

Chris Hodge
Corporate Governance Unit
Financial reporting council
5th Floor
Aldwych House
71 – 91 Aldwych
London WC2B 4HN

Corporate reporting

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24 Charlotte Road
London EC2A 3PB
T +44 (0)20 7033 0700
F +44 (0)20 7033 0800
www.ry.com
info@ry.com

Dear Chris,

Thank you for the opportunity to respond to your public consultation on the revised UK Corporate Governance Code.

Radley Yeldar is a consultancy that helps companies communicate through corporate reporting and corporate responsibility. We have been assisting clients for over 20 years and our reporting team currently helps 37 of the FTSE350 with their reporting.

We are therefore in the front line of helping listed companies as they prepare their annual reports. We note the levels of attention given in your draft Code to the role of the annual report and its governance section in informing investors about a company's approach to management. We have recently noticed a much increased level of interest among our clients in the content and design of this section of the report. This letter therefore shares some thoughts on *how* companies can approach the changes implied by the draft Code.

Whereas in the past this section has perhaps been seen as almost completely a 'compliance' task, it is beginning now to be seen as a communications opportunity. Indeed at a recent RY seminar attended by 30+ public companies, a show of hands confirmed this change.

Our seminar also discussed themes connected to the preparation of a governance section:

1. The 'ownership' of the Governance section is changing. It is still competitive, with interests from the board itself, from company secretariat, from the IR team, corporate communications, internal and external legal teams, and auditors. Preparers therefore must be prepared to reconcile these competing interests.
2. The "volume" of the report has changed. In 1993, for example, the governance section of the report of one of our clients was a single page signed by the NEDs. By 2009 this had risen to 30 pages.
3. Speakers also highlighted the need to describe the business, rather than a 'boilerplate' response, bringing people to life, and the concept of governance being a journey of improvement.
4. "Opportunities" created by the draft Code include how companies can expand on their business model and highlight the business benefits of good governance.

We also discussed 'where' this expanded information should live. There was unanimous support for the use of the website to hold the bulk of the information with a summary of the information

in the annual report itself. Indeed technology can deliver a much better result in adding value to investors' understanding of the board, with use of video, director profiling, regular updates etc. Push technologies allow those interested to keep up to date with changes. And allowing information to be provided online will make it easier for companies to provide focused, communicative governance content in the annual report.

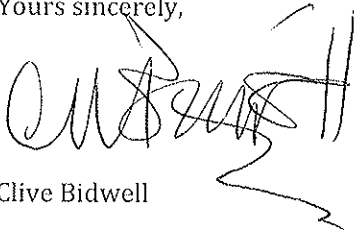
We also wanted to comment on the proposed (apparently subtle) changes in how companies should describe their businesses. From our own research (our annual 'How does it stack up?' research assesses the annual reports of the FTSE100) we would note that extremely few companies' reports currently explain the business model, or financial strategy. Business overviews often use graphics to highlight the size and/or structure of the business, while blocks of text are used to describe business units' activities. However, neither goes quite far enough to effectively communicate the business model.

We believe that this is an area where companies will want to focus.

In summary, the annual report – online and offline – is key to delivering the improvements in governance that the Financial Reporting Council is aiming for. And companies should be encouraged to spend time on its preparation.

Thank you again for the opportunity to comment,

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Clive Bidwell', with a stylized flourish at the end.

Clive Bidwell

Head of Corporate Reporting
Radley Yeldar Limited