

Ms Rachel Reeves MP  
Chair of the Business, Energy and Industrial Strategy Select Committee  
House of Commons  
London  
SW1A 0AA

18 May 2018

Dear Ms Reeves

Thank you for your letter of 2 May in your capacity as the Chair of the Business, Energy and Industrial Strategy Select Committee concerning the proposed combination of Sainsbury's and Asda Group Limited. I wanted to provide answers to your questions directly:

### **Timeline on job losses and head office commitments**

The proposed combination will help build an even stronger Asda, better able to deliver lower prices for consumers, while maintaining our own separate and distinctive brand. In making Asda a stronger business, let me be clear that this is most certainly not built on any logic of job losses or store closures. In addition, we are absolutely dedicated to having our head office in Leeds. This was an assurance we gave to Leeds City Council on the day of the announcement.

We have no plans to close any stores as a result of this combination of businesses. The deal however will be subject to review by the Competition and Markets Authority (CMA) and they may propose store divestments. However in such a scenario our expectation is that the divested store is expected to continue to trade under a new owner so still securing jobs and local competition. Our starting point is no divestments but we accept the CMA will be considering this point in the fullness of time. We anticipate that the process will take us into the second half of 2019.

That said, given the time that will elapse until 2019, no responsible business leader can provide an absolute guarantee over precise workforce levels over such a period, particularly given the pace of change the retail sector has seen in recent years. We have a highly talented and dedicated team at Asda, and I can assure you that we do not anticipate any job losses or redundancies as a result of the proposed combination. Since the announcement, I have made myself available to colleagues across the business and have held Q&A sessions to allow for feedback and reassurances.

### **Scope for greater efficiencies**

Lowering the cost of everyday essentials for our customers is at the heart of Asda's strategy – which customers are already responding to positively – and if the deal is approved it would accelerate that. When we get it right for customers, volume growth follows and that's a great opportunity for our suppliers to grow as we grow.

As volumes grow, there will inevitably be economies of scale, especially for suppliers who currently supply Asda and Sainsbury's with the same goods.

We remain committed to growing and innovating with our small supplier community, and expect this will have a positive impact on UK farmers. As an organisation in a competitive environment, we always look for efficiencies to pass savings onto customers, and this will continue.

**Discussions with suppliers and the Groceries Code Adjudicator**

On the day of the announcement, we contacted the Groceries Code Adjudicator and all suppliers as soon as we were able to do so.

We have a strong commitment to the Groceries Supply Code of Practice (GSCoP). The number of supplier issues reported in our annual statutory GSCoP compliance report has halved year on year and represent a very small percentage of total supplier interactions. We are committed to maintaining positive and professional relationships with all our suppliers and that will not change.

I do understand that there will be questions as this process moves forward, and while I do not feel it is appropriate to pre-empt or comment on the CMA's process, I remain open to answering any questions that you or the committee should have.

Yours sincerely



**Roger Burnley**  
Chief Executive Officer  
Asda Stores Ltd.