

July 2018

Dear Investor

The FRC has published the new 2018 UK Corporate Governance Code. This is a result of a substantial outreach and consultation and we thank respondents for their contributions.

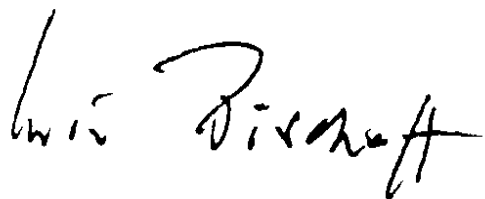
Over 26 years the Code has improved standards of practice and reporting on governance. The UK has a strong reputation in this field of which we should be proud. But this reputation is tarnished when we see corporate collapses accompanied by poor governance and conduct. Such events harm public trust in business and deter investment.

The 2018 Code has substantially evolved and builds on the progress we have made to improve the quality of governance in the UK. There are significant changes to its structure and content. It is shorter and sharper, there is a renewed emphasis on the Principles and there are fewer Provisions. The new Code takes a broader view of governance and emphasises the importance of a healthy corporate culture and constructive relations with a wider range of stakeholders in delivering long-term sustainable success.

The stewardship role of investors and their advisors is very important. You should engage constructively and discuss with the company any significant departures from the recommended practice in the Code. Explanations are an opportunity to clarify matters and when considering them you should pay proper regard to a company's individual circumstances. You have every right to challenge explanations if they are unconvincing, but explanations should not be evaluated in a mechanistic way. When you employ consultants to advise you on corporate governance and voting at meetings, you should be clear about their role. Their advice and actions should take into account your or your clients voting policies.

We are writing to other parties involved in making the Code a success. Before it comes into force, we will be working with stakeholders to embed the Code and enable the improvements in governance we all wish to see. After the introduction of the 2018 Code we intend to escalate our monitoring of practice and reporting.

The FRC's mission is to promote transparency and integrity in business. We look forward to continuing to work with you so that we can ensure a strong flow of investment into successful UK companies, delivering long-term growth which supports a prosperous economy and society.

A handwritten signature in black ink, appearing to read "Luis Biscarra". The signature is written in a cursive, flowing style.