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Your ref
Our ref SJH\655950v1\LZA

23 May 2007

Sir Christopher Hogg
Chairman
Financial Reporting Council
Aldwych House
71-91 Aldwych
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Dear Sir Christopher

Thank you for your letter of 18 April 2007 in which you enclosed the FRC's recently published consultation paper. We have discussed this and would comment as follows:

1. Does the Code support better performance over time?

We agree that, whilst the two challenges to which you refer do exist, these are being overcome.

2. Is the "comply or explain" approach working effectively?

Our frustration in this area is that whilst the vast majority of investors seem to take notice of explanations, there are certain advisors whose own corporate governance guidelines go further than those contained in the Code or those of the representative bodies of institutional shareholders, namely NAPF/RREV and the ABI.

Such organisations tend to give unreasonable deadlines for the review of their draft reports and, in any event, are not open to the concept of explanation of any divergence from their own guidelines.

There is, in addition, an albeit very small minority of institutional shareholders whose views are not aligned with those of the majority of such shareholders. Their views, and their use of the press and other media to broadcast them, are not helpful to the concept of "comply or explain".

3. What impact has the Code on smaller companies?

No comments



4. Do disclosures on the Combined Code and Annual Report provide useful information to shareholders at proportionate cost to companies?

Although the increasing level of disclosure does not cause us difficulty or disproportionate cost, the real cost is the time involved in the pursuit of good corporate governance in ensuring compliance with corporate governance. However, this should not be seen any differently from compliance with any laws or regulations within which companies operate.

Notwithstanding that, we do believe that an unintentional consequence of the Combined Code has made Annual Reports less intelligible to the average investor than was previously the case and we think it would be helpful if consideration could be given to seeking ways of shortening disclosure to make it more meaningful.

Yours sincerely

Stuart Haydon
Company Secretary