

E. G. Unwin
Chairman



United Business Media

4 June 2007

Mr Chris Hodge
Corporate Governance Unit
Financial Reporting Council
Fifth Floor
Aldwych House
71-91 Aldwych
London WC2B 4HN

Dear Mr Hodge

REVIEW OF THE IMPACT OF THE COMBINED CODE

Overall, our feeling is that the code is working well and the two amendments made in 2006 were both sensible and welcomed.

There is one area that still leaves room for improvement and that is the 'comply or explain' approach. Here, the issue is differences of view between the compliance departments of large investors and the investors themselves within the same organisation. We have found instances where the investors are perfectly happy with a proposal but the compliance people at odds. The compliance people are typically rule-bound, the investors taking a view as to what will drive value. The solution seems to lie in flagging the issue and more internal dialogue.

The second issue on 'comply or explain' is trying to reconcile the views of short or long-term investors. Not unnaturally, they have a preference for aligning remuneration policies and incentives to their own horizons. On occasion we have seen diametrically opposed views, in the end we have had no choice but to take our own view and risk the potential wrath from someone.

In short 'explain' does not have anything like the same weight as 'comply'.

Yours sincerely