

From: Kerry.Porridd@severntrent.co.uk

Sent: 29 May 2009 17:04

To: Chris Hodge

Subject: Review of the Effectiveness of the Combined Code ? Call for Evidence March 2009

Chris Hodge

Corporate Governance Unit
Financial Reporting Council
Aldwych House
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LONDON
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Dear Chris

We have considered the points raised in the above document by the FRC and would like to input our feedback to the consultation.

Severn Trent believes that the basic governance framework consisting of high-level principles holds good and we firmly believe in the principle of the unitary board.

We would also raise:

The importance of the role that the Chairman brings to bear on a board and organisation through setting and applying standards and behaviours cannot be underestimated. We urge that the role of the Chairman is further formalised in the Code.

The Chairman and the Company Secretary should develop an induction pack for future Chairmen to include a signed report from the Chairman setting out: the company's Governance Framework; the company's major risk register and approach to the mitigation of such risks; the approach to board appraisal and a formal statement on board performance and reasons why an independent external facilitator is not used if that is the case; and, a current review of the effectiveness of the Governance Framework by the Internal Audit department.

The board should consist of executive directors in addition to the Chief Executive and Finance Director. Executive directors have an important role to play in supporting the Chief Executive in ensuring the effective delivery of strategic objective within the resources available to the company. Further, executive directors bring to the board debate and discussion their unique knowledge, experience and perspective on the company's businesses and the competence of the company to deliver and the market environment.

The Company Secretary's advice and services should remain available to all directors and we believe that a stand alone functional support to the non-executive directors would be counter-productive in assisting the critical information flows to the board and its committees and between senior management and the non-executive directors. Further, the Company Secretary's role as the "conscious of the company" has been diminished in recent years, most notably through the Companies Act 2006, and its importance in the maintaining of good governance in the board room and within the company should be recognised and formalised within the Code.

The principle of comply and explain has been misunderstood by many. A number of

companies have inferred that to comply means not necessarily having to explain. In the current economic climate, companies should be cognisant of the desires of investors and other stakeholders to assess the company's longer term prospects in addition to its short term, annual financial performance. We believe that assessment takes place through informed reporting on how governance impacts on and operates within the company at all levels.

Yours sincerely
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