

Mr Chris Hodge
Corporate Governance Unit
Financial Reporting Council
Fifth Floor
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WC2B 4HN

4 March 2010

Dear Sir

Thank you for the opportunity to provide our views on the Final Report and Consultation on the revised UK Corporate Governance Code ('the Code').

PricewaterhouseCoopers LLP is a leading proponent of good governance both for our clients and our firm and we have responded to all of the FRC's consultations on the Combined Code and related matters, drawing on the wide range of our activities and experience.

Overall, we welcome the proposed changes to the Code as set out in the Final Report, which we believe are balanced and proportionate, and take appropriate account of those points arising from the Walker Report that are relevant to all listed companies, including those on remuneration such as risk-adjusting executive reward.

We continue to believe that it is the culture, tone at the top and personal behaviours of directors that most influence the direction of companies. We therefore welcome the changes to the Code that give more prominence to the factors underpinning an effective board, such as the emphasis on the pivotal role of the chairman and the expectations of non-executive directors.

Our approach to this final phase of the consultation process has been to address in the enclosed Appendix the two specific issues raised for consideration, and to include comments on other areas only where we have strong views. Should you have any questions in relation to our response, please do not hesitate to contact either Pauline Wallace or Margaret Cassidy at the above address.

Yours faithfully



PricewaterhouseCoopers LLP

Appendix

Points for specific consultation

Annual re-election of the chairman or of all the directors

We are pleased that the pivotal role of the chairman has been recognised by upgrading to a main principle the existing supporting principle regarding the chairman's responsibility for leadership of the board and ensuring its effectiveness on all aspects of its role; because this is now a main principle, companies will also need to explain how it has been applied.

Consistent with this, we recognise that the annual re-election of the chairman could be seen as a vote of confidence in the leadership of the board. We do not, however, advocate the annual re-election of the whole board. In our view this could lead either to instability and short-term concerns taking precedence or, equally, to re-election becoming a routine step that is not given due consideration. Company law already includes provisions enabling investors to remove directors on account of unsatisfactory performance, and the proposed external evaluation of boards at least every three years should also help to keep them 'refreshed'.

Meeting the reporting requirements of the Code on websites

We agree that the use of websites for corporate reporting is an area that is overdue for systematic and comprehensive review. Until this happens, however, we have concerns about putting information on to websites on a 'piecemeal' basis, with users potentially uncertain about how reporting requirements have been addressed.

Furthermore, such a move could also create confusion about the auditor's responsibility with regard to the various pieces of information that are part of the annual report.

As the Consultation paper points out, changes to the Listing Rules would be needed to allow companies to meet the reporting requirements of the Code on their websites, which would effectively implement Chapter 7.2 of the Disclosure Rules and Transparency Rules. This inconsistency between the Listing Rules and the Disclosure Rules and Transparency Rules should be addressed as part of the systematic and comprehensive review advocated above.

Other comments

Personalised approach to training

The proposed new provision B.4.2 states that the chairman should agree and regularly review a personalised approach to training and development with each director. In our view, the Code should also make it clear that continuing professional development is each director's own responsibility and that the chairman's role is to check that the board has the right set of skills both individually and as a whole. We agree that a process of upfront agreement and regular review of training and development between the chairman and each director would help to meet these responsibilities.

Risk assessment, risk management and internal control

The Final Report notes that “one of the strongest themes to emerge from the review was the need for boards to take responsibility for assessing the major risks facing the company, agreeing the company’s risk profile and tolerance of risk, and overseeing the risk management systems”.

We concur with the FRC’s proposal not to extend all of the recommendations of the Walker Report regarding risk management to non-financial listed companies, and we also agree with the other actions taken or proposed in response to the consultation process, particularly the review of the Turnbull guidance.

We believe that a review of Turnbull is important because feedback gathered from directors indicates that there is still uncertainty amongst boards as to what specific actions are needed for companies to meet the various requirements relating to reviewing or monitoring risk and internal control.

The FRC also notes in its Final Report the widespread shortcomings in risk reporting which are set out in the Accounting Standards Board’s paper “Rising to the Challenge” from October 2009. With the range of different reporting requirements facing companies, there are real challenges in producing meaningful and useful disclosures which integrate business models and risk, strategy, internal control, KPIs, remuneration, and so on. Professional firms will continue to provide advice on these challenges but the disclosure requirements of the Code and the revised Turnbull guidance around risk management and internal control should recognise, encourage and assist with such integrated reporting, including the proposed new Code provision around disclosing the business model and overall financial strategy.