THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

1 October 2009

Our ref: ICAEW Rep 98/09

Your ref: Code Review

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

By email to: codereview@frc.org.uk

Dear Chris

REVIEW OF THE EFFECTIVENESS OF THE COMBINED CODE: ADDITIONAL COMMENTS ON SECOND CONSULTATION

The Institute of Chartered Accountants in England and Wales (the Institute) welcomes the opportunity to submit further comments on the second consultation paper *Review of the effectiveness of the Combined Code progress report and second consultation* published by the Financial Reporting Council (FRC) in July 2009.

The Institute operates under a Royal Charter, working in the public interest. Its regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the FRC. As a world leading professional accountancy body, the Institute provides leadership and practical support to over 132,000 members in more than 160 countries, working with governments, regulators and industry in order to ensure the highest standards are maintained. The Institute is a founding member of the Global Accounting Alliance with over 775,000 members worldwide.

The Institute has participated in consultations regarding the Combined Code and plays an active role in the development of corporate governance in the UK and internationally.

This response has been drafted after consultation with the Institute's Corporate Governance Committee which includes representatives from the business and investment communities. We have highlighted some general observations below and provide detailed comments in Appendix 1.

We note that the FRC is not making any specific proposals to amend the Combined Code or to enhance 'comply or explain' at this stage. For ease of reference we have included the Institute's latest response to Sir David Walker's review of corporate governance in the UK banking industry (the Walker Review) in Appendix 2.

Chartered Accountants' Hall
PO Box 433 Moorgate Place London EC2P 2BJ UK
www.icaew.com

T +44 (0)20 7920 8100
F +44 (0)20 7920 0547
DX 877 London/City

Comments on the FRC's three guiding principles

We support the guiding principle that changes will only be made to the Combined Code or additional non-binding guidance where there is a demonstrable need for best practice to be clarified or strengthened. It would be helpful if the demonstrable need for change were clearly supported by evidence based research rather than on assumptions based on specific governance issues which have only affected a small sector of the listed company community.

We are in favour of the principle to rationalise disclosure requirements in the Combined Code and to encourage more informative disclosures. However, it is not clear from the consultation document how this principle will be delivered in practice and how the principle will fit with other regulatory requirements that are already imposed on listed entities. It would be useful to have detail of what is envisaged in order to discourage boiler-plating and to avoid box-ticking. This calls into question the availability of monitoring or the possible enforcement mechanisms that may be considered to support this principle. We would like to see more detail of what is envisaged to support this principle which sounds admirable but may be difficult to achieve without sufficient thought being given to enforcement.

We support the principle to preserve the Combined Code's principles-based style and to avoid an increase in the overall prescription in the Combined Code. Where issues need to be prescribed we believe that these matters are better dealt with by way of regulation and addition to the UK Listing Authority Listing Rules.

We fully support the principle that if evidence demonstrates that the Combined Code has operated such that it is more difficult for boards and their committees to operate effectively then changes may be considered to the Combined Code.

Comments on how far the Combined Code changes that are proposed by the Walker Review in respect of banks and other financial institutions (BOFI's) should be extended to provisions in respect of non-financial institutions

We are not convinced that it would be helpful to the UK market if the recommendations that are proposed by the Walker Review were applied to all listed entities. We remain of the view that the Walker recommendations should apply only to organisations that can contribute materially to systemic risk. The Walker Review recommendations are helpful for banks but care will be needed when applying them to financial institutions other than banks to ensure that they are necessary and proportionate.

We do not believe that it is in the best interests of the UK market as a whole to see all of the Walker recommendations mandated as best practice for all listed companies. However, there are a few of the recommendations that may be useful if applied to the whole of the listed sector, notably recommendations 16 through to 20, which propose to extend the remit of the FRC to cover the development of, and the adherence to, a code of best practice for institutional investors and fund managers. On these particular recommendations we have concerns about how they would operate in practice but can see no reason why they should not apply to all listed entities.

We hope that our suggestions are useful. Please contact me or Vanessa Jones (Corporate Governance Manager) vanessa.jones@icaew.com should you wish to discuss any of the points raised in this response in more detail.

Yours sincerely

Robert Hodgkinson

Robert Hodgkinson
Executive Director, Technical
T +44 (0) 20 7920 8492
E Robert.hodgkinson@icaew.com

APPENDIX 1

Responsibilities of the chairman and non-executive directors

Would it be helpful to give further clarification of the role, key responsibilities and expected behaviours of the chairman, the senior independent director and/or the non-executive directors, either in the Code or in non-binding guidance?

We are not convinced of the need for further clarification either in the Combined Code or in guidance. However, if there were non-binding guidance on these matters we would see this as sitting outside the scope of the Combined Code.

Would it be helpful to provide further guidance on the time commitment expected of the chairman, senior independent director and/or non-executive directors?

Expected time commitments of non-executive directors will vary enormously depending on the complexity of an organisation and its business activity. While generic guidance may be useful, we do not believe that it will add much to the stock of knowledge which already exists within listed companies and their advisors. The simple fact is that not all organisations are alike and what individual non-executives can achieve varies greatly between individuals. It must be for boards and organisations to determine and agree with their non-executive directors what time commitment is appropriate in their particular circumstances. For this reason we believe that any guidance will be limited in its use for the majority of organisations.

Board balance and composition

Does the Combined Code give sufficient emphasis to the need for relevant experience among the non-executive directors collectively?

The recommendation in the Walker Review that the Financial Services Authority (FSA) supervisory process should give closer attention to the overall balance of the board and take into account relevant experience and other qualities is a sensible recommendation. The Combined Code as drafted does give sufficient weight to the need for relevant experience among the non-executive directors and we do not believe that any major amendments to section A.3 of the Combined Code are necessary.

Do the independence criteria and the way that they have been applied to companies and investors restrict the pool of potential non-executive directors, and in particular has the 'nine year rule' resulted in a loss of continuity and experience?

It would be useful to review the independence criteria to ensure that the criteria remain relevant and realistic given the pool of available candidates in certain industries. There has been an undue emphasis placed on the 'nine year rule' which has been unhelpful. Independence is a state of mind and while companies can, and do, 'comply or explain' their decisions on independence it would be useful to review the independence criteria to allow greater continuity and transfer of experience. While it is desirable to allow greater continuity to reinforce experience on the board, this should be linked to a requirement to achieve a balance with new directors so that proper challenge is preserved, especially of past decisions.

Has the recommendation that the boards of FTSE 250 companies should comprise at least 50% independent non-executive directors resulted in fewer executive directors sitting on boards and/or boards becoming larger?

This is a question on which independent research would be useful specifically within smaller companies. We are not convinced that Combined Code provision A.3.2 has resulted in fewer executive directors serving on boards. Certainly to fulfil the Combined Code obligations on committee membership more non-executive directors are required by many boards and this may have contributed to boards becoming larger.

Is more guidance needed, in the Combined Code or elsewhere, on succession planning and the need to ensure that board composition is aligned with the present and future needs of the business?

We are not convinced of the need for additional guidance on succession planning and do not believe that any major changes should be made to the Combined Code on this issue. We do however believe that greater transparency of the nomination committee process would help. We believe that the disclosure obligations contained in Combined Code section A.4.6 could be amended to encourage nomination committee reports to be more comprehensive and address the organisation's succession planning policy and how the organisation ensures appropriate alignment of interests.

Frequency of director re-election

Will changes to the frequency of director re-election increase accountability to shareholders? Which options would you support?

- **Annual re-election of the company chairman**
- **Annual re-election of the chairs of the main board committees**
- **Annual re-election of all directors**
- **Binding or advisory votes on specific issues, or on the corporate governance statement as a whole**

We can understand the investor pressure towards the annual re-election of the Chairman. However, we are not convinced that this is a useful recommendation as the practice may create greater uncertainty and reinforce short-term behaviours. We would not support the routine annual re-election of all directors or the annual re-election of the chairs of the main board committees. We believe that annual re-elections would be counter-productive and potentially damaging to the continuity of boards and would be contrary to many of the other recommendations being proposed which seek to ensure a longer-term approach is taken. We do not believe that advisory votes on specific issues are necessary. There is the existing mechanism of the vote to receive the report and accounts which is an efficient mechanism and we do not believe that any additional advisory votes would be helpful.

Board information, development and support

Would it be helpful to provide more guidance on board information sources, development and board support either in the Combined Code or in non-binding guidance?

We believe that it should be for boards to decide how any dedicated support for non-executive directors is provided. On that basis we do not think that this is something that should be included in the Combined Code. Guidance could be useful for some organisations but in the main we think that it is not necessary to create guidance in this area.

Board evaluation

Should the Combined Code be amended to recommend that board evaluations should be externally facilitated at least every two or three years for some or all companies? Should committee evaluations be relaxed?

We support recommendation 12 of the Walker Review for BOFI boards because these are companies that can contribute materially to systemic risk irrespective of whether the organisation is a bank or a listed entity. We would support the Combined Code being amended to recommend that board evaluations should be externally facilitated at least every two to three years and that the name of the facilitator should be disclosed to allow end users of accounts to make an assessment of the quality of the evaluation. While we think that all companies would probably benefit from externally facilitated board evaluations every two to three years we believe it is only for the FTSE 350 that this should be a Code provision.

With regard to relaxing the Combined Code in respect of committee evaluations, we do not believe that this amendment is necessary. The results of committee evaluations are just as important as the evaluation of the whole board and the practice is a useful one not only for boards but also for shareholders.

Are there any ways that the annual report can be made more informative: is the proposal that an 'assurance statement' be included a good one and what might be included in it?

We would support greater disclosure of the board and committee evaluation procedure and outcomes and believe that this could be by way of improving existing disclosures in annual reports rather than creating new statements in annual reports. Additional disclosures can be included in the corporate governance report or the directors' report. The creation of a new statement in the report and accounts seems to be an unnecessary addition. The creation of an additional assurance statement may increase confusion as to the location of disclosures and potentially make it harder for users of accounts to locate disclosures.

Risk Management and Internal Control

Is there a need for all or parts of the Turnbull Guidance to be reviewed?

While we continue to support the principles and overall approach of the Turnbull Guidance it may be appropriate, in the light of the Walker Review recommendations on risk, to undertake a limited scope review of the Turnbull Guidance to ensure that it remains fit for purpose for banks and other financial institutions.

Should the board's responsibility for strategic risks and setting risk appetite be made more explicit in the Combined Code? Is the current balance between the Combined Code and the Turnbull Guidance the right one?

It would be helpful if the board's responsibility for risk were set out more explicitly in the Combined Code. 'Setting risk appetite' is a very difficult matter to explain in practice and so some guidance on this would be helpful.

Are the special mechanisms recommended for BOFIs appropriate for all other listed companies?

For the majority of listed companies the special mechanisms recommended for BOFIs are not appropriate or necessary and it would be unduly burdensome and expensive for listed entities to have these special mechanisms applied to them.

How can reporting on risk be improved?

We support recommendation 27 of the Walker Review that the board risk report should be included as a separate report within the annual report. We think that there needs to be new thinking on risk reporting and mandating a separate report may help to introduce fuller disclosure and increased transparency.

Remuneration

Should the Combined Code be revised to ensure consistency with the European Commission's Recommendations and the FSA's proposed code of remuneration practice for BOFIs?

Yes, this would ensure consistency and avoid overlapping disclosure requirements which would only add additional complexity for both listed entities and users of accounts.

Should shareholders be given a more direct role in setting remuneration?

We do not believe that shareholders should be given a more direct role in setting remuneration. There are various existing mechanisms available to shareholders and we are not convinced that adding additional mechanisms will assist in this area.

Implementation of the Combined Code

Is it appropriate for the FRC or the FSA to undertake greater monitoring and enforcement of 'comply or explain' statements?

We believe that it is appropriate to undertake monitoring and enforcement of 'comply or explain' statements but would caution against the regulator making judgements as to whether explanations are acceptable or not.

Engagement between boards and shareholders

Are the framework proposed by Sir David Walker and the role proposed for the FRC appropriate?

We agree that the framework proposed by Sir David Walker is appropriate. Subject to resource issues, the roles proposed for the FRC and FSA also appear appropriate.

What steps can be taken by the FRC and others to encourage companies and investors to be more proactive about regular engagement and a longer term focus?

We suggested in our first response to the Walker Review that the Bank of England and the FSA are in a unique position to take on a leadership role in convening and briefing meetings of non-executive directors of BOFI boards to discuss forward looking macro-economic issues and regulatory risk outlooks. The FRC is also in a unique position to engage companies and investors to create a better dialogue by taking on a leadership role by convening meetings of interested parties and by disseminating and sharing information. A regular and high level engagement facilitated by regulators is important and could contribute to the quality of corporate governance in the future if regulators used the engagement power they have effectively.

APPENDIX 2

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

29 September 2009

Our ref: ICAEW Rep 99/09

Sir David Walker
Walker Review Team
The Financial Services Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

By email to: feedback@walkerreview.org

Dear Sir David

WALKER REVIEW OF CORPORATE GOVERNANCE IN THE UK BANKING INDUSTRY (REVIEW)

The Institute of Chartered Accountants in England and Wales (the Institute) welcomes the opportunity to comment on the consultation paper 'A review of corporate governance in UK banks and other financial industry entities' published on 16 July 2009.

The Institute operates under a Royal Charter, working in the public interest. Its regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the Financial Reporting Council (FRC). As a world leading professional accountancy body, the Institute provides leadership and practical support to over 132,000 members in more than 160 countries, working with governments, regulators and industry in order to ensure the highest standards are maintained. The Institute is a founding member of the Global Accounting Alliance with over 775,000 members worldwide.

The Institute has participated in consultations regarding corporate governance and plays an active role in the development of corporate governance in the UK and internationally. Our Financial Services Faculty was established in 2007 to become a world class centre for thought leadership and guidance on issues and challenges facing the financial services industry. It draws together professionals from across the financial services industry and from the 25,000 Institute members specialising in the sector.

The Institute welcomes on-going dialogue on the matters raised in the Review and supports the incremental changes that the majority of the recommendations encourage. We also support the introduction of the recommendations in a thought out way using the existing framework.

Our process

Following the HM Treasury announcement in February 2009, the Institute concluded that the Review was of such significance that a separate advisory group was formed to formulate a response. This advisory group is drawn from investors and institutions; executive and non-executive directors; auditors and company secretaries. The group reports jointly to the Institute's Corporate Governance Committee and the Financial Services Faculty's Risk and Regulation Committee.

Chartered Accountants' Hall
PO Box 433 Moorgate Place London EC2P 2BJ UK
www.icaew.com

T +44 (0)20 7920 8100
F +44 (0)20 7920 0547
DX 877 London/City

We highlight below some key observations and make additional specific comments in the attached appendix.

Key observations

Leadership role

We suggested in our response to the Review team on 29 May 2009 that the Bank of England and the FSA are in a unique position to take a leadership role in convening annual briefing meetings of non-executive directors of banking institutions to discuss forward looking macro-economic and macro-prudential risk and regulatory risk outlooks. Both organisations produce valuable information that could be used in this way and is of enormous benefit to non-executive directors on boards of banks and other financial institutions (BOFIs).

Scope

We do not believe that it would be in the best interests of the market as a whole to see all recommendations mandated as best practice for all listed companies.

We remain of the view that these recommendations should apply only to organisations that can contribute to systemic risk. We support the principal focus of the recommendations on the governance practices of BOFIs. However, we note that not all BOFIs may materially contribute to systemic risk and that other organisations, not included in the list of BOFIs, may contribute to systemic risk. There is a need to define the sub-set of listed companies to which the recommendations should apply and which firms will be in scope. It is important to avoid creating an uneven playing field in respect of BOFIs themselves.

Whilst we note that the principal focus of the Review relates to the governance of entities that are listed on the London Stock Exchange, we support the proposal that where an FSA-authorised, but unlisted, BOFI entity is a subsidiary of a UK-listed holding company, the best practice proposals of the Review should be taken to apply to that holding company.

It may be the case that not all of the recommendations should apply to unlisted BOFIs whether overseas owned or privately held. Perhaps recommendations 1-9, 23-30, 32 and 35 only would suffice.

Prescription

Too much prescription in the recommendations particularly in respect of remuneration may be counter-productive and lead to box-ticking and bland boiler-plate disclosures. A principles-based approach rather than one that is too prescriptive has many advantages. Pure compliance with strict requirements can suppress additional and more in-depth disclosures.

Risk

Risk remains a key concern for boards. How risk reporting is escalated to the board is of paramount importance as is how risk tolerance is communicated from the boardroom. Risk oversight and risk tolerance are key concerns for a board and any confusion of responsibilities for risk between boards and committees must be avoided. There may not be sufficient emphasis on the need for the board to set out their risk tolerances. Too much reliance on board committees can be as dangerous as too much reliance on risk assessments made by regulators and could encourage boards to delegate discussion of risk more than is appropriate.

International context
Most banks operate in an international context as do most institutional shareholders and non-executive directors. There are issues raised in the recommendations that have international implications. It is important to ensure that the international nature of institutional shareholders and non-executive responsibility are reflected in the recommendations and any final changes made to the Combined Code on Corporate Governance.

We have provided more detailed comments on the individual recommendations in the attached appendix.

We hope that our comments are useful and we would welcome on-going dialogue with the Review team. Please do not hesitate to contact me or my colleague Vanessa Jones, vanessa.jones@icaew.com, should you wish to discuss any of the points raised in this response.

Yours sincerely

Robert Hodgkinson
Executive Director, Technical

T +44 (0) 207 920 8492
F +44 (0) 207 920 8780
E robert.hodgkinson@icaew.com

APPENDIX

Recommendation 1: The knowledge and skills of BOFI non-executive directors should, on a board by board basis, be considered collectively as well as individually.

For international BOFIs this consideration needs to include an assessment of skills and knowledge at an international level. It would be helpful to include this dimension in the recommendation particularly for BOFIs that have an international aspect.

The Bank of England and FSA could provide a leadership role by hosting yearly or twice yearly sessions on macro-economic trends with emphasis on macro-prudential risk. This leadership role need not be provided on a BOFI by BOFI basis. There could be real benefit in this type of awareness briefing taking place across different companies within the financial services sector.

Recommendation 2: It should be for boards to decide how any dedicated support for non-executive directors is provided. It would be better if this recommendation were a statement of principle rather than a prescribed requirement.

We absolutely support the principle that boards should provide non-executive directors with mechanisms to get separate advice as and when needed but believe that it should be for boards to decide how this is delivered. For the majority of boards, especially those outside the FTSE 100, a dedicated support function may not be appropriate.

Recommendation 3: We concur with the basic aim of this recommendation but it would be helpful if it was clarified whether the 30 to 36 day time commitment includes all committee work. We note that the expected time commitments will vary according to the complexity of the organisation and its business activity.

There must be recognition that certain directors (depending on their role) will spend considerably more time than 30-36 days but that BOFIs can still gain great benefit from non-executive directors who are serving Chairmen/Chief Executive Officers at other organisations whose time commitment may be less than 30-36 days. It is essential to avoid any restriction on the talent pool of potential non-executive directors so there should be a comply or explain opt-out subject to FSA veto.

Recommendations 4 and 5: We agree with these recommendations to the FSA as drafted.

Recommendation 6: We agree with this recommendation and note that many BOFI boards already draw on external analysis and input on risk matters.

Recommendation 7: The size and complexity of the BOFI should always be taken into account when looking at external appointments. This recommendation should be restricted to BOFIs as it is unlikely to be appropriate for the majority of listed companies.

Recommendation 8: This recommendation would be strengthened if the combination of relevant financial industry experience and evidence of successful leadership capability in a significant board position were also applied to the senior independent director.

Recommendations 9 and 11: We agree with these recommendations on the roles of the Chairman and senior independent director as drafted.

Recommendation 10: We recognise investor pressure towards the annual re-election of the Chairman as a means of enhancing the quality of board communication with shareholders and improving director accountability. However, we are concerned that implementation of this recommendation could lead to greater uncertainty and reinforce short-term behaviours.

Recommendations 12 and 13: These recommendations may lead to more annual report disclosures, but they are sensible and reflect current good practice in BOFI boards. Greater disclosure of the board and committee evaluation is positive and a separate section of the annual report focussed on this and the activities of the nomination committee is a welcome development. However it is, once again, important to approach this driven by principles and to avoid any undue or unnecessary prescription which may dilute the quality of the reporting.

Recommendations 14 and 15: These recommendations would in theory encourage greater dialogue with shareholders and introduce FSA involvement in the engagement with selling shareholders. However, it is not immediately clear what the FSA will do with the information or how it will progress any follow-up actions with such sellers.

In relation to recommendation 15 it would be helpful if the recommendation clarified whether the FSA should be involved as supervisor of the BOFI concerned or as UK Listing Authority/Market Supervisor.

From a shareholder register perspective it is one thing to monitor changes, as a matter of good practice, but there are limited actions that a company can take to respond to major movements. The limited options available to companies should be noted in recommendation 14.

There are currently no obligations on selling entities to respond to requests for dialogue and information and we think that this is a weakness in the recommendations. Furthermore, there is a danger that responses from selling shareholders, even if provided, might become boilerplate statements, rather than genuinely useful information.

Recommendation 16: This is a recommendation that could apply to the whole of the listed sector. We would welcome additional clarity as to how the investor Principles of Stewardship will operate in practice especially in relation to overseas institutional investors over which the FRC has no jurisdiction.

Recommendations 17 and 18: These are sensible recommendations as drafted provided that the FRC has the resources to perform the proposed additional functions.

Recommendations 19 and 20: We welcome these recommendations: public disclosure by fund managers on their websites is helpful as is the requirement to comply or explain against the Principles of Stewardship.

Recommendation 21: In principle the recommendation is helpful, but we urge that the practicalities are carefully worked through with the institutional investor community. The key element of this recommendation is the importance of engagement with overseas investors and we urge that further thought be given to how to encourage greater engagement with this sector. We are concerned that, as drafted, the recommendation may promote a formal centralised mechanism to guide collective engagement which could result in an inefficient, inflexible bureaucratic process which could duplicate existing initiatives in the market-place (such as those of the ABI).

Recommendation 22: There is an important distinction between how an institutional investor has voted and the fact that they have voted at all. While it is right that there should be disclosure that an investor has voted, there could be detrimental effects on companies and investors alike if voting directions were always made public.

Recommendations 23 and 24: For some organisations these recommendations may be too prescriptive. Provided that the board is primarily responsible for risk it should be for a board to decide and communicate what structure it wants to adopt and operate. In particular we have concerns about how these two recommendations would operate in smaller and less complex BOFIs.

We note that risk committees evolved out of audit committees as a result of the increasing workload being placed upon the audit committee of larger and more complex organisations, rather than due to inherent conflicts between the objectives of audit and risk. There may be considerable overlap between the objectives of audit and risk committees, and close interaction will be necessary. For smaller and less complex organisations, mandating the creation of separate risk committees might be disproportionately bureaucratic.

It is essential that the board should not get a diluted message on risk. For the purposes of these two recommendations it would be useful to have an explanation of risk tolerance and some guidance as to what the board's role in setting risk tolerance should be.

It is important to avoid over-prescription when looking at the Chief Risk Officer role because not all BOFIs are the same. There must be room for each BOFI board to adopt practices that are most fitting to its business.

Recommendation 25: In principle it is right that a board risk committee should be able to draw on external input but this should be on an occasional basis and not as a matter of routine. This is an area where prescription is not beneficial. What is essential is that a board committee should not feel constrained in taking advice where necessary.

Recommendation 26: In relation to any proposed strategic transactions involving acquisition or disposal it should be a matter for the whole board to decide what structure it wants to adopt and operate providing that the whole board is responsible for due diligence.

Recommendation 27: We support the principle that the board risk committee should publish a separate report in the annual report. It would be extremely helpful if any final recommendation set out guidance on what good practice risk disclosures should aim to achieve. In particular, the final sentence could be expanded to include an obligation for the BOFI to explain in detail what the risk committee spends its time on.

Recommendations 28 to 39 (Remuneration): We do not have anything to add on remuneration to the points we made in our earlier response of 29 May 2009. We believe that several of these recommendations are too prescriptive with too much emphasis on the amount of remuneration rather than consideration of structure and remuneration policy/strategy. We believe this is a weakness and a missed opportunity given the importance of the subject.

Too much focus on detail, rather than substance, should be avoided. A principles-based approach would be preferable. In particular, recommendations 33 and 36 are overly prescriptive and may lead to unintended consequences. Greater clarity of remuneration committee oversight and responsibility for senior executives who are not board directors would be more helpful.

However, we welcome recommendation 38 to develop a remuneration consultants' code of conduct and think that this is a useful mechanism to address the conflicts of interest that are inherent in the provision of remuneration consultancy services.