

Mr C Hodge
Corporate Governance Unit
Financial Reporting Council
Fifth Floor
Aldwych House
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London WC2B 4HN

9 October 2009

Dear Mr Hodge,

Review of the Effectiveness of the Combined Code - Progress Report and Second Consultation

We welcome the opportunity to comment on the second consultation (the 'Second Consultation') of the Review of the Effectiveness of the Combined Code (the "Review").

In accordance with the acknowledgement in the Second Consultation, we refer to our comments in our letter of 29 May 2009 in which we responded to the initial consultation on this Review (the "First Consultation") and have not reproduced those comments, although we have cross referred to that response where we felt it to be appropriate. Our response to the Second Consultation is as follows:

Section: 1 The Content of the Combined Code

The responsibilities of the chairman and the non-executive directors

The Code currently sets out the main responsibilities of the chairman and the non executive directors. In our response to the First Consultation, we suggested where the role of the non executives could be clarified in certain areas. However, as a general point, we would request that if any significant amendments to these roles are proposed they should be clear and flexible enough for all companies subject to the Code to apply without undue difficulty.

In response to the question as to whether further guidance should be included in the Code as to the time commitment that should be expected of chairmen, senior independent directors and non executives, the paramount need continues to be for these individuals to spend sufficient time overall on company issues, including, but not limited to, attendance at meetings, so as to fully understand the business and the risks it faces and thereby effectively contribute as required to its governance.

We do not believe a specific time commitment that must be given to a company's affairs should be included in the Code, as we do not believe as a practical matter it would be possible to prescribe such a commitment that would be appropriate for all companies having regard to their respective needs. We would also wish to avoid a tick box approach to the role that could develop if, for example, a minimum number of days were specified.

Board balance and composition

The chairman and the Nominations Committee (supported by the annual Board evaluation process) are those best placed to determine whether the existing Board members are providing the skills, experience and knowledge to best serve the company. In our response to the First Consultation (and in his separate letter to you of 13 May 2009 from our chairman, Sir John Parker) it was suggested how this could be included in the Code and reported to shareholders through a separate Assurance Statement provided by either the chairman or the chairman of the Nominations Committee.

In relation to the Code's independence criteria, the Board has the general obligation to determine that each of its non executives is independent and to set out why it considers this to be the case. The Code also requires that directors who have been on the Board for 6 years should be subject a rigorous performance review annually. We consider that the 9 year rule is unhelpful to Boards in retaining talented and experienced non-executive directors and we suggest that consideration be given to its removal.

We would also suggest that higher priority could be given in the Code to board level succession planning with Nominations Committees considering this at least annually.

Frequency of director re-election

We do not believe that annual re-election of all or particular members of the Board, for example, the chairman and/or board committee chairmen would necessarily make members more accountable or assist in improving communications between shareholders and the Board.

We feel it would be of greater benefit if shareholders were encouraged to engage with the company directly during the year in relation to issues of concern across the company's sphere of activities. On this basis, we do not believe that the options listed are the most appropriate ways of achieving changes in behaviours should they be necessary.

Board information, development and support

We refer you to our response to the First Consultation. In this area and others under the Code, the role of the Company Secretary in support of the Board could be clarified.

Board evaluation

We do not believe the Code should be amended to require Board evaluations to be externally facilitated on a prescribed basis e.g. every 2 or 3 years. It is our view that internal evaluations can be more effective for some companies than one conducted by external consultants and listed companies should have the flexibility to consider and decide upon the most appropriate approach for their own individual circumstances, which they should subsequently communicate to shareholders.

We consider that an annual evaluation of Board Committees (as against just for the Board as a whole) remains appropriate and provides an opportunity to reflect on Committee performance and how to improve future effectiveness.

Risk management and internal control

We believe that the existing regime, including the requirements of the Code and the Turnbull Guidance, is broadly appropriate for non financial organisations and does not need either significant amendment or enhancement at this time.

Remuneration

We refer you to our response to the First Consultation, particularly in relation to the role of the Remuneration Committee. Otherwise we believe that the existing regime as set out in the Code does not need further strengthening at this time. We note the current debate in relation to the remuneration of those employed by banks and other financial institutions and our view is that it is not appropriate to approach remuneration in other sectors in the same manner.

Section 2: The Implementation of the Combined Code

By way of overview, we concur with the approach of 'comply or explain' as against regulatory monitoring and enforcement. We note the alternative of 'apply or explain' but wonder whether in practice it will produce any significant change in approach by companies or investors from that adopted with comply or explain.

The quality of disclosure by companies

We recognise and agree with the desire to ensure that company disclosure is precise, relevant and informative. Listed companies are subject to a number of sources of regulation and best practice relating to their reporting including those contained in the Code, Companies Act 2006, the FSA's Listing, Prospectus, Disclosure and Transparency Rules as well as the requirements of individual investors and the proxy voting agencies; all of which contribute to the level of disclosure.

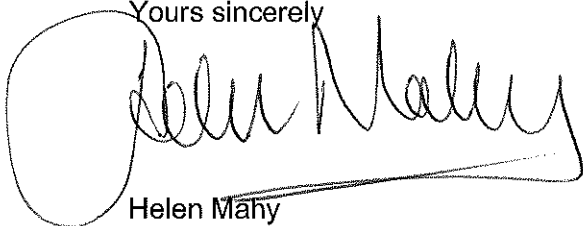
Consequently, so far as the Code is concerned, we would welcome rationalisation of its disclosure requirements and, to assist with compliance, their bringing together in one place.

Engagement between boards and shareholders

We refer to our response to the First Consultation. We believe that best practice should be for companies to continue to attempt to engage with shareholders, particularly around corporate actions, results announcements, on the appointment of new members to the Board and where specific concerns have been raised by shareholders. This engagement could be promoted by shareholders and, where relevant, proxy voting agencies offering listed companies the opportunity to respond to concerns and applying their own requirements in a pragmatic manner.

We are pleased to be able to respond once again to the Review. Please contact me if you have any questions concerning our response or any other aspect of the Review.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Helen Mahy', with a large, stylized initial 'H'.

Helen Mahy
Company Secretary & General Counsel