

From: Keith Hamill [mailto:keithhamill@hamillone.co.uk]
Sent: 19 May 2007 13:18
To: Chris Hodge
Subject: FRC- REVIEW OF THE IMPACT OF THE COMBINED CODE- APRIL 2007

Dear Sirs

I have received the consultation document in connection with the above as Chairman of Tullet Prebon PLC. I also Chair two smaller listed companies (Moss Bros Group PLC and Alterian PLC).

1. SMALLER COMPANIES

In connection with question 3 ("What impact has the Code had on smaller companies"), in general smaller companies have been able to manage their affairs to comply with the Code with limited difficulties and most shareholders have taken a realistic approach to non-compliance when it is adequately explained. It is also helpful that they are required to have only two non-executive directors. However; I believe it would also be helpful in the case of smaller companies if Chairmen who met the other conditions of independence could be classified as independent for the purposes of the Code. This would be particularly helpful with regard to the management and chairmanship of committees- the meaningful functioning of which is difficult when they only have two members classified as independent - who may not always have as much relevant experience as the Chairman.

My recollection is that the recognition in the Code that smaller companies should only be obliged to have two independent non-executive directors resulted from an amendment made at a late stage in its development following consultation. It is not clear that the determination that the Chairman was automatically not independent for this purpose was fully reconsidered from a practical point of view in the context of smaller companies when that change was made. While the subsequent amendment to the Code under which Chairmen could become members of Remuneration Committees was helpful, they are still not supposed to Chair Remuneration Committees and are not supposed to be members of Audit Committees.

2. COMPLY AND EXPLAIN

The majority of shareholders have responded sensibly to properly justified non-compliance. However, there remain cases where some institutional corporate governance departments and voting services are not prepared to consider explanations on their merits in the relevant circumstances and fail to consult the fund managers involved – even when the company concerned has discussed the issues with the fund manager. In addition, certain corporate governance lobby groups continue to issue public statements in relation to explained non-compliance which attract disproportionate and unjustified press comment which may imply that their opinions are far more authoritative than they actually are. In my own case one such lobby group, which I do not believe represented any of the company's shareholders and which may be politically motivated, advised against my re-election as a director over a matter which was both trivial and explained. Not one vote was cast against my re-election but the lobby group's circulation of its opinions attracted press comments which reflected unfavourably on the company.

The FRC should seek to do more through public statement and education to ensure that the Code process is not "hijacked" in this way.

I hope that these comments are of help in concluding your review.

Yours sincerely

Keith Hamill