



24th May 2007

Sir Christopher Hogg
Chairman
Financial Reporting Council
Aldwych House
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London
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Dear Chris,

Review of the Impact of the Combined Code

Further to your letter of 18th April, I would like to respond briefly to the "Issues for comment".

- (1) The Combined Code proposes good governance guidelines which, in their totality, have not been practiced by any company in the UK or elsewhere until very recent times. The implication that they represent the "right way" or "best practice" is therefore a bit presumptuous. Nonetheless, the Code is probably generally a positive influence.
- (2) The biggest weakness is in "comply or explain". Several institutions interpret any non-compliance as a deviation from best practice. Several agencies seem to rate an individual company's governance on the basis of number of boxes ticked. For now we can probably ignore this group, but it would be a great shame if the behaviour became more widespread.
- (3) No comment.
- (4) I doubt whether many shareholders read disclosures in the Annual Report & Accounts, except perhaps for a few governance specialists.

I have copied this letter to Chris Hodge in the Corporate Governance Unit.

Yours ever,
Bob

cc: Chris Hodge, Corporate Governance Unit

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