

15th May 2009

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

Dear Chris

I am writing to you in response to the FRC's request for feedback on the effectiveness of the Combined Code. We are providing input to a number of parties on their respective reviews of different aspects of corporate governance including Sir David Walker and the Institutional Shareholders' Committee but I thought it would be helpful to flag a few points with you directly.

In general we think that the Combined Code has worked very well and compares favourably with the corporate governance regimes in most other jurisdictions although clearly there have recently been some high profile failures. The challenge is to improve market practice but at the same time avoid loading companies and investors with excessive and costly regulation which does not directly contribute to the long term creation of value.

Our general philosophy is that Boards of Directors are responsible for the management of their respective businesses, supported by their advisers and also by regulators in certain sectors. Shareholders also have a role to play in ensuring that businesses are run in the long term best interests of their owners but shareholders are by definition removed from the day to day realities of the respective businesses and have only limited ability to effect change in the face of a robust and resistant Board.

There are nonetheless some Combined Code changes which we think should be considered:-

1. We are strong believers in the importance of companies having independent, non-executive Chairmen who are responsible for running the Board of Directors and also overseeing relations with shareholders. However, recent experience in the banking sector has persuaded us of the merit of banks being chaired by people with relevant banking experience although they should not come from the ranks of management. We also recognise that the role of chairing a major bank is in practice a full time one.
2. We are opposed to the provision that deems a Director no longer to be independent once he/she has served for 9 years on a Board. Long experience can add significantly to a Director's contribution and whilst no two situations are the same, we would not want to

discourage companies from retaining the services of Directors who have served for a long time but are no longer deemed to be independent.

3. We are supportive of initiatives which deepen the relationship between shareholders and Chairmen or independent Directors but do not favour a formal, separate dialogue. Our approach is to seek meetings with Chairmen or independent Directors when circumstances warrant and we are also available to them if there are specific issues they would like to raise with us. One possibility would be to encourage Chairmen and independent Directors occasionally to attend company roadshow meetings with leading shareholders in order to hear the flavour of the discussions and also to meet the key shareholder decision makers.

4. The Combined Code should encourage companies to provide the independent Directors with adequate resource and training to perform their duties. This might take the form of a small dedicated secretariat or access to relevant external advice where necessary.

5. More specific encouragement for Boards to conduct periodic external performance evaluation might also be helpful.

I hope this is helpful but please feel free to call me if you have any questions.

With best regards

A handwritten signature in blue ink that reads "Trelawny Williams". The signature is written in a cursive style with a long horizontal line extending from the end of the name.

Trelawny Williams
Director Corporate Finance