



Chris Hodge
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Sent by email: codereview@frc.org.uk

28th May 2009

Dear Mr Hodge

**Review of the Effectiveness of the Combined Code
Call for Evidence**

The Institute of Business Ethics' (IBE) initial comment is to recognise that the Combined Code has been effective in enhancing UK plc's position globally in how corporate governance can work. The 'comply or explain' model is good although not always whole heartedly applied, but it is for the investor community to engage and push for companies to apply the principle.

To your CP:

The IBE would like to comment on the content of the Code feeling that there are areas of good, and would-be good practice that are not currently addressed.

A3 Board balance and independence

This could be extended to include a balance of skills, knowledge and experience should also be a prerequisite on a board. A regular skills audit of board members could be reported on, ensuring that appropriate professional qualifications of a specific nature (e.g. engineering or finance) or general nature (e.g. Chartered Director or MBA) are included.

A5 Information and professional development

This could be strengthened by including an annual requirement with reporting on such development undertaken.

B1 The level of make-up and remuneration

This should be strengthened with reference to including matters of a non-financial nature in calculating remuneration as well and that the total compensation package is reviewed as a whole and any bonuses calculated on profit contribution and calculated over time.

B2 Procedure

Suggested rewording:

There should be a formal and transparent procedure for developing policy on *company remuneration and in particular executive remuneration* and for fixing the remuneration packages of individual directors *and individuals in the company where bonuses can be in excess of [50%] of base salary*. No directors should be involved in deciding his or her own remuneration. *The remuneration committee should be responsible for appointing independent advisors to assist the committee in its work.*



Institute of
Business Ethics

As to the investor community, we believe there is more they could do, in particular main stream investors (as opposed to relying on the corporate governance analysts) to engage with companies on these issues. They should also review, with their investor base (as many are agents) whether a move away from quarterly performance related indices might not be better for long term sustainable business growth, from which UK plc would benefit.

Should you require any further illumination of the points raised above, we would be willing to meet with you to discuss these.

Yours sincerely,

A handwritten signature in black ink that reads 'Philippa Foster Back'.

Philippa Foster Back OBE
Director