



21<sup>st</sup> May 2007

Sir Christopher Hogg  
Chairman  
Financial Reporting Council  
Aldwych House  
71 – 91 Aldwych  
London WC2B 4HN

Dear *Sir Christopher*

Thank you for your letter of 23 April and the enclosed consultation paper. I attach some brief comments on the issues highlighted.

Thank you for the opportunity to comment.

Yours sincerely

A handwritten signature in black ink that reads 'Marcus Beresford' followed by a long horizontal flourish.

Marcus Beresford CBE  
Chairman  
Ricardo plc

**Review of the Impact of the Combined Code  
April 2007**

1. Does the code support better board performance over time?

The importance of strong, and good leadership from the chair with an effective relationship with the CEO has always been vital to ensure good board performance.

The combined code has encouraged a regular, formal review of board effectiveness. This in turn has increased the rigour of board selection, improved agenda management, and encouraged regular appraisal of the chairman's performance. These three factors are undoubtedly supporting better board performance.

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

As a Chairman who felt it was right to sit on the remuneration committee of a small company with only three NED's, including myself, I had two frustrating years in which "explanation" was not sufficient to avoid unwarranted damaging reports to investors by governance advisors.

At the other extreme, an "activist shareholder" recently used "comply and explain" as justification to flaunt most aspects of the combined code and this was accepted, without demur, by many fund managers. This was, in some cases, in contravention of their own in-house governance policies.

"Comply and explain" is probably the only effective way of retaining the essential flexibility of the Code, but it does require an integrated approach to the Code from the investment community. Too many investors still segregate governance and fund management; treating governance as part of their social responsibility and not as an integral part of wealth creation. The approach will not be fully effective until this changes.

3. What impact has the Code had on smaller companies?

Compliance costs are proportionately higher for smaller companies but so they are for any regulatory or quasi regulatory issue. The only area for which I would urge simplification and reduced disclosure is remuneration, which already incurs a disproportionate amount of time and cost and which is arguably ineffective through the constant "levelling up" which results.

4. Do disclosures on the Combined Code in annual reports provide useful information to shareholders at proportionate cost to companies?

Generally yes, but the same comments apply re-remuneration. In remuneration reporting, I believe, we should revert to depersonalised summaries of schemes which should focus exclusively on total cost (cash and/or dilution) to shareholders. This would significantly curtail the ability of individuals, remuneration consultancies and remuneration committees to bench mark. This, I am convinced, is more likely than the present system to lead to the restraint for which we are all searching.