren Shapland and Mike Coupe, respectively, in both 2007 and 2008;
- leave the performance matrix scale and performance conditions unchanged (subject to the revisions below); and
- calculate cash flow per share by using the actual cash contributions in respect of future service benefits that are made to its pension schemes (both defined contribution and defined benefit arrangements), rather than apply the non-cash IAS 19 driven actuarial numbers. Additionally, any pension surplus/deficit will be excluded from the calculation of capital employed. This approach will better reflect the level of cash generated by, and the capital base of, the Company, as well as mitigate any volatility.

As in prior years, the vesting of awards is based on the performance of two stretching co-dependent performance conditions: Return on Capital Employed ("ROCE") and a cash flow per share measure, both of which are assessed over a three-year performance period. There is no retesting.

These measures are designed to continue to build on the sales-led recovery plan and focus on creating further shareholder value. ROCE measures the efficiency with which new cash is invested and

through which existing capital delivers profit, driving both cost savings and operational efficiencies. Cash flow per share captures the Company's operational efficiency as well as the Company's ability to generate cash for future investment or return to shareholders. The Plan's measures are key indicators of business success and therefore create a further direct link between the interests of management and shareholders.

No awards will vest unless threshold ROCE and cash flow per share targets are achieved. The performance measures are reviewed each year by the Committee, before a new grant is made, to ensure that they remain relevant and stretching.

ROCE is calculated based on shareholders' proportion of underlying operating profit for the business, including our share of underlying profit arising from joint ventures. The capital employed figure excludes the one-off impact of capital spend in the year the calculation is made.

Total cash flow per share is calculated at the end of the performance period from two components:

- the underlying cash operating profit or loss for the business before depreciation and amortisation, less interest and taxes (adjusted to strip out the impact of one-off items) in the final year of the performance period. This reflects the Company's improved ability to generate sustainable cash flows; plus
- the improvement in normalised working capital over the performance period. This reflects the Company's aggregate contribution to cash from improvements in working capital over the three-year period.

These components are then added and expressed as a per share figure. The improvement in total cash flow per share is expressed as a percentage of cash operating profit per share in the base year and is annualised.

The working capital element will be capped so as not to comprise more than one-third of the total cash flow per share figure (the two components being considered on an absolute basis).

Vesting is calculated by applying a performance multiplier to the core award on a sliding scale up to four times. The performance matrix applying to Value Builder awards that will be made in 2009 is set out below. Straight-line vesting will be carried out if performance falls between two points.

ROCE	Total cash flow per share percentage				
	3%	6%	9%	12%	15%
15%	1.5	2.5	3.0	3.5	4.0
14%	1.0	1.5	2.5	3.0	3.5
13%	0.5	1.0	1.5	2.5	3.0
12%	-	0.5	1.0	1.5	2.5
11%	-	-	0.5	1.0	1.5

Performance will be measured at the end of the performance period. If the required level of performance has been reached, 50 per cent of the award will be released at the end of year three. Subject to participants remaining in employment for a further year, the balance will then be released.

The Committee has discretion to make adjustments to the calculation of the performance measures (for instance for material acquisitions and disposals) to ensure it remains a true and fair reflection of performance. Dividends will accrue on the shares that vest in the form of additional shares.

Performance will be tested in May 2009 in respect of the Value Builder Share Plan grant made in 2006/07.

#### J Sainsbury plc Share Plan 2005

Following extensive investor consultation, the J Sainsbury plc Share Plan 2005 (known as the 'Making Sainsbury's Great Again Plan') was designed to reward strong growth in sales and profitability. It is a one-off, self-funded incentive arrangement and was closed to new entrants on 25 March 2006.

Over 1,000 colleagues received conditional core awards under this Plan, from the Chief Executive through to supermarket store managers, focused on identical targets. The levels of core award were scaled according to seniority; the maximum being 100 per cent of salary for the Chief Executive. In addition, all Executive Directors and Operating Board Directors committed to making a personal investment of 50 per cent of salary in the Plan – accordingly Justin King, Darren Shapland and Mike Coupe acquired 118,754, 70,224 and 73,891 shares respectively.

Performance is measured over a four-year period from the financial year ended 26 March 2005 until the year ending 21 March 2009. Awards would vest if two stretching and co-dependent performance conditions were achieved: growth in sales and earnings per share ("EPS"). No awards would vest unless threshold levels of growth in both sales and EPS were achieved.

The maximum award available under the Plan was targeted towards sales growth of £2.5 billion (using a base figure of £13,588 million), and compound annual growth in EPS of at least 21 per cent over a four-year period. There was an opportunity for partial vesting of up to half the award if accelerated performance targets had been met at the end of year three (the 52 weeks ended 22 March 2008).

Vesting is calculated by applying a performance multiplier to the core award and personal investment; this is on a sliding scale from one times to five times and is plotted in a matrix format, as set out on page 86. Dividends accrue on any shares that vest and will be released to participants in the form of additional shares at the point of vesting.

Performance was tested in May 2008 and each of the three-year targets was exceeded and, in accordance with the accelerated vesting provisions, half of the awards were available for exercise. The number of shares awarded to Justin King, Darren Shapland and Mike Coupe is set out on page 38.

The Plan's four-year performance targets will be tested in May 2009 covering the period to 21 March 2009. It is expected that full vesting will occur and, in accordance with its maturity vesting provisions, the remaining awards will be released in full.

#### iv) Other share plans

In order to encourage wider employee share ownership, the Company provides two all employee share plans for colleagues, namely the Savings Related Share Option Scheme ("SAYE") and the All Employee Share Ownership Plan. Executive Directors may participate in these plans in the same way as all other colleagues and Justin King and Darren Shapland currently participate in both plans. As these are all employee plans there are no performance conditions. The Committee approves the adoption or amendment of these plans and any awards under these plans to the Executive Directors.

The 2003 (five-year) SAYE reached maturity on 1 March 2009. Around 7,000 colleagues could use their savings and tax-free bonus to buy Sainsbury's shares at the 241.0 pence option price. The 2005 (three-year) SAYE matured at the same time and a further 3,000 colleagues could use their savings and tax-free bonus to buy Sainsbury's shares at the 231.0 pence option price. Using the market price on the date of the first exercise, the value of all the shares subject to the maturity was in excess of £20 million. The Company currently has over 25,400 colleagues participating in the SAYE with over 50,700 individual savings contracts.

In 2003, the Company awarded free shares under its All Employee Share Ownership Plan to all colleagues who had one financial year's service. These shares were held in a trust for five years and on 4 June 2008, 1.4 million shares were released to 39,600 colleagues. In August the Company introduced a matching element to the partnership element of the All Employee Share Ownership Plan on a buy four get one free basis for one year. These matching shares must be held for five years to receive all of the relevant tax benefits and will be forfeited if the individual resigns from the Company within the first three years. Justin King and Darren Shapland have received 75 matching shares during the year.

**v) Pensions**

The Company's Defined Benefit Pension Plan was closed on 31 January 2002 and, as such, Justin King, Darren Shapland and Mike Coupe do not participate in it. For 2008/09, Justin King and Mike Coupe received pension supplements of 30 per cent of salary and 25 per cent of salary, respectively, in lieu of pension plan participation.

Darren Shapland participated in the JS Self Invested Pension Plan, a defined contribution arrangement which is open to all senior management, until 10 August 2008. Prior to this date, he contributed five per cent of his salary up to the Company's earnings cap (2008: £117,600) whilst the Company contributed 12.5 per cent of salary up to the cap; a salary supplement equal to 25 per cent of his pensionable salary over the cap was paid to him. Upon his withdrawal from the Plan, he received a pension supplement equal to 25 per cent of his full salary.

**vi) Benefits**

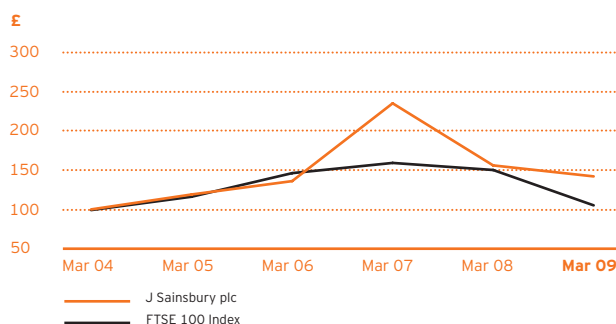
Other benefits for Directors include the provision of company car benefits, life assurance, colleague discount and private medical cover.

**Shareholding guidelines**

To create greater alignment with the interests of shareholders and to be consistent with one of the objectives of the incentive framework, the Committee has proposed that all Executive Directors and Operating Board Directors should build up a shareholding in the Company over a five-year period starting from 2006/07 that is equal to their annual basic salary, and maintain it thereafter. At the year-end, Justin King held 548,962 shares, Darren Shapland held 442,355 shares and Mike Coupe 410,878 shares, in addition to their share scheme grants. At the year-end, based on the year-end share price, this represented 197 per cent, 270 per cent and 264 per cent of salary respectively.

**Performance graph**

The graph below shows the TSR performance of an investment of £100 in J Sainsbury plc shares over the last five years compared with an equivalent investment in the FTSE 100 Index. This has been selected to provide an established and broad based index.



**Service contracts**

Justin King has a service contract which can be terminated by either party by giving 12 months' written notice. If his service contract is terminated without cause, the Company can request that he works his notice period or takes a period of garden leave, or can pay an amount in lieu of notice equal to one times basic salary for the notice period plus 75 per cent of basic salary in lieu of all other benefits including pension and bonus. In addition, if he is dismissed within six months of a change of control the above sum will become payable. The contract contains restrictive covenants, which continue for 12 months after termination.

If Darren Shapland's or Mike Coupe's service contracts are terminated without cause, the maximum payment they would receive would be equal to one times basic salary for the 12 month notice period plus 50 per cent of basic salary in lieu of all other benefits. They are required to mitigate their losses and would receive phased payments, which would be reduced or terminated if they secured alternative employment during the notice period. Their contracts also contain restrictive covenants, which continue for 12 months after termination. The contracts do not contain any specific provisions relating to change of control.

The Executive Directors' service contracts became effective on the following dates:

	Contract date
Justin King	29 March 2004
Darren Shapland	1 August 2005
Mike Coupe	1 August 2007

**Chairman**

The Chairman does not have a service contract. His letter of appointment became effective on 19 July 2004. He was appointed for an initial term of three years renewable on a 12 month rolling basis thereafter by mutual consent. His appointment may be terminated at any time upon six months' written notice from either party. He devotes such time as is necessary to perform his duties. The Chairman's fees have remained unchanged since his appointment in 2004.

The Chairman does not participate in any performance related incentive plans.

**Non-Executive Directors**

Non-Executive Directors do not have service contracts. They are appointed for an initial three-year period, which may be extended for a further term by mutual consent. The initial appointments and any subsequent re-appointments are subject to election or re-election by shareholders. Their appointments may be terminated on three months' notice from either side.

Non-Executive Directors are paid a basic fee in cash of £50,000 per annum with additional fees of £10,000 per annum being payable to the Senior Independent Director and to the Chairmen of the Audit, Remuneration and Corporate Responsibility Committees. The fees are reviewed annually by a sub-committee of the Board, consisting of the Chairman and one or more Executive Directors, which takes into account market rates and the specific responsibilities and time commitments of the role within Sainsbury's and were last increased in March 2007. They will be reviewed in the autumn. Non-Executive Directors do not participate in any performance related incentive plans.

The Non-Executive Directors' letters of appointment became effective on the following dates:

	Appointment date
Anna Ford	2 May 2006
Val Gooding	11 January 2007
Mary Harris	1 August 2007
Gary Hughes	1 January 2005
John McAdam	1 September 2005
Bob Stack	1 January 2005

The following section provides details of the remuneration, pension and share plan interests of the Directors for the 52 weeks ended 21 March 2009 and has been audited.

**i) Directors' remuneration**

The remuneration of the Directors for the year was as follows:

	Note	Salary/fees £000	Bonus <sup>3</sup> £000	Pension supplement <sup>4</sup> £000	Benefits <sup>5</sup> £000	Total <sup>6</sup> 2009 £000	Total <sup>6</sup> 2008 £000
Justin King	1, 7	872	869	262	45	2,048	2,176
Mike Coupe	2	487	311	122	17	937	694
Darren Shapland		513	321	117	16	967	1,042
Philip Hampton		395	-	-	1	396	396
Anna Ford		60	-	-	-	60	60
Val Gooding		50	-	-	-	50	50
Mary Harris	2	50	-	-	-	50	33
Gary Hughes		60	-	-	-	60	60
John McAdam		60	-	-	-	60	60
Bob Stack		60	-	-	-	60	60
Payments made to Directors who left the Board before the start of the financial year						-	-
<b>Total 2009</b>		<b>2,607</b>	<b>1,501</b>	<b>501</b>	<b>79</b>	<b>4,688</b>	
Total 2008		2,379	1,773	423	56		4,631

- Highest paid Director.
- Appointed to the Board on 1 August 2007. Total remuneration in 2008 pro-rated accordingly.
- Includes performance bonuses earned in the period under review but paid following the end of the financial year.
- Justin King is not a member of the Company pension schemes and received 30 per cent of his basic salary as a cash pension supplement. In addition to this supplement, £3,000 (2008: £4,000) of interest has been earned on a notional fund during the year from his previous membership of the Executive Stakeholder Pension Plan. Mike Coupe is not a member of the Company pension schemes and received 25 per cent of his basic salary as a cash pension supplement. Darren Shapland was a member of the Executive Stakeholder Pension Plan until 10 August 2008. Contributions to the Stakeholder Plan by the Company in 2008/09 in respect of his membership were £5,650 (2008: £14,100). He received a cash pension supplement equal to 25 per cent of the amount by which his salary exceeded the Company's earnings cap (2008: £117,600) until that date, and a supplement of 25 per cent of his basic salary thereafter.
- Benefits include company car benefits and private medical cover.
- The totals for 2008 and 2009 (in the case of Darren Shapland) do not include deductions made from basic salary for Saving Money and Reducing Tax ("SMART") pensions.
- The Company allows Executive Directors to take up one public company non-executive role outside the Company subject to a consideration of the role and the time commitment. Directors are entitled to retain the fees earned from such an appointment. Justin King was appointed a Non-Executive Director of Staples, Inc. on 17 September 2007. He received US\$75,000 for his services during 2008/09. He received no stock options. In 2008 he received US\$43,750 from Staples, Inc. He also received 6,414 restricted stock units which vest between March 2009 and December 2010. In addition he received 48,199 Stock Options, 16,699 of which vest in March 2009 with the remainder vesting 25 per cent per annum.

**ii) Long-term incentive plans**

**J Sainsbury plc Share Plan 2005**

The table below shows the conditional awards granted under this Plan, which would be released if the Company achieves maximum vesting.

	Date of grant	Core share award	Personal investment	Share price at date of award pence	Number of options released 14 May 2008 <sup>2</sup>	Number of dividend shares allocated 20 May 2008 <sup>3</sup>	Maximum share award to vest on 13 May 2009 <sup>1,2,4</sup>	Second exercise date <sup>2</sup>	Last exercise date
Justin King	24.03.05	237,508	118,754	293.0	831,278	66,965	831,278	13.05.09	23.03.10
Darren Shapland	01.08.05	102,558	70,224	280.5	396,843	31,968	396,843	13.05.09	23.03.10
Mike Coupe	24.03.05	118,226	73,891	293.0	443,347	35,715	443,347	13.05.09	23.03.10

- The maximum share award excludes the personal investment shares acquired by the Directors, which must be held for the duration of the Plan. It assumes full vesting.
- Performance was tested against the accelerated performance targets in May 2008 and the awards vested in full and, in accordance with the accelerated provisions, half of the award vested. Performance will be measured in May 2009 and it is expected that awards will vest in full.
- The value of the dividend which would have been received on newly available shares has been divided by a five-day average share price from 14 to 20 May 2008 to calculate the number of dividend shares to be allocated.
- The performance conditions attaching to the award are sales and EPS targets. Further information is provided on page 86.
- The J Sainsbury plc Share Plan 2005 is a nil cost option plan. The exercise price is nil.

The following table shows the options that vested in May 2008 as a result of the accelerated performance targets being met in full.

	Number of options released during the year	Number of options exercised during the year	Mid market price on date of exercise pence	Gains on option exercises £000	Lapsed during the year	Number of options held 21 March 2009	Exercise price pence	Date from which exercisable	Date of expiry
Justin King	898,243	-	-	-	-	898,243	nil	14.05.08	23.03.10
Darren Shapland	428,811	428,811	296.25	1,270	-	-	nil	-	-
Mike Coupe	479,062	479,062	298.5	1,430	-	-	nil	-	-

Darren Shapland retained 252,729 shares arising out of this release; the remainder was used to fund the income tax and national insurance charge relating to the release. Mike Coupe retained 282,346 shares arising out of this release; the remainder was used to fund the income tax and national insurance charge relating to the release. Market price on vesting date 374.5 pence.

**Long-term Incentive Plan 2006**

The table below shows the conditional awards granted under this Plan, which would be released if the Company achieves maximum vesting.

	Date of grant	Maximum share award <sup>1</sup>	Share price at date of award pence	First exercise date	Last exercise date
Justin King	13.07.06	390,424	334.0	13.05.09	12.05.11
	20.06.07	380,844	583.5	12.05.10	11.05.12
	28.05.08	630,876	352.0	11.05.11	10.05.13
Darren Shapland	13.07.06	188,480	334.0	13.05.09	12.05.11
	20.06.07	179,220	583.5	12.05.10	11.05.12
	28.05.08	296,916	352.0	11.05.11	10.05.13
Mike Coupe	13.07.06	186,384	334.0	13.05.09	12.05.11
	20.06.07	163,092	583.5	12.05.10	11.05.12
	28.05.08	281,868	352.0	11.05.11	10.05.13

1 The maximum share award assumes full vesting.

2 The performance conditions attaching to the award are return on capital employed and growth in cash flow per share. Further information is provided on page 87.

3 The Long-term Incentive Plan 2006 is a nil cost option plan. The exercise price is nil.

4 There were no exercises or lapses under this Plan during the year.

**Deferred Annual Bonus Plan**

The table below shows the maximum number of shares conditionally allocated to participants and what would be released to them in the form of nil cost options if the Company achieves maximum vesting.

	Date of grant	Deferred bonus share award	Maximum matching share award <sup>1</sup>	Share price at date of award pence	First exercise date	Last exercise date
Justin King	20.06.07	86,026	172,052	583.5	22.03.10	22.03.12
	20.06.08	158,042	316,084	325.75	21.03.11	21.03.13
Darren Shapland	20.06.07	29,033	58,066	583.5	22.03.10	22.03.12
	20.06.08	52,043	104,086	325.75	21.03.11	21.03.13
Mike Coupe	20.06.07	21,294	42,588	583.5	22.03.10	22.03.12
	20.06.08	18,292	36,584	325.75	21.03.11	21.03.13

1 The maximum matching share award is the maximum award that would become exercisable provided that the Company achieves first position within the comparator group of namely Ahold, Carrefour, Casino, Delhaize, DSG International, Home Retail Group, Kingfisher, Marks & Spencer, Metro, Morrisons, Next and Tesco. The Company's relative performance is determined by reference to total shareholder return.

2 There were no exercises or lapses under this Plan during the year.

3 The exercise price is nil.

**iii) Saving Related Share Option Scheme ("SAYE")**

At the end of the year, the Directors' SAYE share options were as follows:

	Number of options 23 March 2008	Number of options granted during the year	Number of options exercised during the year	Mid-Market price on date of exercise pence	Gains on option exercise £000	Number of options lapsed during the year	Number of options 21 March 2009	Weighted average exercise price pence	Date from which exercisable	Date of expiry
Justin King	6,969	-	-	-	-	-	6,969	231.0	01.03.11	31.08.11
Darren Shapland	2,881	-	-	-	-	-	2,881	328.0	01.03.10	31.08.10
Mike Coupe	4,047	-	4,047	293.5	3	-	-	231.0	-	-

The Savings Related Share Option Scheme is an all employee share option scheme and has no performance conditions as per HMRC Regulations.

In the period from 23 March 2008 to 21 March 2009, the highest mid-market price of the Company's share was 398.75 pence and the lowest mid-market price was 240.0 pence and at 21 March 2009 was 313.0 pence.

**iv) Directors' interests**

The beneficial interests of the Directors and their families in the shares of the Company are shown below:

	Ordinary shares <sup>1</sup> 23 March 2008	Ordinary shares <sup>1</sup> 21 March 2009	Ordinary shares 12 May 2009 <sup>2</sup>
Mike Coupe	98,870	410,878	410,878
Justin King	390,383	548,962	549,051
Darren Shapland	137,253	442,355	442,443
Anna Ford	1,000	1,000	1,000
Val Gooding	1,320	1,320	1,320
Philip Hampton	25,000	25,000	25,000
Mary Harris	5,000	5,000	5,000
Gary Hughes	18,246	21,510	21,510
John McAdam	1,000	1,000	1,000
Bob Stack <sup>3</sup>	2,800	2,800	2,800

1 Ordinary shares are beneficial holdings which include the Directors' personal holdings and those of their spouses and minor children. They also include the beneficial interests in shares which are held in trust under the Sainsbury's Share Purchase Plan.

2 The totals above for Justin King, Darren Shapland and Mike Coupe include the deferred annual bonus shares purchased under the Plan, which have to be held until the end of the performance period. See page 39 for further information.

3 Held in the form of 700 American Depository Receipts.

4 Includes shares purchased under the Sainsbury's Share Purchase Plan between 21 March 2009 and 12 May 2009.

5 The Executive Directors are potential beneficiaries of the Company's employee benefit trust, which are used to satisfy awards under the Company's employee share plans, and they are therefore treated as interested in the 9.7 million shares (2008: 22.4 million) held by the Trustees.

Approved by the Board on 12 May 2009

**Bob Stack**

Chairman of the Remuneration Committee