



March 4, 2010

Mr. Chris Hodge
Corporate Governance Unit
Financial Reporting Council
Fifth Floor
Aldwych House
71-91 Aldwych
London WC2B 4HN
U.K.

Dear Mr. Hodge:

I am writing on behalf of the Council of Institutional Investors (CII) to discuss the Financial Reporting Council's (FRC) proposed revisions to the U.K. Corporate Governance Code. As a leading voice for long-term investors, CII welcomes the opportunity to offer its perspective and recommendations on the proposed updates.

We congratulate the FRC for its thoughtful and appropriate proposed revisions, which are consistent with corporate governance best practices. The financial crisis has shattered investor returns and confidence, and the paving stones on the road to recovery are corporate accountability, independence, risk management, rigor and transparency. The FRC's proposed updates represent meaningful steps down that road.

Our specific comments on the FRC's proposed revisions follow:

Annual Election of Directors

A classified board intrinsically entrenches and insulates, reducing directors' accountability to their constituents, the shareowners. Therefore, CII recommends annual elections of directors.

Risk Management and Internal Control

We agree that the board should ensure that appropriate systems are in place to identify, evaluate and manage the major risks faced by the company. A contributing factor to the market meltdown in 2008 was that at many financial institutions, boards botched their duty to oversee risk management procedures and the overall amount of corporate risk. Board leadership and oversight of risk management are critical for sustainable shareowner value creation.

Clawbacks

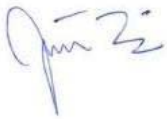
A clawback policy is a key component of a pay for performance philosophy. If executives are paid for “hitting their numbers” but it turns out later that they missed, they should not gain. Therefore, the board should develop and disclose a policy for reviewing unearned bonus and incentive payments that were awarded to executive officers owing to fraud, financial results that require restatement or some other cause. The policy should require recovery or cancellation of any unearned awards to the extent that it is feasible and practical to do so.

Board Diversity

CII believes boards should be diverse in terms of background, experience, age, race, gender, ethnicity and culture. A diverse board is good business: Public companies operate in increasingly diverse environments and recent studies equate stronger economic performance to board diversity.

Thank you for the opportunity to comment on the proposed revisions. If you have any questions, please contact me at 202-261-7088 or justin@cii.org.

Sincerely,

A handwritten signature in blue ink, appearing to read "Justin Levis".

Justin Levis
Senior Research Associate