

28 May 2009

Chris Hodge  
Corporate Governance Unit  
Financial Reporting Council  
5<sup>th</sup> Floor  
Aldwych House  
71-91 Aldwych  
London  
WC2B 4HM

Dear Mr Hodge,

### **Review of the Effectiveness of the Combined Code**

I am the Company Secretary of Wm Morrison Supermarkets plc. I have been asked by the Board of Morrisons to respond to you in relation to the call for evidence issued in March 2009.

In summary, Morrisons view is that the Combined Code as it currently exists is effective and remains appropriate. We see no overwhelming desire to change the Combined Code and, in fact, believe that any desire which may exist to effect changes to reflect recent unfortunate events in the UK public company arena (such as in the financial services sector) may well be an over reaction.

The view of Morrisons is that the Code itself is and remains appropriate but that the application of that Code by companies is critical. In a time of significant uncertainty across the public company arena caused by the current economic conditions, Morrisons feels that stability of governance is important. This will enable companies whose governance policies do already comply, or substantially comply, with the Combined Code principles to be recognised as such and will avoid the potentially damaging consequences of unnecessary reactionary change. It also permits a measured view to be taken by all interested stakeholders as to compliance over time and the identification and tracking of trends of compliance. Equally, persistent non-compliers can be identified and, as appropriate, shareholders can decide if they wish to continue to invest. Changing the rules in a material fashion would unsettle the equilibrium conducive to tracking trends of compliance.

There will always be some elements of any form of governance code which some companies regard as inappropriate to them but it is the view of Morrisons that stability and consistency of the governance regime is the more important factor than change for the sake of change alone.

Turning then to the particular issues raised for comment and, on the basis of the background set out above, Morrisons has little to add to the review process. However, I do submit the following observations although they should be considered against the background of the overwhelming view of Morrisons that no significant changes are required to the Code itself.

In relation to the 'comply or explain' approach I think it remains incumbent upon companies to give an adequate explanation of non-compliance with the Code principles but it is also incumbent upon the institutional shareholders, and, in particular, their representative bodies whose recommendations and advice do carry significant weight, to look at the explanations which are given by companies for non-compliance in a constructive, even sympathetic light. There will be occasions and circumstances, and, in certain cases, operating models for businesses which do not readily lend themselves to compliance with the Code. Appropriate explanations should be accepted by shareholders and their representative bodies.

It is fruitful to note that, as experience of how to apply the Code's principles has developed and knowledge of companies has grown, the review of governance has moved on from the much criticised slavish 'box ticking' approach. This balanced approach by those within shareholders and their representative bodies charged with the review of governance is as equally desirable as is a sympathetic review of justifiable non-compliances.

It is undesirable to 'force fit' a business or the circumstances which obtain into an artificially compliant regime. Where there is good reason for divergence from the Code and its principles, companies should be given credit for at least explaining this and the downgrading of their governance arrangements should be tempered to reflect those circumstances.

We have no further comment to make in relation to the call for evidence.

I trust that these comments are helpful and will, of course, be happy to discuss them with you if this is of assistance.

Yours sincerely

A handwritten signature in black ink that reads "Greg McMahon". The signature is written in a cursive style with a horizontal line underneath the name.

**Greg McMahon**  
Company Secretary and Head of Legal Services