

By email to: codereview@frc.org.uk

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Dear Mr Hodge

Consultation on the revised UK Corporate Governance Code (the Code): December 2009 – comments from Centrica plc

Thank you for giving respondents the opportunity to comment on the FRC's consultation in respect of the proposed changes to the Code.

About Centrica plc

Centrica is an integrated energy company operating predominately in the UK and North America. Upstream we source, generate, process, trade and store energy. Downstream we supply gas and electricity to millions of homes and businesses and offer a distinctive range of home energy solutions and low-carbon products and services. Centrica is listed on the London Stock Exchange and is a top 30 FTSE 100 company.

Comments on the Code

Centrica has already participated in this consultation through comments contributed to the GC100, who have submitted comments to the FRC. Centrica endorses the comments made by the FRC, in particular in respect of the following:

- given the changes proposed in the Code, which will apply to accounting periods commencing on or after 29 June 2010, the FRC may wish to consider delaying the next scheduled review of the Code which is due in 2012; and
- whilst the benefit of an externally-facilitated board evaluation may be of value, this should not be prescribed in the Code. Greater emphasis on the disclosure of the evaluation process combined with a summary of the outcomes of the evaluation and how they will be actioned will provide more meaningful disclosure.

I have the following three comments for the FRC's consideration:

- The FRC has proposed additional wording in new Code provision A.4.1. for the senior independent non-executive director "*to provide a sounding board for the chairman and to serve as an intermediary for the other directors when necessary*". The FRC may wish to consider if further guidance on when such intermediation

would be necessary would be helpful so that boards better understand what is required of a senior independent non-executive director;

- The FRC is seeking views on whether to enable companies to take advantage of section 7.2 of the FSA's Disclosure and Transparency Rules, which allow companies a choice of whether to put the corporate governance statement on the company's website or in their annual report. It would be helpful if the Code had sufficient flexibility to allow the respective boards of companies to decide whether to take advantage of section 7.2 of the FSA's Disclosure and Transparency Rules;
- The FRC has proposed a new Code provision B.4.2. which states that "*The chairman should agree and regularly review a personalised approach to training and development with each director.*" The FRC may wish to consider how this proposal would interact with executive directors, who usually report to the CEO. The FRC may wish to consider amending the new provision to reflect that the CEO should retain some responsibility also for the training and development of executive directors.

I trust that you find the above comments helpful.

Yours sincerely

Luke Thomas
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ON BEHALF OF:

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Centrica plc