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10 July 2007

Dear Mr Hodge

**Combined Code - Review**

I am writing in response to your consultation document entitled "Review of the Impact of the Combined Code" issued in April 2007.

There are three points we would like to make regarding the Combined Code, as follows:

**1. The Effectiveness of the Comply or Explain regime**

The "comply or explain" mechanism is the correct approach in our view. However, we find that explanations, however reasonable and appropriate to the particular circumstances of the business, are seldom accepted by corporate governance organisations such as PIRC, REVV and the ABI, and other institutional UK investors, who appear generally to ignore explanations in favour of established norms without giving the company any benefit of the doubt.

**2. Independence of Directors (Code Provision A.3.1.)**

Some corporate governance organisations, e.g. PIRC, regard a director as non-independent simply because he or she has served for nine years, regardless of the Board's opinion or any explanations given by the company.

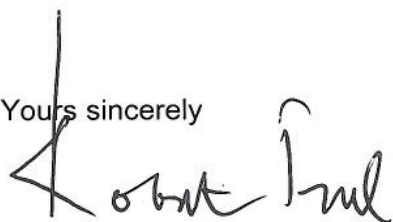
In relation to this and item 1 above, it would be preferable if the "comply or explain" doctrine could be strengthened to the effect that explanations provided by companies should prima facie be generally accepted by the corporate governance organisations and institutional investors unless there was clear evidence of poor corporate governance or circumstances merited otherwise.

### 3. Balance of Board (Code Provision A.3.2)

We believe that the requirement to maintain the balance on the Board required by Code Provision A.3.2. should be reviewed. We have five executive directors on the Board and two non-independent directors (one being a former executive and one being a representative of a major shareholder). The need to have seven independent directors to maintain the 50/50 balance means that the size of the board, with a total of fifteen directors including me, is impractical. We could reduce the number of executive directors on the Board but feel this would not be in the best interests of shareholders.

We recommend that Code Provision A.3.2. be amended to provide that a 50/50 balance of independent versus non-independent directors is desirable but in certain circumstances (such as in our case) a ratio of one third of the Board as independent directors should be an acceptable minimum.

Yours sincerely



Sir Robert Finch  
Chairman