

From: Marie Gracie [mailto:mlg1845@fullers.co.uk]
Sent: 19 July 2007 15:01
To: Chris Hodge
Cc: bsalaman@icsa.co.uk
Subject: COMMENTS ON COMBINED CODE REVIEW

Dear Mr Hodge

Our Chairman Anthony Fuller was invited by Sir Christopher Hogg to attend a meeting on this subject last year, and I thought it would be useful to reiterate some of the points he put across then.

I have not answered the questions you pose directly in your consultation document but you will find that some of the issues you raise are covered in our points below.

- **Good corporate governance is laudable and having a Code makes sense.** We like the comply or explain approach. Smaller company provisions are appreciated as one size clearly does not fit all - but should be further extended e.g. re meetings between shareholders and non execs. If there is no further relaxation many companies may be driven to AIM or to go private - the cost of compliance is disproportionate for them... If corporate governance continues to get more onerous it will surely become impossible for smaller companies to find Non Executives willing to act.
- **Institutions are not playing ball.** Section E2 of the Code encourages institutional shareholders to "give due weight to all relevant factors drawn to their attention"... "consider carefully explanations given for departure from this Code and make reasoned judgements in each case"... "They should avoid a box-ticking approach to assessing a company's corporate governance." In our experience compliance departments of institutional shareholders *do* adopt a box-ticking approach and are disconnected from those who make the investment decisions, who often take a more positive and practical stance, yet this may not be reflected in their voting! Our experience is that Institutions are not interested in meeting non execs - they want to see the management... and that they are not interested in attending the AGM - in reality that is for private shareholders. The Code is a little unrealistic on these issues!
- **Corporate Governance can have the effect of setting the non executive directors against the executive directors.** This is because the Code makes them feel they must act as policemen. However having a SID is really useful in a smaller company. The Code should be more realistic about what non execs know about the Company! The FRC should appreciate that from the point of view of the Executive Directors, the Non Execs are there to bring a source of wisdom and advice and perhaps a useful network too. Their knowledge of the Company and its industry is secondary to this.

Regards, Marie Gracie
Company Secretary

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