

19 March 2008

Chris Hodge
Financial Reporting Council
Email: codereview@frc.org.uk

Dear Chris

2007 review of the Combined Code: consultation on proposed changes to the code

Thank you for the opportunity to comment on this consultation paper. CIMA, the Chartered Institute of Management Accountants, is the only international accountancy body with a sole focus on business. It is a world leading professional institute that offers an internationally recognised qualification in management accounting and the delivery of sustainable value for both the private and public sectors. With 164,000 members and students in 161 countries, CIMA is committed to upholding the highest ethical and professional standards of its members and students.

Our comments are based on the views of CIMA's Technical Committee with input from our FTSE350 Group. The latter is a virtual group which comprises CIMA members who sit on FTSE350 boards of directors.

Chairing more than one FTSE 100 company

Our respondents' views on the proposal to remove the restriction on chairing more than one FTSE100 company were mixed. One view was that the job of chairman has become increasingly demanding. In particular, when difficult issues arise, the time and focus required by the chairman can be very intense. If an individual held more than one major chairmanship and serious issues developed at the same time, the distractions would be potentially unsatisfactory for both the company and the individual. Another similar view was that the role requires a substantial time commitment, some of which is unpredictable and at short notice. From these perspectives, the restriction on holding more than one chairmanship is justified.

However, the view was also expressed that the restriction should be removed, arguing that it was a matter for the board and shareholders to decide, based on the particular circumstances.

On balance, we believe that a more appropriate solution would be to replace, rather than remove the current wording in provision A.4.3 of the code as follows:

Current wording

No individual should be appointed to a second chairmanship of a FTSE100 company.

Proposed revised wording

An individual should only be appointed to a second chairmanship of a FTSE100 company after careful consideration of all the relevant issues impacting on the required time commitment and the need to handle crises. If a board decides to appoint a chairman who already holds a FTSE100 chairmanship, the board should consult major shareholders in advance and should set out its reasons to shareholders at the time of the appointment and in the next annual report.

This, or similar wording, would emphasise the point that while a second FTSE 100 chairmanship was permitted, it was not a decision to be taken lightly and without particular attention to the circumstances. A second chairmanship should not be regarded as the norm, but rather an

exceptional circumstance that needs to be justified in the same way as a company that decides to combine the roles of chairman and chief executive. If the current restriction were simply removed, we do not believe that provision 4.3 is strong enough to meet the objective of ensuring that the chairman has enough time available to do the job properly.

Company chairman sitting on audit committee for smaller companies

CIMA welcomes the proposed changes to allow a company chairman outside the FTSE350 to sit on, but not chair, the audit committee in addition to the independent non-executive directors, provided he or she was considered independent on appointment. A number of respondents pointed out that chairmen often attend the audit committee and that it is therefore better for the code to reflect what actually happens in practice.

I trust that these comments will prove helpful in your deliberations and CIMA looks forward to supporting the further development of good governance practice in the UK.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Charles Tilley', written in a cursive style.

CHARLES TILLEY
Chief Executive