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REVIEW OF THE IMPACT OF THE COMBINED CODE

Thank you for your letter dated 18th April, 2007, inviting me to respond on the consultation paper which the FRC has published seeking views on the impact of the combined code.

There is one issue which we have been slightly concerned about over the past year or so.

Increasingly, institutional shareholder bodies, like the ABI and RREV/NAPF, are interpreting an element of the code in a way which we, and I believe other companies, feel is unhelpful. It relates to code provision A.3.1 and the circumstances which may appear relevant in determining whether a director is independent. The code states that one of these circumstances is whether a director "has served on the board for more than 9 years from the date of their first election".

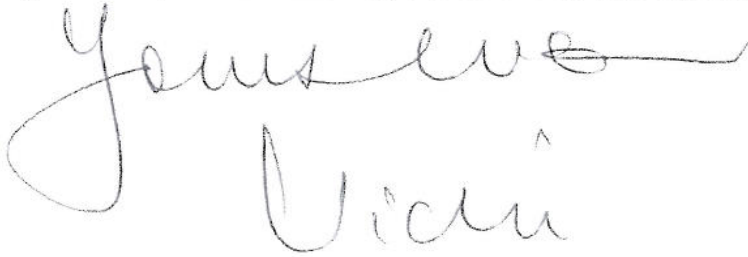
The bodies mentioned above, and indeed some institutional shareholders themselves, are interpreting that period to begin when a person was first appointed to the board of any subsidiary in the group or any company which later became a subsidiary in the group (regardless of the contribution that subsidiary may have made to group profits while the individual was a director of the subsidiary) rather than from the date of first election to the board of the parent company itself. It might, therefore, be helpful if the code were to make it clear that an individual's service "on the board of the company", rather than service on the board of a subsidiary company before joining the board of the parent company itself, was the relevant period.

If, however, that clarification were to be considered unacceptable or requiring qualification, perhaps there could be some reference to the size of a relevant subsidiary (e.g. a subsidiary contributing less than, say, 20 per cent of the group's profit before tax during the individual's tenure on the subsidiary board before joining the parent board, should be disregarded).

A spell as a non-executive director on the board of a subsidiary can be very helpful in two respects. It may enable the board to assess a candidate's suitability for promotion to the parent company board in due course. It may also contribute to a director's induction and continuing professional development, both of which are referred to in the supporting principles outlined in the code.

Our company secretary, Alastair Michie, or I would be pleased to help in any discussions which might be considered appropriate in this regard.

I wonder, therefore, whether this might be taken into account in the review.

A handwritten signature in cursive script, appearing to read 'Yours ever' on the top line and 'Victor' on the bottom line.

Victor Blank