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NW/DMcP/LK

Chris Hodge  
Corporate Governance Unit  
Financial Reporting Council  
Fifth Floor  
Aldwych House  
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Dear Mr Hodge

### Consultation on revised UK Corporate Governance Code

I am writing to respond to your recent consultation on changes to the Code. I am conscious that the consultation has now formally closed; however having discussed one specific issue, namely annual re-election of the Chairman or the entire Board, at our recent Board meeting we did feel that it was important that we make the views of Alliance Trust PLC known to you and I hope that you will be able to take these on board.

By way of background, Alliance Trust PLC is the UK's largest generalist investment trust. A self-managed trust, we invest primarily in quoted equities in the UK and overseas, with net assets of some £2.6bn. We are listed in London and are a FTSE-100 company. Through our banking subsidiary, Alliance Trust Savings, we also administer some £5bn of assets on behalf of over 50,000 clients. We therefore look at this and other governance issues from both the perspective of an investor and as a listed company.

While we are generally supportive of the work of the FRC in strengthening corporate governance for UK companies, and welcome most of the recommendations in your consultation as positive in this regard, we take a different view on the issue of annual re-election. Put simply, we do not believe that any persuasive case has been put forward for either of the options on which you are inviting comments. While we are aware that a number of companies have chosen to adopt this practice on a voluntary basis we do not believe that this development will not produce any meaningful benefit for UK companies or their investors. Where investors have concerns over the effectiveness of the Board they already have a number of options open to them to express those concerns, either through advisory votes on the annual report and/or the remuneration report or requisitioning of resolutions through the mechanisms provided in the Companies Act.

Rotational re-election of directors on a three-yearly basis does ensure that there is a mechanism for regular review of the contribution of directors, both by the Board through its evaluation of all directors and in particular the positive confirmation of those who will stand in any given year, and also by shareholders where they have particular concerns. Moving to annual re-election will have a number of disadvantages:

- It implies a more short-term perspective at a time when it is more important than ever that companies focus on the creation of long-term shareholder value
- In most cases, except where there are particular concerns, it will add to the "boilerplate" around the AGM process which detracts from the opportunities which AGMs offer for engagement with shareholders
- If applied to the full Board it does create the risk that a company could be left with no directors at the time of a crisis

- If applied to the Chairman only, it does undermine the collegiate nature of the unitary Board and the responsibility of all directors to shareholders.

For these reasons we do not feel able to respond in support of a "least worst" option as is suggested in the consultation. The fact that no compelling case has been made for one or other option supports our view that neither will enhance existing corporate governance in a meaningful way. We are also aware that it would be open to companies to "explain" rather than "comply", but in practice expect few companies to adopt this option given the likely reaction of those bodies which adopt a "box-ticking" approach to corporate governance.

I hope that you will be able to take these views into consideration when you reach a conclusion on this issue.

Yours sincerely



Lesley Knox  
Chairman