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

Dear Mr Hodge

Response to FRC's Consultation on the revised UK Corporate Governance Code (the "Code")

Further to our submission in May 2009, we wish to make the following observations concerning the draft revised Code.

Overall, we support the changes proposed to the Code, including re-naming of the Code. The other proposed structural changes are welcomed, and in particular, the new focus on board behaviours and the change in emphasis that non-compliance is an acceptable option provided it is properly explained. The principles-based approach is also certainly preferred to a more prescriptive reporting regime.

Proposed changes to the Code wording

B.1.1: We would support a removal of the current nine-year rule from the independence criteria listed in the Code. Our feeling is that this is largely an arbitrary period of time. From our experience, there is no evidence to support an assertion that a non-executive director, with nine years service, has compromised his independence of "character and judgment". It is the contribution at the board table, and the value added to the company, which are of the greatest importance.

In our view, there is adequate provision made in the Code for boards to be refreshed, but where a non-executive director has been in place for a period longer than nine years, it is our view this does not impact on his ability to be an effective and independent voice on matters coming forward to the board.

One of the chairman's key roles is to assess whether a non-executive director remains independent irrespective of the length of his or her tenure. This is not something that should only be considered once the nine year period has elapsed but should be part of a continuing assessment.

B7: We do not support either of the current options. Our very strong preference instead is to maintain the status quo (ie re-election every three years). There are a number of reasons why we very much prefer this approach.



The Code refers to the Board being collectively responsible for the **long-term** success of the company (A.1) In addition, the Code highlights that directors should have the “appropriate balance of skills, experience, independence and **knowledge** of the company to enable the board to discharge its duties and responsibilities effectively” (B1).

We believe that moving to annual re-elections is inconsistent with these stated principles and will lead to short-term focus and decision-making. Investors are already very influential when it comes to expressing their views about the competency of a board or of particular directors and, in our view, there are already established processes through which they can effectively voice these concerns, both directly to the company, to other investors, or in a public arena, if they so chose. If investors are not satisfied that their concerns are being properly addressed, they can vote against the annual report or the remuneration report (if appropriate). The key issue is to encourage investors to take up the opportunities to engage with the companies so that it is easier for companies to discern what investors actually require of them.

However, although our strongly preferred approach is to continue with the status quo, if we had to chose between the two options contained in your consultation document, we would reluctantly select the annual re-election of the chairman as this would be the less potentially disruptive option.

C2: We suggest that the word ‘defining’ in the main principle should be replaced with ‘determining’.

We hope these comments are helpful and look forward to learning the outcome of the consultation in due course. In the meantime, if you have any further questions concerning our submission, please do not hesitate to contact the undersigned.

Yours sincerely



Steve Marshall
Chairman