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Corporate Governance Unit
Financial Reporting Council
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Our Ref gj/ah

9th October 2009

Dear

Review of the Effectiveness of the Combined Code

I am providing the Society's response to the review of the Code.

Leeds Building Society

Leeds Building Society is the sixth largest in the United Kingdom, with assets of £10bn, over 650,000 members, and employing 900 staff in 68 branches in the UK.

Comments

I have framed the Society's response in two sections. The first provides some general comments on the FRC review, which is principally concerned with the extent to which the Walker Review of BOFIs should apply to other FTSE companies. I will then make some specific observations in relation to the recommendations in the Walker Review. Not all recommendations are covered, only those where we have reservations regarding their applicability to the Society.

General Comments

Whilst we are broadly supportive of the recommendations, and as a matter of best practice have adopted the Combined Code in our Corporate Governance Policy, we have reservations about some of them in relation to building societies.

The recommendations apply directly to those BOFIs listed in annex 4 of the Review. However, as has been the case with all the regulatory changes proposed which stem from the Turner Review, the starting point has been the major banks. Our major concern is that the changes will be imposed on all firms, including building societies, in a way that is disproportionate.

Specific Recommendations

Recommendation	Comment
3. Non-Executive Directors (NEDs) should be expected to give greater time commitment, with a minimum expected time commitment of 30 – 36 days.	Whilst we agree that NEDs have to commit the time necessary to discharge their responsibilities. The danger of specifying the time commitment in this way is that it might make it more difficult to recruit NEDs who are already employed in senior positions elsewhere.
4. The FSA's interview process should involve questioning and assessment by one or more senior advisors with relevant industry experience at or close to board level of a similarly large and complex entity who might be engaged by the FSA for the purpose, possibly on a part-time panel basis.	We have concerns of the effect of this on the recruitment process for NEDs as it may elongate the process. We also have reservations about whether such a process can reasonably be applied to a building society, where the directors are ultimately elected by members. It would be damaging if the FSA were in the position rejecting a candidate who had been endorsed by the membership.
7. The chairman should be expected to commit a substantial proportion of his or her time, probably not less than 2/3, to the business of the entity.	We do not regard the level proposed as proportionate in relation to building societies. See also the comments under 3.
8. The chairman should bring a combination of relevant financial industry experience and a track record of successful leadership capability in a significant board position.	We regard this recommendation as too prescriptive for organisations other than BOFIs.
10. The chairman should be proposed for election on an annual basis.	We do not regard this provision has appropriate for a building society. Under the Society's rules, the chairman is elected or re-elected annually by the rest of the board after the annual general meeting.
12. The board should undertake a formal and rigorous evaluation of its performance with external facilitation of the process every second or third year. A statement on this evaluation should be a separate section of the annual report describing the work of the board, the nomination or corporate governance committee as appropriate. Where an external facilitator is used, this should be indicated in the statement, together with an indication whether there is any business relationship with the company.	Whilst we support the disclosure of the evaluation process, we do not believe that an external facilitation of the evaluation process every second or third year will add sufficient value for the significant cost that would be involved in setting up such facilitation.
23. The board of a BOFI should establish a board risk committee separately from	The Society already has a group risk committee but this recommendation

the audit committee with the responsibility for the oversight and advice of the board on current risk exposures, entity and future risk strategy. In preparing advice for the board on its overall risk appetite and tolerance, the board risk committee should take account of the current and prospective macro economic and financial environment drawing on financial stability assessments such as those published by the Bank of England and other authoritative sources that may be relevant for the risk policies of the firm.	should not impinge on the board overall responsibility for the risk as part of its oversight of the whole of the business. Whilst we agree that NEDs should be included on the risk committee we do not regard having a NED as chairman as essential.

I hope these comments and observations are of assistance to the FRC in its deliberations.

Yours sincerely

G Jennings
Deputy Secretary
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