



Sir Christopher Hogg
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Dear Sir Christopher

Review of the impact of the Combined Code

In response to the FRC's review of the Combined Code, we are pleased to confirm that we are substantially content with the present Code and are fully supportive of its principles based approach.

We do not believe that it is necessary for any changes to be made to the Code at present.

Our only significant concern with regard to the current Code is the lack of consistency in the interpretation and adherence by some institutions and voting agencies to the spirit of the "comply or explain" mechanism. We would welcome even greater encouragement being given to institutions and governance voting agencies to embrace the spirit of the Code, especially with regard to the principle of "comply or explain". We are aware that a "box ticking" approach has been adopted by some, in which companies' explanations are ignored and companies are treated as being out of compliance with the Code where an explanation has been given. We do believe that the "comply or explain" principle is important, and that it is how one Code can be made to work for a multitude of different listed companies.

We believe that if institutional shareholders or voting agencies choose to establish their own governance policies they should be based on the Code and should not be in conflict or penalise companies for abiding by the "comply or explain" principle of the Code.

Governance voting agencies should be strongly encouraged to consider any explanations for non application of the Code and should in addition be required to consider and state the likely implications of the voting recommendations they choose to issue.

We have considered the draft responses to this review prepared by both the CBI and the GC 100 group and are wholly supportive of their views. In particular, we support the change of terminology from "comply or explain" to "apply or explain", which they both propose.

We would be happy to discuss our comments further. Please feel free to contact me if this would be helpful.

Yours sincerely



Simon Bicknell
Company Secretary

cc
Chris Hodge
Corporate Governance Unit
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