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20 July 2007

Dear Sir

Review of the impact of the Combined Code

We thank you for the opportunity to comment on our experience of the implementation of the Combined Code.

As a general view we have not detected any pressure from companies or investors for a major revision of the Code at this time. Compliance levels with the Code are good and it appears to be working well. In addition, the Code has a very sound reputation in other jurisdictions. So, if the FRC were to make no changes following this review, it would not be a bad outcome. However, we do acknowledge and support the comments made in the consultation paper, for example:

- the tendency towards box-ticking (both by companies and investors);
- failure to use the 'explain' option;
- excessive compliance costs for smaller companies;
- diversion of priorities of the Board to follow letter rather than the spirit of the Code; and
- the need for useful information disclosed to shareholders.

We are aware of the suggestion raised by Alan Porter of British American Tobacco plc at the CBI Companies Committee meeting, to change the Code from a "comply or explain" process to an "apply or explain" process. We believe that such a change would mark a clever change in emphasis and would help to avoid the impression that 'explaining' equals 'non-compliance', i.e. rule-breaking. This should in turn help to minimise the box-ticking approach that some companies and investors have adopted.

We support the use of principles rather than detailed rules as a philosophy. The current Code includes a significant number of provisions and we believe that all efforts should be taken to prevent the number of provisions from increasing.

We are pleased that the Department for Business Enterprise and Regulatory Reform has taken the decision to implement the requirements of the 8th Company Law Directive via the rules of the Financial Services Authority and that they will not be referencing the requirements to the Combined Code in any way. This is a very good outcome. We had been concerned that any attempts to place these requirements into legislation and with reference to the Combined Code would damage the nature of the Code.

The impact of the 8th Directive and the provisional recommendations made by the Market Participants Group on the audit committee's role in the auditor selection process are likely to require changes to the Smith Guidance. We believe that this is the appropriate place to deal with these changes, rather than in the body of the Code itself.

If you have any queries on our comments, please contact Martyn Jones (telephone 020 7007 0861) or Tracy Gordon (telephone 020 7007 3812).

Yours faithfully

A handwritten signature in cursive script that reads "Deloitte & Touche LLP".

Deloitte & Touche LLP