



Chris Hodge

From: David Morgan [david.morgan@coal-pension.org.uk]
Sent: 23 April 2007 12:13
To: Chris Hodge
Cc: 'David Gould'
Subject: Combined Code Review

Thank you for the letter dated 19th April from Sir Christopher Hogg inviting my organisation to comment on proposed changes to the combined code.

Firstly let me say that we support the general thrust of the FRC in minimising the extent of change.

Our answers are set out below:

1. Yes.

2. The comply or explain structure works provided that the principles are generally acceptable to larger companies and explanations are in the minority. Smaller companies may find they should diverge more from the Code and should explain why. For growing companies it would be helpful if a commitment to increased compliance were adopted as and when growth occurs.

Institutional investors, or their agents, should be prepared to devote sufficient resource to pay due account to explanations. It is acknowledged that the burden will be heavier on small cap investors.

3. See 2 above.

4. No comment.

However, may we additionally raise one further aspect of governance which is far from satisfactory. We recognise that the FRC will not wish to implement this without consultation and hence that the issue will not be resolved at this time. This is the issue that investors cannot usually tell whether their votes have been accepted by the company's Registrar. We suggest that the Code be amended to place an duty (on the comply or explain basis) on companies to advise the originator or shareholder of any vote that is passed to the Registrar but which is not accepted.

It is acknowledged that this will mean in many cases that custodian banks will be the recipient of that advice for shares held in nominee accounts or otherwise in their name. Nevertheless, the ability to know whether a vote has in fact been cast is the single most glaring omission in the structure of governance and investors can require their custodian to pass that information back to them.