

From: Davies, Claire (Group) [mailto:claire.davies@group.landg.com]
Sent: 20 July 2007 17:25
To: Chris Hodge
Subject: Review of the impact of the Combined Code - response

Response to FRC Consultation from Legal & General Group Plc

This response is sent on behalf of Legal & General Group Plc, a listed company. Legal & General is a major manufacturer of long term savings and life insurance products which conducts its business primarily in the UK. Legal & General Investment Management Ltd (LGIM), a subsidiary of Legal & General Group Plc, is one of the UK's largest fund management groups. A separate response has been sent on behalf of LGIM reflecting its experience of the Code as an institutional investor.

We support the objectives of the Code and believe that, overall, it remains an effective framework for listed companies, striking the right balance between principles and more detailed guidance. Whilst we do not believe that there is currently any need for major revisions to the Code, there are three areas on which we wish to comment.

1. Whilst we welcome the flexibility that the 'comply or explain' mechanism provides, we have observed a growing tendency on the part of auditors and governance voting agencies to regard the 'explain' option as a breach. Given the reliance placed on voting agencies' recommendations by shareholders, we are concerned that some of the benefits of the current approach are being lost. In certain quarters, any deviation from the Code is automatically regarded as a negative even though it could result in the same, or a more favourable, outcome. This mentality does, on occasion, lead companies towards compliance rather than explanation thereby undermining the flexibility of the Code. An 'apply or explain' approach may help to address this concern.

2. Given the very small pool from which individuals with the right experience and personal attributes to take on a FTSE Chairmanship can be selected, the restriction on a second chairmanship could be seen as a barrier. Given the pivotal role of the Chairman, there is a risk that this provision adversely impacts FRC's Strategic Outcome 1 ie enabling UK listed companies to be led in a way which facilitates entrepreneurial success.

Many non-executive directors and chairmen successfully divide their time between varied business interests. It is the responsibility of the Board and the Nominations Committee to consider whether an individual is suited to the role of director bearing in mind all other commitments and any potential conflicts. The same should apply to the selection and appointment of the chairman. It should be a matter for the Board not the Code.

3. In response to your question regarding the usefulness of disclosures to shareholders, we believe that the current level of disclosure is appropriate. Although increased reliance on Summary Financial Statements (SFS) means that many shareholders no longer receive the Corporate Governance Report (it not being a mandatory SFS disclosure), we believe it is appropriate for investors to select the level of information that is right for them. Accordingly, we do not think that any change is required in this area. The Corporate Governance report is generally readily available via a company's website so remains available to the majority of investors whether or not included in the report sent to them.

We look forward to reading your findings in due course.

Claire Davies
Group Secretary

Legal & General Group Plc
11 Queen Victoria Street
London EC4N 4TP

Tel: 020 7528 6368
Email: claire.davies@group.landg.com