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Submitted by email to:
codereview@frc.org.uk

12 July 2012

Dear Mr Hodge,

Revisions to the UK Corporate Governance Code, Guidance on Audit Committees and the UK Stewardship Code.

Thank you for the opportunity to respond to your consultation. By way of background, Prism Cosec is a company secretarial practice and corporate governance consultancy that seeks to promote integrity and effectiveness within the boardroom. Our principle activity is in assisting companies with quoted securities on the Main Market of the London Stock Exchange and AIM on company secretarial and governance matters. A number of our clients are listed in the FTSE100 index and we are Company Secretary for one FTSE100 quoted company.

We set out below responses to some of the proposed revisions to the UK Corporate Governance Code:

Proposed revisions to the Preface to the Code (consultation paragraphs 20 and 21)

We do not support this proposed change. The requirement for the Chairman's statement to recognise the contribution made by debt investors in providing capital and to confirm the board's interest in listening to the concerns of bond investors appears to conflict with the lack of requirement for wholly debt issuers to adhere to the UK Corporate Governance Code or make corporate governance statements. Indeed there are often already complicated and rigorous agreements in place between a Company and its debt provider without the need for further recognition between the parties. It also seems incongruous to single out these particular stakeholders and none others for mention in the chairman's statement.

Proposed revisions regarding the Quality of Explanation in the Introduction to the Code (consultation paragraphs 15 to 18)

We support this proposed change. We welcome further introductory guidance within the UK Corporate Governance Code on the 'comply or explain' approach. This will be useful for the issuer in constructing meaningful explanations. However, with respect to investors, we encourage the FRC to reinforce the fact that a Company is permitted to explain its reasons for non-compliance. On occasions, investors appear to overlook the 'explain' element of comply or explain, particularly where voting agencies do the same.

Proposed addition of new Section C.1.3 (consultation paragraph 5)

We do not support the addition of this new section. Whilst informative reporting by Boards to their shareholders should be encouraged, care should be taken over anything that represents 'gold-plating' or encourages

boilerplate language. Requiring Boards to state that the annual report is 'fair, balanced and understandable' is both 'gold-plating' and encourages boilerplate language. Directors are already required by DTR 4.1.12R to provide a responsibility statement confirming that the directors' report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties the face. Progress has been made in the format for annual reports, encouraging Directors to comprehensively report the status of the business. Given the aforementioned, it is difficult to imagine what additional narrative is needed. The introduction of the new section C.1.3 language adds no value whatsoever and will simply add to the 'clutter' within the annual report.

We hope that these observations and suggestions are helpful. Please contact us if you would like to discuss any of the points made in this submission in more detail.

Yours sincerely,

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