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Dear Chris

2007 Review of the Combined Code: consultation on proposed changes

In response to the FRC's request for comments on the two proposed changes to the Code, we make the following observations:

Removal of the restriction on an individual chairing more than one FTSE 100 company

We are not fully convinced of the benefits of removing this restriction. On the one hand, it seems reasonable that Boards, nomination committees and individuals should decide whether a Chairman's commitments allow them to perform effectively taking into account the specific demands of the different roles. On the other hand, there are certain risks connected with a chairman chairing more than one FTSE 100 company. Apart from the obvious one of whether in fact the chairman is unable to devote enough time on a continuing basis, there is the question of what happens in the event that a "crisis" situation develops in both companies at the same time. In these circumstances, it is unlikely that it would be possible for the chairman give sufficient attention to both companies. In either or both, there is a significant risk that shareholders' interests are not looked after to the fullest extent possible.

While the current provision may be felt to be unnecessarily restrictive, it serves a purpose by highlighting the risks involved with a chairman being spread too thinly. We feel it would be better to retain the provision and so require companies to explain in the event of non-compliance. This will help ensure that the full consequences and risks are fully considered before the board decides to follow the route of non-compliance.

If the provision were to be removed, we recommend that detailed guidance should be given to help boards think through the issues to be considered so that the risks and implications are well understood.

Amending provision C.3.1 to allow the chairman to be a member of the audit committee for companies outside the FTSE 350

We are in favour of this change. Small to medium-sized companies are often constrained by the limited size of their boards and have fewer independent directors from which to appoint committee members. Especially where they also have remuneration and nomination committees, as a result it is difficult to spread committee work reasonably across a

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few independent directors whilst also maintaining committees of an effective size and in line with the minimum membership levels set out in the Code. We do not believe that, in smaller companies, having the company chairman as a member of the audit committee would reduce the effectiveness of the committee or undermine the position of the committee chairman. However, there is a risk that the distinction between the audit committee's role and work and that of the board could become blurred, especially if the CEO also attends the audit committee. We suggest, therefore, that the need to guard against this be reflected in the guidance.

Yours sincerely

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