

Chris Hodge
Corporate Governance Unit
Financial Reporting Council
5th Floor
Aldwych House
71-79 Aldwych
London WC2B 4HN

11th April 2008

Dear Mr. Hodge,

**Probable weakness in Section D. 'Relations with Shareholders' of
the Combined Code on Corporate Governance**

You may recall from our meeting in early January that I discussed a probable weakness in Section D. 'Relations with Shareholders' in the Combined Code of Corporate Governance, more specifically in Code Provisions D.1.1 and D.1.2.

To recap in a previous role I used to conduct investor sentiment surveys for two leading London listed companies. These reports were commissioned by the respective finance departments, for the consumption of the Board - I assume. The standard procedure was to poll the opinions of 25 to 30 leading shareholders, from an agreed questionnaire, to transcribe the comments 'anonymously' and distil those comments into a report, along with ancillary technical work. My draft report would then be submitted to the finance department for review.

On a number of occasions these finance departments requested amendments to remove from the report unfavourable investor comments on individuals or disagreements with corporate policies. As these reports were commissioned by the finance department, I was obliged to follow their direction.

If indeed these reports were meant for the consumption of the Board, they frequently did not fully reflect the canvassed opinions of the shareholders. It would seem to me that for the Chairman to *"ensure that the views of shareholders are communicated to the board as a whole"* (D.1.1), that the Chairman, or preferably that Non-executive side of the board should have control of the resources to commission *"surveys of shareholder opinion"* (D.1.2). That mention of this wish should be included in the Combined Code.

The CFA Institute's Corporate Governance manual¹ makes clear reference that an effective Board must have the following three attributes: independence, experience and resources. On the third the manual states;

¹ See page 13 at this link <http://www.cfapubs.org/toc/ccb/2005/2005/6>



“Third, there needs to be internal mechanisms to support the Independent work of the Board, including the authority to hire outside consultants without management’s intervention or approval. This mechanism alone provides the Board with the ability to obtain expert help in specialized areas, to circumvent potential areas of conflict with management, and to preserve the integrity of the Board’s Independent oversight function”.

I look forward to hearing your thoughts on this proposal.

Yours faithfully,

A handwritten signature in black ink that reads 'C Cronin'. The signature is fluid and cursive, with a small triangle pointing to the right at the end of the name.

Charles Cronin, CFA
Head, CFA Institute Centre
Europe, Middle East and Africa.

+44 (0)20 7531 0762

charles.cronin@cfainstitute.org