

C Hodge Esq  
Corporate Governance Unit  
Financial Reporting Council  
Fifth Floor  
Aldwych House  
71-91 Aldwych  
London WC2B 4HN

**Diageo plc**  
8 Henrietta Place  
London W1G 0NB  
Tel: 020 7927 5994  
Fax: 020 7927 4794  
Email: [chairmans.office@diageo.com](mailto:chairmans.office@diageo.com)

10 July 2007

Dear Sir

## **Review of the impact of the Combined Code**

Further to your invitation for companies to comment on the consultation paper on the Combined Code issued in April 2007, please note our views as follows.

### **Q1. Does the Code support better board performance over time?**

Board performance is affected by many different factors, but we believe that appropriate governance arrangements, as laid down by the Code, are important in underpinning the Board's performance and effectiveness.

### **Q2. Is the Comply or Explain approach working effectively?**

Our experience is that this approach is working effectively, as evidenced by the corporate governance statements in annual reports, which have generally increased in terms of level and quality of disclosure, in particular where companies have explained their reasons for non-compliance with the Code. The Comply or Explain approach and the flexibility offered by the lack of prescribed format for the corporate governance statement on compliance with the Code allows for the right level of judgement by companies on what to disclose.

In addition, we would agree with the view that the Code has contributed to more constructive engagement between companies and investors.

### **Q3. What impact has the Code had on smaller companies?**

Implementation of the Code has no doubt been more difficult for smaller companies, but we are not able to comment on this.

**Q4. Do disclosures on the Combined Code in annual reports provide useful information to shareholders at proportionate cost to companies?**

Our experience is that the number of questions raised by institutional investors on our corporate governance practices is very low and we take this as an indication that the information they are seeking is being disclosed in sufficient clarity and detail in the corporate governance report.

We believe that such Code disclosures are provided to shareholders at proportionate cost to the companies; however, smaller companies may well have a different view. It is other areas of mandatory regulation (Sarbanes-Oxley and accounting standards) that cause most cost and burden to dual UK and US listed companies like Diageo.

Finally, whilst recognising that it is important to keep the Code under review, we would support the presumption that this Review will not lead to the Code being revised, given that the latest version of the Code has only taken effect from November 2006.

Yours faithfully

A handwritten signature in black ink, appearing to be 'Blyth', written in a cursive style.

**Lord Blyth of Rowington**