

From: Lapthorne, Richard [mailto:Richard.Lapthorne@cwmsg.cwplc.com]
Sent: 17 May 2007 15:02
To: Chris Hodge
Cc: Pitts, Linda
Subject: Comments on review of the impact of the combined code
Importance: High

Chris,

The key challenge for the FRC is keeping other referees off the pitch where it is supposed to be refereeing the game:

1. Code drift - Once the Combined Code is agreed it should not be available for institutional investors or their voting advisers to unilaterally change it. Does the FRC guard the code or is it consciously delegated to the ABI, PIRC or the media?
2. Comply or explain - Linked to the above is a fear amongst corporate governance bodies and practitioners that too much acceptance of explanations for non-compliance could undermine governance standards by, for example, creating new norms which are different to those stated in the Code. "Others will use this precedent" is the form in which the fear is expressed. Again, leadership by the FRC could allay these fears.

Regards,

Richard

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