

CAPITA

COMPANY SECRETARIAL SERVICES

20 July 2007

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

Dear Chris,

INPUT TO THE FRC REVIEW OF COMBINED CODE

I wanted to offer a response to two of the questions posed by the review.

1. Does the Code support better performance over time?

We have amassed strong evidence from our client base that the role of the NED is now broadly established and clearly understood throughout the listed sector (and also beyond). With the advent of the new Companies Act and its statutory list of Directors' duties, there is now a complementary legislative and regulatory expectation of a board's performance that encompasses the role of the subordinate committees as well.

If we needed more evidence of this we only have to look to the number of overseas companies that are currently seeking a UK listing. We see many of these as clients and they all quote the value of UK corporate governance in helping them to attract investment. AIM and Plus listings remain the alternative for those who eschew the scrutiny of the Code but already voluntary adherence to it is seen as best practice by many in these markets.

2. Is the "comply or explain" approach working effectively?

There continues to be a risk that an explanation is seen as a somehow lesser response to a code provision. There are two principal reasons for this; the attitude of many institutional investors to the concept of explanation, and secondly the reluctance of companies to be seen to explain. We believe that the FRC should persist with their approach. It is too early to change the concept and it also remains one of the most appealing aspects of UK corporate governance – the essence of the lighter regulatory touch that makes us stand out as a place to do business.

Yours sincerely



Giles Peel
Managing Director