

MARGARET COLTMAN  
INTERIM GROUP GENERAL COUNSEL AND COMPANY SECRETARY



**PRUDENTIAL**

PRUDENTIAL PLC  
12 ARTHUR STREET  
LONDON EC4R 9AQ

[www.prudential.co.uk](http://www.prudential.co.uk)

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

5 March 2010

Your ref  
Our ref

Dear Mr Hodge,

### **Consultation on the revised UK Corporate Governance Code**

Prudential welcomes the opportunity to comment on proposed revisions to the Combined Code identified in the above consultation document following the final report of the FRC's review of the Combined Code.

Prudential plc is a publicly traded company listed in London and New York and is an international retail financial services group with significant operations in the UK, Asia and the United States. Our purpose is to promote the financial well-being of our customers and their families, with a particular focus on saving for retirement and income in retirement. Prudential's portfolio of well-known and respected brands has attracted more than 21 million customers (and policy holders and unit holders) worldwide. M&G is Prudential's UK and European fund management business and has £174 billion of funds under management (as at 31 December 2009).

We set out below our comments, from the perspectives of both a listed FTSE 100 company and a major institutional investor.

#### General comments

We welcome the finding of the review that the Combined Code remains broadly fit for purpose. We strongly support the FRC's proposed approach only to adopt those recommendations of the Walker Report that it considers, after consultation, are appropriate to all listed companies, to maintain the integrity of a single Code for companies, and not to propose any sector-specific provisions to address the issues that have arisen with respect to the governance of banks and other financial institutions.

We are generally supportive of the proposed revisions to the Code, but bring to your attention a few key areas on which we would like to comment.

Specific comments

**Frequency of director re-election**

1. As an institutional investor it has for some time been our stated policy that we support the annual re-election of all directors. Nonetheless, we do not believe that it is appropriate to be prescriptive in the Code about this issue. Instead, we suggest that the FRC retains the flexibility within the Code for companies to determine for themselves the frequency of the re-election of directors and chairmen, with the requirement that issuers explain in their governance report their approach to board re-election.

**Remuneration**

2. We welcome the FRC's limited use of prescription with regard to the design of executive remuneration policies and practices and the consistent treatment of all UK listed companies. We consider that this approach will facilitate the application of good remuneration governance and management practices for all firms, while retaining the flexibility for it to be applied in different ways across different sectors.

**The quality of disclosure by companies**

3. As an institutional investor, we strongly disagree with the proposal that only an edited version of the corporate governance statement should be included in the annual report. We are of the view that all disclosures, including the full corporate governance report, should appear in one place, being the annual report, as we believe this is more useful to shareholders. We would also make the comment that, in practice, companies may feel that having two different versions of the governance statement would create additional work for little benefit.

**Engagement**

4. We are content in principle to have a Stewardship Code for institutional investors separate from the UK Corporate Governance Code and we will respond separately to the consultation on such a code. We note that the FRC is considering options for producing practical guidance on good practice engagement between companies and investors. We do not believe that it is possible to have a "one size fits all" approach in this area. In our view, any such guidance produced by the FRC should recognise a flexible approach and should not be mandated by the FRC.

Yours sincerely



Margaret Coltman  
Group General Counsel and Company Secretary