

From the Office of the Chairman

Richard L Olver FREng

4th March, 2010

Chris Hodge
Corporate Governance Unit
Financial Reporting Council
Fifth Floor
Aldwych
71-91 Aldwych
London WC2B 4HN

Dear Mr Hodge,

Consultation on the Revised UK Corporate Governance Code

I write in response to the FRC's Consultation on the Revised UK Corporate Governance Code issued in December last year.

I think that Sir David Walker's report on the banking industry was well researched and I broadly support his recommendations as they can be applied to the non-financial sector. There is never room for complacency and we should learn from experience and continue to improve the way we run companies. Therefore, I very much welcome the review of the UK Corporate Governance Code that the FRC has undertaken. In particular, I welcome the increased focus on the Main Principles in the Code and the overall approach in looking for more insightful and informative reporting against these. This recognises that the effective working of a board is far too complex to be appreciated and understood through the simply application of 'tick-box' provisions.

The specific areas in your consultation that I wish to comment on are as follows:

Evaluation

Based on my own experience, I support the proposal to include a requirement in the Code that boards should use an external facilitator as part of their performance evaluation processes. Since 2004 the BAE Systems board has used an external facilitator for its annual performance evaluations and have found she has added real value to this exercise. We have used her to analyse how we work as a board and individually, and the feedback from this process has been of genuine help in ensuring that we are effective in discharging our duties.

Re-election

Again, I have had experience of this having been a non-executive member of the Reuters board when it chose to adopt the practice of all directors standing for annual re-election. I certainly believe that shareholder voting on the continued appointment of a company's directors is a powerful asset that underwrites the relationship between board and shareholders. It is a finely balance decision between annual re-election of the chairman and annual re-election of the whole board but I do see particular advantages in the latter – including that fact that there would no longer be the need for a separate requirement concerning annual re-election for non-executive directors who had served for more than nine year.

I hope that the above is of assistance in your final deliberations on the proposed changes to the Code.

Yours sincerely,



DICK OLVER
Chairman