Best Practice

Corporate Governance Reporting

December 2008

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Corporate governance developments

An Update for 2008

Current Economic Climate

In view of the current economic downturn, corporate governance, and the reporting of that governance, may become a more pressing issue for listed companies; particularly insofar as it relates to going concern reporting, risk management, internal controls, board balance and directors' remuneration.

The extracts included within this best practice compendium are taken predominantly from UK listed companies' annual report and accounts for periods ended 31 December 2007 and 31 March 2008; such reporting being made before the full gravity of the economic situation became clear. Whilst the accounting standards' mandatory disclosures concerning financial risks and liquidity will have been provided in the financial statements, the narrative reporting around going concern in the "front end" of the annual report, may not reflect the more comprehensive level of disclosure that is likely to be expected in the current economic climate.

Recent surveys have shown that good corporate governance leads to improved business performance: in the current economic climate, investors may look more closely at companies' corporate governance disclosures. The Financial Reporting Council (FRC) has issued guidance to directors to assist them in meeting their disclosure responsibilities. The guidance, entitled 'An update for directors of listed companies: going concern and liquidity risk' encourages boards to provide investors with expanded disclosure of the basis for their conclusion regarding the application of the going concern basis of accounting.

We fully expect companies to expand disclosure as appropriate in the coming year, with those annual reports forming the basis of our compendium for 2009.

The Combined Code on Corporate Governance

During 2008, companies reported for the first time under the Combined Code on Corporate Governance (2006), which took effect for accounting periods commencing on or after 1 November 2006.

The FRC conducted a review of the Combined Code during 2007 and, as a result of this review, in November 2007, the FRC consulted on a further two possible changes to the Code. On 27 June 2008, the FRC issued a revised Combined Code on Corporate Governance. The Combined Code (2008) contains only a small number of amendments and is applicable for accounting periods beginning on or after 29 June 2008.

A summary of the main changes introduced by the Combined Code (2008) is provided in Appendix 1.

The revised FSA Rules

On the same date that the Combined Code (2008) was released, the Financial Services Authority (FSA) issued revisions to the Listing Rules and the Disclosure and Transparency Rules (DTR) to implement the amendments to the 4th and 8th EU Company Law Directives and to make other minor changes. The revised Listing Rules and DTR apply for accounting periods commencing on or after 29 June 2008 and include requirements for listed companies in relation to audit committees and corporate governance statements. A summary of these requirements is provided in Appendix 2.

As the effective date for both the Combined Code (2008) and the DTR is reporting years commencing on or after 29 June 2008, companies with December year ends will be reporting in line with them for the first time in 2010 (for their December 2009 year ends). For 2008 year ends, the Combined Code (2006) continues to apply and it is important to realise that early compliance with the revised Code provisions would trigger a breach in compliance, requiring an explanation.

Section 1

Introduction

Best practice corporate governance reporting

There is an element of overlap between the mandatory disclosure requirements of the DTR and the existing requirements of UK company law and recommendations of the Combined Code. A table showing the extent of this overlap can be found at Appendix 3.

The revised Guidance on Audit Committees

In March 2008 the FRC announced the launch of a consultation on the Smith Guidance on Audit Committees following the release of recommendations by the FRC Market Participants Group. In October 2008 the FRC issued revised 'Guidance on Audit Committees', which is effective for financial years ending on or after 30 June 2009.

The main changes to the guidance are detailed in Appendix 4.

FRC consultation on going concern

On 29 August 2008, the FRC issued a consultation paper proposing revised guidance for directors of listed companies to assist them in applying the going concern assumption. The existing guidance 'Going concern and financial reporting: guidance for directors of listed companies registered in the UK' offers the directors three options whereas the proposed revisions by the FRC introduce a fourth option: suggesting that directors make detailed additional disclosures in accordance with IFRS requirements, when they have identified material uncertainties that may cast significant doubt about the company's ability to continue as a going concern.

The revised guidance is expected to be published mid 2009.

Best practice compendium

The compendium is a repository of good practice examples of corporate governance reporting, featuring extracts from the annual reports of FTSE 350 companies for reporting periods ending December 2007 or later.

The basis for the compendium was the extensive review of 114 FTSE 350 companies' annual reports, of which 54 were FTSE 100 companies and 60 were FTSE 250 companies. From this review 48 companies were selected. The full list of companies included is provided in Appendix 5.

This is the fourth edition of PwC's corporate governance compendium. The compendium aims to:

- illustrate good practice reporting including explanations of departure from the Code; and
- show how reporting has evolved.

Helpful hints accompanying the extracts highlight new trends and good practice suggestions.

It should be noted that the extracts selected should not be viewed as word perfect disclosure; rather this is a collection of disclosure examples that could assist companies in their future reporting. Above all, we encourage companies to provide corporate governance disclosures that are meaningful, forward looking, succinct and presented in an innovative and engaging manner.

The compendium covers all sections of the Combined Code, except for directors' remuneration, which is presented in the directors' remuneration report rather than the corporate governance statement. Its structure is as follows:

1. **Putting governance into context**
2. **Directors**
3. **Accountability and audit**
4. **Relations with shareholders**

Section 1

Putting governance into context

1.1 Introductions

Helpful hint

Show the board's commitment to high standards of corporate governance

Vodafone Group Plc

The Board of the Company is committed to high standards of corporate governance, which it considers are critical to business integrity and to maintaining investors' trust in the Company. The Group expects all its directors and employees to act with honesty, integrity and fairness. The Group will strive to act in accordance with the laws and customs of the countries in which it operates; adopt proper standards of business practice and procedure; operate with integrity; and observe and respect the culture of every country in which it does business.

Helpful hints

Include a personalised statement from the chairman

Set out the company's governance framework

BG Group plc

Effective governance is at the core of BG Group's ability to operate successfully in the global business environment.

Sir Robert Wilson
Chairman

The Board of Directors of BG Group is committed to the highest standards of corporate governance, which it believes are critical to business integrity and performance, and to maintaining investor confidence.

In order to ensure the highest standards of corporate governance are observed, the Company operates within a Governance Framework.

The Governance Framework complements the beliefs and behaviours as set out in the BG Group Business Principles, details of which can be found on page 38.

The Company's shares are listed on the London Stock Exchange. This report explains how the Governance Framework is structured and implemented across the Group in support of the statements by the Board that the Company complies with the UK Financial Reporting Council's Combined Code on Corporate Governance (the Combined Code).

[…]

Governance Framework

There are three elements to BG Group's Governance Framework: the Group's organisation and structure; the Internal Control Framework; and independent assurance.

Section 1

Putting governance into context

1.1 Introductions

Yell Group plc

Our approach

For Yell, corporate governance and a responsible approach are inextricably linked. Our Governance and Responsibility programme brings the two together ensuring that we meet our commitments to all our stakeholders.

Vision

Our vision for governance and responsibility at Yell is to provide our shareholders and other stakeholders with confidence that Yell is a well-managed and responsible company.

The board takes steps to engage with shareholders and to evaluate the relevant financial, social, ethical and environmental issues that may influence or affect Yell.

Guiding principles

Our Guiding Principles – Excellence, Reliability, Responsibility and Integrity – support our vision, underpin our values and define our approach to all aspects of our business.

Governance and Responsibility framework

We have established a framework which we believe identifies all the elements of a sound approach to governance and responsibility. A steering group, comprised of senior managers and led by our Company Secretary, uses this framework to set and monitor governance and responsibility objectives, identify improvement opportunities and ensure that activities are aligned with business strategy. Through this framework we provide assurance to all our stakeholders that Yell is a well-managed, responsible company.

Our framework

Element	Sub-element
The Yell Way	Culture Roles, responsibilities and accountabilities Business excellence
Baseline compliance	Laws and regulations Market regulation
Responsibility	Environment Suppliers/partners Yell people Customers Investors Communities
Brand integrity	Reputation and brand management Intellectual property Fair selling
Accountability and openness	Reporting Stakeholder dialogue Investor relations Internal communication
Risk management	Internal control and audit Assurance

Helpful hint

Set out the guiding principles underpinning the governance framework

Section 1

Putting governance into context

1.1 Introductions

Helpful hint

Explain that the company's governance principles will be kept under regular review

BP p.l.c.

Letter from the chairman

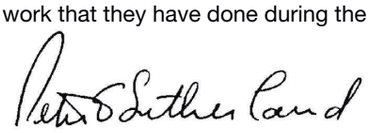
Dear Shareholder

During the past year, the board has carefully considered the role it plays and its method of working. Central to this is the board's review of its system of governance. This has been timely - BP adopted its prior governance framework for the board more than 10 years ago. This approach has stood the board in good stead and has been robust when judged against the standards of governance that have developed over time. This framework will continue to underpin our approach.

It has, however, been important for the board to consider the position of the company in the markets in which it operates and to ensure that the manner in which the board works will meet the challenges that BP will face in the future. As part of the review, each board member discussed their evaluation of the existing policies and proposed their views on the role and challenges for the BP board going forward. The review process also involved benchmarking, identifying examples of governance best practice and a legal review of US and UK board policies.

The board clearly needs to focus on its unique tasks and these are described in the company's 'board governance principles', which were approved in November and can now be found on our website.

The board will keep its work and performance under regular review and will revisit the governance principles annually. Set out below is a description of the board and its committees and an account of the work that they have done during the year.



Peter Sutherland
Chairman
22 February 2008

Putting governance into context

1.2 Compliance statements

Prudential plc

Governance and the role of the Board

The Board is responsible to shareholders for creating and delivering sustainable shareholder value through the management of the Group's business. This governance report explains Prudential's governance policies and practices, and sets out how the Board manages the business for the benefit of shareholders, promoting long-term shareholder interest.

The governance rules applicable to all UK companies admitted to the Official List of the UK Listing Authority are set out in the Combined Code, published by the Financial Reporting Council in June 2003, and revised in 2006. The directors believe that good corporate governance is central to achieving the Group's objectives and maximising shareholder value, and are committed to high standards of corporate governance. The Board supports the Combined Code, and confirms that it has complied with all of the provisions set out in Section 1 throughout the financial year ended 31 December 2007, and has applied the principles as set out below and in the Directors' Remuneration Report.

Helpful hints

Confirm the board's responsibility to shareholders

Confirm that the company has applied the principles of the Code and complied with its provisions

Vodafone Group Plc

Compliance with the Combined Code

The Company's ordinary shares are listed in the UK on the London Stock Exchange. In accordance with the Listing Rules of the UK Listing Authority, the Company confirms that throughout the year ended 31 March 2008 and at the date of this Annual Report, it was compliant with the provisions of, and applied the principles of, Section 1 of the 2006 FRC Combined Code on Corporate Governance (the "Combined Code"). The following section, together with the "Directors' Remuneration" section on pages 71 to 81, provides details of how the Company applies the principles and complies with the provisions of the Combined Code.

Helpful hint

Confirm compliance with the Code's provisions throughout the year

Section 1

Putting governance into context

1.2 Compliance statements

Helpful hints

Explain the reasons for the departure from the Code's provisions and state the period of non-compliance

Include steps taken to mitigate governance and shareholder concerns

Marks and Spencer Group plc

Compliance with the Combined Code

The Company complies with all the provisions of the Code with the following exceptions:

- throughout the year ended 29 March 2008: the Board did not fully consult major shareholders in advance of our announcement on 10 March that our Chief Executive would become Chairman from 1 June 2008 (A.2.2); and
- from 1 June 2008: the role of Chairman and Chief Executive will be exercised by the same individual (A.2.1) and our Chief Executive will become Chairman (A.2.2).

Our reasons for departure from the Code are set out on Page 39.

[…]

New Board structure

On 10 March 2008 we announced Board and senior management changes. We stated that Lord Burns would stand down as Chairman from 1 June 2008, when Sir Stuart Rose would be appointed Executive Chairman.

On 3 April 2008 Lord Burns wrote to shareholders setting out the detailed reasons behind the Board's decisions. A copy of this letter is available on our website. The Board has taken this decision, cognisant of its prime objective to ensure the Company's ongoing commercial success, and has put in place balancing controls to mitigate the governance concerns:

- limited period of appointment of combined Chairman and Chief Executive until July 2011;
- appointment of Sir David Michels as Deputy Chairman;
- clear specification of duties of Executive Chairman and Deputy Chairman to ensure proper division of responsibilities and balance of power;
- appointment of two new executive directors and increased responsibility for the Group Finance and Operations Director;
- recruitment of an additional non-executive director to ensure a majority of independent directors on the Board. Following that appointment, the Board will consider the appointment of a further non-executive; and
- annual voting by shareholders for Sir Stuart Rose's reappointment as a director starting at the 2008 AGM.

The Board unanimously believes that the overall arrangements represent a sensible way forward and provide a sound transitional governance structure leading to the appointment of a new Chairman and separate Chief Executive by summer 2011. The new structure will ensure continuity of leadership, strengthen the Board and streamline the organisation. This will focus everyone on business performance during a period of significant trading uncertainty and it addresses investor concerns over succession.

Consultation with shareholders

The Code states that: 'If exceptionally a Board decides that a Chief Executive should become Chairman, the Board should consult major shareholders in advance and should set out its reasons to shareholders at the time of the appointment and in the next annual report'.

In the period leading up to the announcement on 10 March 2008 of the Board and senior management changes, the Board considered how best to communicate with shareholders. The changes proposed as part of the new governance and management structure were wide-ranging and not only included

Putting governance into context

1.2 Compliance statements

Marks and Spencer Group plc (cont'd)

the appointment of the Executive Chairman and Deputy Chairman but two new Board appointments, the extension of the Finance Director's role and a large number of senior management appointments, as well as news of the departures of several members of the senior management team.

In light of these proposed changes and their sensitivities the Board was concerned about the risk of leaks and did not consult major shareholders in advance. The Board was unanimous and clear that the proposed changes, taken as a whole, were in the interests of shareholders, customers and employees. The Board was also clear that whatever consultation was undertaken in advance of an announcement, its deliberations would nonetheless be subject to comment and scrutiny. The Board also knew that it would, rightly, be obliged under the Code to explain why it was proposing to combine the Chairman and Chief Executive roles and to answer questions from any shareholders with concerns.

Since the announcement, Lord Burns has consulted with a number of principal investors and shareholder representative bodies and he and Sir David Michels have met with those who had requested a meeting. A letter was also sent to all shareholders on 3 April 2008 setting out the detailed reasons behind the Board's decisions.

Helpful hint

Present the areas of non-compliance clearly including details of any remedial action taken

SABMiller plc

2. Application of the Combined Code

The board applied the principles and provisions of the Combined Code throughout the year ended 31 March 2008, except in the following respects (with items (a) to (d) being dealt with more fully in sections 3 and 5 of this report):

a) at least half the board, excluding the Chairman, were not independent for the purposes of the Combined Code;

b) the audit committee did not consist solely of independent directors, as the committee included Ms De Lisi, an Altria Group, Inc. ('Altria') nominee, until her retirement on 30 April 2007, and then Mr Devitre, Altria's nominated replacement for Ms De Lisi, neither of whom is independent for the purposes of the Combined Code;

c) the nomination committee did not comprise a majority of independent non-executive directors throughout the period following the appointment to the nomination committee, under the terms of the respective relationship agreements with Altria and BevCo Ltd ('BevCo') of Mr Bible and Mr Santo Domingo Dávila to the nomination committee. The appointments took effect on 14 November 2007;

d) the chairman of the nomination committee, although considered by the board to be independent in character and judgement, was not independent for the purposes of the Combined Code; and

e) one director was not able to attend the 2007 annual general meeting because of a longstanding prior commitment.

The board has taken a number of steps to redress the balance of independent directors on the board and nomination committee:

Putting governance into context

1.2 Compliance statements

SABMiller plc (cont'd)

a) Ms Maria Ramos and Mr Rob Pieterse were appointed to the board on 15 May 2008. Both are independent non-executive directors; and

b) Mr Ramaphosa, an independent non-executive director, was appointed to the nomination committee on 14 November 2007.

Lord Renwick of Clifton retires from the board on 31 July 2008. He stepped down as a member and as chairman of the nomination committee on 31 March 2008.

With effect from 15 May 2008, over half the board, excluding the Chairman, were independent for the purposes of the Combined Code and, with effect from 1 April 2008, a majority of the directors on the nomination committee were independent for the purposes of the Combined Code.

Section 2

Directors

2.1 Board decisions

Friends Provident plc

The role of the board

The Board provides leadership of the Group and, either directly or through the operation of committees of directors and delegated authority, brings an independent judgment on all issues of strategy, performance, resources (including key appointments) and standards of conduct. The Board sets the Group's strategic aims, which it then implements through its approval and regular monitoring of a business plan and budget prepared by the executive directors. The business plan specifies key developments towards the strategic objectives that are to be achieved by management within an agreed budget.

Helpful hint

Provide a clear statement on the board's responsibility and role

Schroders plc

Board meetings

The Board held five meetings during 2007, including a two-day off-site meeting which considered the Group's strategy. The Board has a two-year rolling plan of items for discussion, agreed between the Chairman and the Chief Executive. This plan is reviewed and adapted regularly to ensure that all of the matters reserved to the Board, as well as other key issues, are discussed at the appropriate time. At each Board meeting the Chief Executive provided a review of the business and how it was performing and the Chief Financial Officer provided a detailed review of the Group's financial position. In 2007 the range of subjects discussed included:

- The strategic development of the Group, including its people strategy;
- The Group's financial results;
- The budget for 2008;
- The level of dividend and the use of the Group's capital;
- Our regional businesses in Asia, Europe and the Americas;
- Our key business areas including Investment, Distribution, Private Equity and Private Banking;
- Our IT and operational platform;
- Possible acquisitions and the review of the acquisitions of NewFinance Capital and Aareal Asset Management; and
- Regulatory and governance issues.

Helpful hint

Provide some insight to the topics discussed at board meetings

Prudential plc

Governance framework

To promote effective governance across all of its operations, the Board has approved a governance framework which maps out the internal approvals processes and those matters which may be delegated. These principally relate to the operational management of the Group's businesses and include pre-determined authority limits delegated by the Board to the Group Chief Executive for further delegation by him in respect of matters which are necessary for the effective day-to-day running and management of the business.

The chief executive of each business unit, who in respect of his business unit reports to the Group Chief Executive, has authority for management of that business unit and has established a management board comprising its most senior executives. In accordance with the Group Governance Framework, business unit chief executives annually certify their compliance with the requirements of the framework.

Helpful hint

Set out delegation structure from board to chief executive to management

Section 2

Directors

2.1 Board decisions

Helpful hints

Show the board's awareness of directors' duties under the Companies Act 2006

Disclose the schedule of matters reserved for the board

Barclays PLC

The Board

Role of the Board

Under UK company law, Directors must act in a way they consider, in good faith, would be most likely to promote the success of Barclays for the benefit of the shareholders as a whole. In doing so, the Directors must have regard (amongst other matters) to:

- the likely consequences of any decision in the long-term;
- the interests of Barclays employees;
- the need to foster Barclays business relationships with suppliers, customers and others;
- the impact of Barclays operations on the community and the environment;
- the desirability of Barclays maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between shareholders of Barclays.

The role and responsibilities of the Barclays Board, which encompass the duties of Directors described above, are set out in Corporate Governance in Barclays. The Board is responsible to shareholders for creating and delivering sustainable shareholder value through the management of the Group's businesses. It therefore determines the goals and policies of the Group to deliver such long-term value, providing overall strategic direction within a framework of rewards, incentives and controls. The Board aims to ensure that management strikes an appropriate balance between promoting long-term growth and delivering short-term objectives.

The Board is also responsible for ensuring that management maintains a system of internal control that provides assurance of effective and efficient operations, internal financial controls and compliance with law and regulation. In carrying out this responsibility, the Board has regard to what is appropriate for the Group's business and reputation, the materiality of the financial and other risks inherent in the business and the relative costs and benefits of implementing specific controls.

The Board is also the decision-making body for all other matters of such importance as to be of significance to the Group as a whole because of their strategic, financial or reputational implications or consequences. There is a formal schedule of matters reserved for the Board's decision, which is summarised in the panel above right.

[…]

Summary of matters reserved for the Board

- Approval of interim and final financial statements, dividends and any significant change in accounting policies or practices.
- Approval of strategy.
- Major acquisitions, mergers or disposals.
- Major capital investments and projects.
- Board appointments and removals.
- Role profiles of key positions on the Board.
- Terms of reference and membership of Board Committees.
- Remuneration of auditors and recommendations for appointment or removal of auditors.
- Changes relating to capital structure or status as a PLC.
- Approval of all circulars, prospectuses and significant press releases.
- Principal regulatory filings with stock exchanges.
- Rules and procedures for dealing in Barclays securities.
- Any share dividend alternative.
- Major changes in employee share schemes.
- Appointment (or removal) of company secretary.

Directors

2.2 Directors' roles

Section 2

Meggitt PLC

Board composition

[…]

The Chairman is responsible for leading the Board and for ensuring its effectiveness. Accurate, timely and clear information is provided to all directors and the Chairman is satisfied that effective communication, principally by the Chief Executive and Group Finance Director, is undertaken with the shareholders. The Chairman facilitates the contribution of non executive directors and the relationship between them and the executive directors. The non executive directors play a full part by constructively challenging and contributing to the development of strategy. The performance of management is monitored, as is the integrity of financial information and effectiveness of financial controls and risk management systems. The non executive directors are responsible for determining appropriate levels of remuneration for the executive directors and have an important role in the appointment of new directors. The terms and conditions of appointment of non executive directors are available for inspection. Their letters of appointment set out the expected time commitment required and on appointment their other significant commitments were disclosed along with the time involved.

Helpful hint

Explain the role of the non-executive directors

Inchcape plc

Name	Position	No of years on the Board	Independent (as determined by the Board)	Audit Committee	Nominations Committee	Remuneration Committee
P Johnson	Company Chairman and Chairman of the Nominations Committee	9	No	No	Yes (Chairman)	No
A Lacroix	Group Chief Executive	2	No	No	Yes	No
B Richmond	Group Finance Director	1	No	No	No	No
R Ch'ien	Non-executive Director	10	No	No	No	No
K Guerra	Non-executive Director	1	Yes	No	No	Yes
K Hanna	Non-executive Director	6	Yes	Yes (Chairman)	Yes	Yes
W Samuel	Non-executive Director	2	Yes	Yes	Yes	Yes
D Scotland	Non-executive Director	2	Yes	Yes	Yes	Yes
M Wemms	Non-executive Director and Chairman of Remuneration Committee	3	Yes	Yes	Yes	Yes (Chairman)

Helpful hint

Set out in tabular format the size and composition of the board and its committees

Section 2

Directors

2.2 Directors' roles

Helpful hints

Compare and contrast the roles of executive and non-executive directors

State where further information can be obtained on role profiles

Barclays PLC

Board structure and composition

The roles of the Group Chairman and Group Chief Executive are separate. The Group Chairman's main responsibility is to lead and manage the work of the Board to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities. The Board has delegated the responsibility for the day-to-day management of the Group to the Group Chief Executive, who is responsible for recommending strategy to the Board, leading the executive Directors and for making and implementing operational decisions.

The Board of Directors has collective responsibility for the success of the Group. However, executive Directors have direct responsibility for business operations, whereas non-executive Directors are responsible for bringing independent judgement and scrutiny to decisions taken by the Board, providing objective challenge to management. The Board can draw on the wide range of skills, knowledge and experience they have built up as Directors of other companies, as business leaders, in government or in academia. It is the intention to have a broad spread of geographical experience represented on the Board. […]

Barclays has adopted a Charter of Expectations, which sets out, in detail, the roles of each of the main positions on the Board including that of the Group Chairman, Deputy Chairman, Senior Independent Director and both non-executive and executive Directors. Sir Richard Broadbent continued in the role of Senior Independent Director in 2007. The Senior Independent Director is an additional contact point for shareholders and also monitors the performance of the Group Chairman on behalf of the Board. Sir Nigel Rudd continued in the role of Deputy Chairman during 2007.

The Charter of Expectations, including role profiles for key Board positions, is available from: *http://www.aboutbarclays.com*

Directors

2.3 Senior independent director

Helpful hint

Outline the role and responsibilities of the senior independent director

SkyePharma PLC

Role of Senior Independent Director

The Senior Independent Director, Alan Bray, is available to shareholders if they request a meeting, or have concerns which contact through the normal channels has failed to resolve or where such contact is inappropriate. He also provides a communication channel between the Chairman and the Non-Executive Directors. In addition, he chairs the Audit Committee and also leads the annual performance review of the Chairman. No formal review in respect of the Chairman was completed in respect of 2007 given Mr Scudamore's recent appointment.

Marks and Spencer Group plc

The principal roles of the Executive Chairman, Deputy Chairman and non-executive directors are set out below:

[…]

Deputy Chairman and Senior Independent Director

- to lead on all governance issues including conducting the annual review of Board effectiveness and ensuring that the performance of individual directors is kept under review; and
- to provide a communication channel between the Chairman and non-executive directors and, when required, principal shareholders including representative bodies.

During the period of combined Chairman and Chief Executive: to monitor the effectiveness of the role of Executive Chairman; independently to lead the succession process for the appointment of a Chief Executive by 2011; and to maintain contact with principal investors and representative bodies on a regular basis, keeping the Board informed.

Aviva plc

Senior Independent Director

Under the Combined Code the Board appoints one of the non-executive directors to act as Senior Independent Director. The main responsibility of the Senior Independent Director is to be available to shareholders should they have concerns that they have been unable to resolve through normal channels, or when such channels would be inappropriate. The Senior Independent Director is also responsible for leading the Board's discussion on the Chairman's performance and the appointment of a new chairman, when appropriate. Wim Dik served as the Senior Independent Director throughout 2007.

Section 2

Directors

2.4 Attendance at meetings

Helpful hint

A tabular format enables a clear picture to be conveyed of meeting attendance records

BAE Systems plc

The attendance by individual directors at meetings of the Board and its committees in 2007 was as follows:

Director	Board	Audit Committee	Corporate Responsibility Committee	Nominations Committee	Remuneration Committee	Non-Executive Directors' Fees Committee
Professor S Birley[1]	3 (5)	-	1 (1)	-	3 (3)	-
Mr P Carroll	11 (12)	-	5 (5)	7 (8)	1 (1)	-
Dr U Cartellieri[2]	8 (9)	3 (3)	-	-	-	-
Mr C V Geoghegan	10 (12)	-	-	-	-	-
Mr M J Hartnall	12 (12)	4 (4)	-	-	-	-
Mr W Havenstein	11 (12)	-	-	-	-	1 (1)
Mr A G Inglis[3]	6 (6)	-	2 (2)	-	-	-
Mr I G King	11 (12)	-	-	-	-	-
Sir Peter Mason	10 (12)	3 (4)	-	7 (8)	1 (1)	-
Mr S L Mogford[1]	3 (5)	-	-	-	-	-
Mr R L Olver	12 (12)	-	-	8 (8)	-	1 (1)
Mr R Quarta	9 (12)	1 (1)[4]	-	-	8 (8)	-
Mr G W Rose	12 (12)	-	-	-	-	-
Sir Nigel Rudd	11 (12)	-	5 (5)	-	8 (8)	-
Mr M J Turner	12 (12)	-	-	-	-	1 (1)
Mr P A Weinberg	10 (12)	-	5 (5)	-	7 (8)	-

Figures in brackets denote the maximum number of meetings that could have been attended.

1 retired from the Board on 9 May 2007
2 retired from the Board on 26 September 2007
3 appointed to the Board on 13 June 2007
4 in attendance at three additional meetings when not a member of the Committee

Directors

2.4 Attendance at meetings

Cadbury Schweppes plc

Board meetings and attendance: The attendance of the individual Directors at Board and Committee meetings during 2007 was as follows:

	Board 10 meetings	Strategy (1 meeting over 2 days)	Audit 5 meetings	Corporate and Social Responsibility 2 meetings	Nomination 3 meetings	Remuneration 9 meetings
Sir John Sunderland	10	1	n/a	2	3	n/a
Roger Carr	10	1	3	n/a	3	8
Bob Stack	10	1	n/a	2	n/a	n/a
Ken Hanna	10	1	n/a	n/a	n/a	n/a
Todd Stitzer	10	1	n/a	2	n/a	n/a
Sanjiv Ahuja	8	1	n/a	1	1	n/a
Wolfgang Berndt	10	1	5	n/a	1	9
Rick Braddock[1]	5	1	n/a	n/a	n/a	2
Lord Patten	8	1	n/a	2	2	n/a
David Thompson	10	1	5	2	1	8
Rosemary Thorne[2]	7	1	4	1	2	5
Raymond Viault	10	1	4	n/a	3	6
Guy Elliott[3]	4	1	1	n/a	n/a	n/a
Ellen Marram[4]	4	1	n/a	1	n/a	n/a

NB n/a means that the specified Director is not a member of that Committee, although he or she may attend meetings at the invitation of the Chairman of the Committee.

1 Rick Braddock resigned from the Board on 24 May 2007.
2 Rosemary Thorne resigned on 5 September 2007.
3 Guy Elliott was appointed a Non-executive Director on 27 July 2007 and has not missed a meeting since his appointment.
4 Ellen Marram was appointed a Non-executive Director on 1 June 2007 and has not missed a Board meeting since her appointment.

When Directors have not been able to attend meetings due to conflicts in their schedule, they receive and read the papers for consideration at that meeting, and have the opportunity to relay their comments in advance, and if necessary follow up with the relevant Chairman of the meeting.

Helpful hint

Explain the procedure where directors are unable to attend meetings

Section 2

Directors

2.4 Attendance at meetings

Helpful hint

Again, a tabular format aids understanding of directors' attendance at board and committee meetings

Antofagasta plc

Directors' attendance at meetings in 2007

The number of Board and Committee meetings held during 2007, together with details of each Director's attendance, is set out below:

	Board		Audit Committee		Nomination Committee		Remuneration Committee	
	Number attended	Maximum possible	Number attended	Maximum possible	Number attended	Maximum possible	Number attended	Maximum possible
J-P Luksic	7	7	-	-	-	-	-	-
C H Bailey	7	7	4	4	1	1	3	3
G S Menendez	7	7	4	4	1	1	3	3
R F Jara	6	7	-	-	1	1	-	-
D E Yarur[1]	5	7	3	4	-	-	3	3
G A Luksic	4	7	-	-	-	-	-	-
J W Ambrus	7	7	-	-	-	-	-	-
J G Claro	6	7	-	-	-	-	-	-
W M Hayes	7	7	-	-	-	-	-	-

(1) Mr D E Yarur was unable to attend 1 Board meeting and 1 Audit Committee meeting between August and October 2007 due to a serious accident during the year from which he has now fully recovered.

All Directors in office at the time of the Annual General Meeting in June 2007 attended that meeting.

Each Director withdrew from any meeting when his own position was being considered.

Directors

2.5 Role of non-executive directors

Unilever Group

Non-Executive Directors

The Non-Executive Directors share responsibility for the execution of the Boards' duties, taking into account their specific responsibilities, which are essentially supervisory. In particular, they comprise the principal external presence in the governance of Unilever, and provide a strong independent element. See page 46 for their biographies.

Role and Responsibility

The key elements of the role and responsibilities of our Non-Executive Directors are:

- supervision of and advice to the Group Chief Executive;
- developing strategy with the Group Chief Executive;
- scrutiny of performance;
- oversight of controls;
- reporting of performance;
- remuneration of and succession planning for Executive Directors; and
- governance and compliance.

Our Non-Executive Directors are chosen for their broad and relevant experience and international outlook, as well as their independence. They form the Audit Committee, the Nomination Committee, the Remuneration Committee and in majority the Corporate Responsibility and Reputation Committee. The roles and membership of these key Board committees are described on pages 37 and 38. The profile set by the Boards for the Non-Executive Directors and the chart used for orderly succession planning can be seen on our website at www.unilever.com/investorcentre/corpgovernance

Meetings

The Non-Executive Directors meet as a group, without the Executive Directors present, under the chairmanship of Mr Treschow. In 2007 they met three times as a group. In addition, the Non-Executive Directors (including the Chairman) usually meet before each Board meeting with the Group Chief Executive and the Group Secretary.

Helpful hint

Set out the role and responsibilities of non-executive directors including details of private meetings

Venture Production plc

Role of the Non-Executive Directors

The roles and responsibilities of the Non-Executive Directors are set out in their appointment letters and their key responsibilities, which are mainly supervisory, are to recommend, advise and monitor matters relating to:

- The strategy of the Company.
- The Company's performance.
- Present and future availability and use of resources.
- Standards of conduct, compliance and control on the Board and in the Company generally.
- The appointment of key employees and officers.

A copy of the standard letter of appointment for a Non-Executive Director is available on the Company's website. The Non-Executive Directors meet periodically, often just before a Board meeting, without the Executive Directors present. During 2007 they met three times as a group.

Helpful hint

Another example giving details of the role and responsibilities of the non-executive directors

Directors

2.6 Unresolved concerns and 2.7 Insurance cover

Helpful hints

Explain how directors can communicate any concerns about the business

State whether any concerns arose during the year

Inchcape plc

Balance of independent directors

[…]

If any Director were to have any concerns regarding the running of the Company or a proposed action, these would be recorded in the Board minutes. If a Director were to resign over an unresolved issue, the Chairman would bring the issue to the attention of the Board. No such issues or concerns arose during the year.

Forth Ports PLC

Unresolved Concerns

Where Directors have concerns which cannot be resolved in connection with the running of the Company or a proposed action, their concerns are recorded in the Board Minutes. If a Non-Executive Director resigns, he is required to provide a written statement to the Chairman, for circulation to the Board, if he has any such concerns.

Helpful hints

Explain and quantify the level of insurance cover for directors

Disclose the limitations of the directors' and officers' indemnity cover

Wm Morrison Supermarkets PLC

The Company Secretary organises the appropriate level of insurance cover for Directors to defend themselves against legal claims and civil actions. The level of cover is currently £50m in aggregate.

Cobham plc

The Directors have the benefit of a Directors' and officers' liability insurance policy and the Company has entered into qualifying third party indemnity arrangements with them, as permitted by the Companies Act 1985. They can take independent legal advice at the Company's expense within set limits in furtherance of their duties.

Forth Ports PLC

Insurance Cover

The Company purchases insurance to cover its Directors and Officers and the Trustees of its pension schemes against the costs of defending themselves in civil legal proceedings taken against them in that capacity and in respect of damages resulting from the unsuccessful defence of any proceedings. To the extent permitted by UK Law, the Company also indemnifies its Directors, Officers and Trustees. Neither the insurance nor the indemnity provides cover where a Director, Officer or Trustee has acted fraudulently or dishonestly.

Directors

2.8 Chairman and chief executive

Tesco PLC

Board composition and independence

[…]

The Chairman has primary responsibility for running the Board. The Chief Executive, Sir Terry Leahy, has executive responsibilities for the operations and results of the Group and making proposals to the Board for the strategic development of the Group. Clear divisions of accountability and responsibility exist and operate effectively for these positions.

The Board requires all Non-executive Directors to be independent in their judgement. The structure of the Board and the integrity of the individual Directors ensure that no single individual or group dominates the decision-making process.

Helpful hint

Set out clearly the roles and responsibilities of the chairman and chief executive

BG Group plc

Board composition

The Board is made up of a non-executive Chairman, the Chief Executive, the Chief Financial Officer and eight independent non-executive Directors. A list of the individual Directors, their biographies and details of their committee membership are provided on pages 46 and 47.

The posts of Chairman and Chief Executive are separate and their responsibilities are clearly established, set out in writing and agreed by the Board. This description of the roles and responsibilities of the Chairman and Chief Executive is also available on BG Group's website.

The Chairman, Sir Robert Wilson, is responsible for the workings and leadership of the Board and for the balance of its membership. The Chief Executive, Frank Chapman, is responsible for leading and managing the business within the authorities delegated by the Board.

Helpful hint

Show the clear division of responsibilities between the chairman and chief executive and highlight where information is also made available on the company's website

Associated British Foods plc

Chairman and Chief Executive

The roles of the Chairman and the Chief Executive are separately held and the division of their responsibilities is clearly established, set out in writing, and agreed by the board. The Chairman,

Martin Adamson, is responsible for the running and leadership of the board. The Chief Executive, George Weston, is responsible for leading and managing the business within the authorities delegated by the board.

Helpful hint

Identify the chairman and chief executive and clearly state their responsibilities

Directors

2.9 Chairman's independence

Helpful hints

Give the board's justification of the independence of the incoming chairman

Confirm that the chairman has sufficient time to devote to his duties

Standard Life plc

Sir Brian Stewart was Chairman of another FTSE 100 company, Scottish & Newcastle plc, until his resignation as Chairman at the conclusion of the Company's Annual General Meeting (AGM) on 29 May 2007. Because of the need for continuity and strong leadership during the Company's initial period as a listed company, the Board considered that Sir Brian's continuing Chairmanship was important to the balance of the Board. Gerry Grimstone succeeded Sir Brian Stewart as Chairman of the Board at the conclusion of the 2007 AGM. He had been Deputy Chairman since March 2006. Prior to his appointment as Chairman, the Board considered Gerry Grimstone's independent status and his other commitments. Details of these commitments were included in the announcement of his appointment. Since then, he has resigned from his other directorships of Dairy Crest Group plc and F&C Global Smaller Companies plc. He continues in his role as Chairman of Candover Investments plc, and the Board is satisfied that he remains independent and has sufficient time to carry out his duties.

Man Group plc

Changes to the Board of Directors

[…]

Jon Aisbitt has been a non-executive director since August 2003, a member of the Nomination, Remuneration, and the Audit and Risk Committee, and became Chairman of the latter in June 2007. Jon has over 20 years' experience in international corporate finance. During his tenure of office he has continued to perform as an effective independent non-executive director and there are no circumstances which are likely to affect, or could appear to affect his judgement as an independent director. From an assessment of the likely time commitment expected, the Board was satisfied that Jon Aisbitt's other commitments should not be detrimental to the adequate discharge of his responsibilities in respect of the Chairmanship.

After due and careful consideration of the factors outlined above Jon Aisbitt was appointed Chairman of the Board of Directors of the Company, with effect from 1 September 2007. As a result of this appointment he relinquished his role as Chairman of the Audit and Risk Committee and was replaced in this role by Dugald Eadie.

Helpful hint

Confirm that the existing chairman was independent at the time of his appointment

Land Securities Group PLC

Board balance and independence

[…]

There exists a strong Non-executive element on the Board which currently consists of the Chairman, five Executive Directors and seven Non-executive Directors. David Rough is the Senior Independent Director. The Board regards each of the seven Non-executive Directors as being independent and the Chairman was independent at the time of his appointment to that position.

Directors

2.10 Board balance and independence

Aviva plc

The directors

The Board currently comprises the Chairman, eight independent non-executive directors and two executive directors. Each non-executive director serves for a fixed term not exceeding three years that may be renewed by mutual agreement. Subject to the Board being satisfied with a director's performance, independence and commitment, there is no specified limit regarding the number of terms a director may serve. Each director is required to be elected by shareholders at the Annual General Meeting following his/her appointment by the Board and to be re-elected at least once every three years. Any non-executive director who has served on the Board for nine years or more is required to submit himself/herself for re-election annually. The Board's policy is to appoint and retain non-executive directors who can apply their wider knowledge and experiences to their understanding of the Aviva Group, and to review and refresh regularly the skills and experience the board requires through a programme of rotational retirement. In addition to the strengths of experience, diversity and an international perspective, the Board also seeks to comply with the requirements of the Combined Code on the independence of directors. The process for appointing new directors is conducted by the Nomination Committee whose report, including a description of its duties, is set out on page 90.

The Combined Code requires that at least half the Board, excluding the Chairman, should comprise independent non-executive directors as determined by the Board. The Nomination Committee performs an annual review of directors' interests in which all potential or perceived conflicts, including time commitments, length of service and other issues relevant to their independence, are considered. It is the Board's view that an independent non-executive director also needs to be able to present an objective, rigorous and constructive challenge to management, drawing on his/her wider experiences to question assumptions and viewpoints and where necessary defend their beliefs. To be effective, an independent director needs to acquire a sound understanding of the industry and the Company so as to be able to evaluate properly the information provided. Having considered the matter carefully the Board is of the opinion that all of the current non-executive directors are independent and free from any relationship or circumstances that could affect, or appear to affect, their independent judgement. Accordingly, over half of the directors, excluding the Chairman, are independent non-executive directors. Each of the directors being proposed for re-election at the 2008 Annual General Meeting has been subject to a formal performance evaluation and took part in a peer evaluation review during 2007. Biographical details of all the directors are set out on page 77.

Helpful hints

Disclose the company's policy on appointments and re-appointments

Confirm that more than half of the board are independent non-executive directors

Section 2

Directors

2.10 Board balance and independence

Helpful hint

Use narrative and diagrams to clearly explain independence of directors and show the board balance

Inchcape plc

Independence/non-executive directors

Peter Johnson was appointed Chairman on 1 January 2006 for a three year term, having previously been the Group Chief Executive. As previously reported, the Board recognised the benefit to the Company and its shareholders of Peter Johnson's ongoing involvement because of his deep and broad experience of the automotive industry as a whole and the contrasting international markets in which Inchcape operates. The Board also recognised the pivotal role which he has played in the development and continuity of the Company's relationships with its major international brand partners, which in many cases are founded upon associations built up over many years.

All Directors bring an independent judgement to bear on issues of strategy, performance, resources (including key appointments) and standards of conduct. The Non-executive Directors share responsibility for the execution of the Board's duties, taking into account their specific responsibilities. They comprise the principal external presence in the governance of the Company and provide a strong independent element coupled with strong company experience, required for the execution of the Company's strategy. The key elements of the role and responsibilities of the Non-executive Directors are:

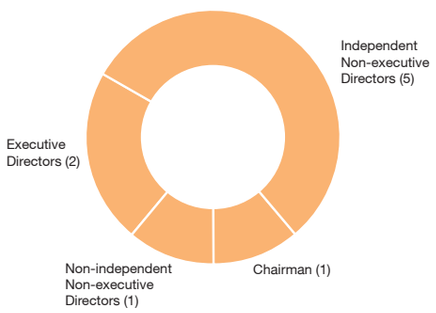
- guidance and advice to the CEO;
- development of strategy with the CEO;
- scrutiny of performance;
- controls;
- reporting of performance;
- remuneration of and succession planning for Executive Directors; and
- governance and compliance.

In addition to the Chairman, the Board currently has six Non-executive Directors who bring to the Group a wide diversity of experience and expertise. Raymond Ch'ien is not regarded as independent because he previously had a service contract with Crown Motors Limited, a subsidiary of the Company incorporated in Hong Kong and has now served for 10 years on the Board.

The other five Non-executive Directors are considered by the Board to be independent in accordance with the Code, namely, as being independent in character and judgement and having no relationships which are likely to affect, or could appear to affect, the Directors' judgement. Will Samuel and Michael Wemms are both non-executive directors of Galiform PLC. Having regard to all the circumstances, including the independence they have demonstrated as Directors of the Company and the fact that there are no cross-shareholdings or business relationships between Galiform and Inchcape, the Board is satisfied and has determined that they are both independent.

Matters are referred to the Board as a whole and no one individual or small group of individuals has unfettered powers of decision making.

Balance of independent directors



Directors

2.10 Board balance and independence

Standard Life plc

The Board

[…]

It is the Company's policy that, apart from the Chairman, at least half the Board should normally be made up of independent non-executive Directors. This balance ensures that no individual Director or small group of Directors dominates the decision making process. As at 10 March 2008, the Board comprises the Chairman, seven independent non-executive Directors, and three executive Directors. Each non-executive Director serves for a fixed term not longer than three years. This term may then be renewed by mutual agreement and re-election at the appropriate AGM. As long as the Board is satisfied with a Director's performance, independence and ongoing commitment, there is no specified limit to the number of terms a Director may serve. All Directors must be elected by shareholders at the AGM following their appointment by the Board, and offer themselves for re-election at least once every three years. Non-executive Directors who have served on the Board for more than six years will be proposed for re-election following a rigorous evaluation of individual performance by the Chairman at a one-to-one meeting. Those with nine years or more continuous service must offer themselves for re-election each year.

Helpful hint

State the company's policy for board balance and confirm the procedures for re-election

Section 2

Directors

2.11 Justification of independence

Helpful hint

Highlight due consideration by the board of any potential conflict of interest

J Sainsbury plc

Independence/Non-Executive Directors

The Chairman satisfied the independence criteria of the Code on his appointment and all the Non-Executive Directors who have served during the year are considered to be independent according to the principles of the Code. Bob Stack is a Director of Cadbury Schweppes plc which supplies products to Sainsbury's, but neither the Board, nor Cadbury Schweppes, considers the relationship to be material in the context of their overall businesses.

The Non-Executive Directors bring wide and varied commercial experience to Board and Committee deliberations. They are appointed for an initial three-year term, subject to election by shareholders at the first AGM after their appointment, after which their appointment may be extended for a second term, subject to mutual agreement and shareholder approval.

Helpful hint

Explain the considerations undertaken by the board in concluding that a particular non-executive director is independent

Yell Group plc

The Board

Our Board comprises of two executive directors and seven non-executive directors. Six out of the seven non-executive directors are considered independent by the Company. Our Chairman, Bob Scott was independent upon his appointment.

Our executive directors are John Condron (Chief Executive Officer) and John Davis (Chief Financial Officer).

Lord Powell of Bayswater was the Senior Independent Director throughout the reporting period. All non-executive directors are available to shareholders who wish to raise issues.

Tim Bunting was appointed to the Board as a non-executive director with effect from 18 May 2007. Tim was a partner in Goldman Sachs, with whom Yell has an ongoing business relationship, until November 2006. Notwithstanding this, the Board considers him to be independent in both character and judgment and therefore, deemed him independent on appointment. In reaching its decision, the Board took into account the fact that Tim ceased acting as Yell's relationship manager at Goldman Sachs in July 2003 and that Tim stood down from full time employment at Goldman Sachs in November 2005.

Directors

2.11 Justification of independence

Barclays PLC

Independence of non-executive Directors

The Code sets out circumstances which the Board may find relevant when determining the independence of a non-executive Director. The Board considers that the following behaviours, as set out in our Charter of Expectations, are essential for the Board to conclude an individual is independent:

- provides objective challenge to management;
- is prepared to challenge others' assumptions, beliefs or viewpoints as necessary for the good of the organisation;
- questions intelligently, debates constructively, challenges rigorously and decides dispassionately;
- is willing to stand up and defend their own beliefs and viewpoints in order to support the ultimate good of the organisation; and
- has a good understanding of the organisation's business and affairs to enable them properly to evaluate the information and responses provided by management.

The Board considers non-executive Director independence on an annual basis, as part of each Director's performance review.

The Corporate Governance and Nominations Committee and subsequently the Board reviewed the independence of non-executive Directors in early 2008 and concluded that each of them continues to demonstrate these essential behaviours. In determining that each of the non-executive Directors remains independent, the Board considered in particular the following:

- Sir Nigel Rudd has served as a non-executive Director since 1996. The Code suggests that length of tenure is a factor to consider when determining independence. As recommended by the Code, it is our policy that any Director who serves for more than nine years should seek annual re-election by shareholders and that all Directors subject to re-election should undergo a rigorous performance evaluation.
- At the time of his appointment to the Board, Dr Danie Cronjé was Chairman of Absa. The Code suggests that such a business relationship is a factor to be considered by the Board when determining independence. The Code further suggests that cross-directorships may affect independence. Sir Nigel Rudd and Dr Cronjé are both non-executive Directors of Sappi Limited. Dr Cronjé retired as Chairman of Absa and left the Absa Board in 2007 and will not submit himself for re-election as a Director of Barclays when he retires at the 2008 AGM.

As a result of the annual performance review, the Board concluded that Sir Nigel Rudd and Dr Cronjé both continue to demonstrate the essential characteristics of independence expected by the Board. Sir Nigel's length of service, and his resulting experience and knowledge of Barclays, is viewed by the Board as being especially valuable, particularly as only one other non-executive Director has served for more than six years and the Board continues to be regularly refreshed.

All Directors must report any changes in their circumstances to the Board and the Board reserves the right to terminate the appointment of a non-executive Director if there are any material changes in their circumstances that may conflict with their commitments as a Barclays Director or that may impact on their independence.

Helpful hint

Disclose the board's expectations of what it means to be an independent non-executive director

Section 2

Directors

2.12 Shareholders' concerns

Helpful hint

State whether any concerns were raised by shareholders

National Grid plc

Roles of the Chairman, Chief Executive and Senior Independent Director

[…]

The Senior Independent Director is Ken Harvey. His responsibilities include leading the Non-executive Directors' annual consideration of the Chairman's performance. He is also available to shareholders in the event they feel it inappropriate to communicate via the Chairman, the Chief Executive or the Finance Director. No such requests were received from shareholders during the year.

Helpful hint

Make it clear that the senior independent director is available to shareholders

Schroders plc

The Senior Independent Director is Sir Peter Job. He is available to shareholders if they have concerns which have not or cannot be resolved through discussion with the Chairman or the executive Directors. Sir Peter also chairs meetings of the non-executive Directors at which the performance of the Chairman is reviewed.

Directors

2.13 Board appointments

Antofagasta plc

Appointments to the Board

The Nomination Committee currently comprises Mr. G S Menendez (Chairman), Mr. C H Bailey and Mr. R F Jara.

As explained above, Mr. Bailey and Mr. Menendez are considered by the Board to be independent Non-Executive Directors.

The Nomination Committee periodically reviews the composition of the Board including the balance between Executive and Non-Executive Directors and considers succession planning for both Executive and Non-Executive Directors and the Group's senior management. It is also responsible for the process for new Board appointments and makes recommendations to the Board on the appointment of new Directors and is responsible for ensuring that appointments are made on merit and against objective criteria. In fulfilling these responsibilities, the Nomination Committee consults the Chairman, Mr. J-P Luksic. The Nomination Committee meets as necessary and, in any case, at least once a year. Its terms of reference are available from the Company's registered office and may be viewed on the Company's website – www.antofagasta.co.uk.

In making appointments to the Board, the Nomination Committee considers the skills, experience and knowledge of the existing Directors and assesses which of the potential candidates would most benefit the Board. It considers the potential candidate's knowledge and experience of Chile, the mining industry in Latin America, capital markets and the regulatory environment and that he has sufficient time to devote to the role. The Chairman ensures that any new Directors are provided with a full induction on joining the Board.

Helpful hint

Disclose the workings of the nomination committee including consideration of succession planning

Section 2

Directors

2.13 Board appointments

Helpful hints

Explain the procedure for appointments of new directors

Set out the director changes during the year in bullet format

AstraZeneca PLC

Board changes

There is an established procedure operated by the Nomination Committee for the recommendation to the Board of the appointment of new Directors. Appointments are based on the merits of the candidates, who are measured against objective criteria, and care is taken to ensure that appointees have enough time to devote to the job. Further details of the type of criteria used to select candidates are set out on page 42 (Nomination Committee). In accordance with the Company's Articles of Association, all Directors retire at each Annual General Meeting (AGM) and may offer themselves for re-election by shareholders (see below for more details). The Board reviews annually the status of succession to senior positions, including those at Board level, and ensures it has regular contact with, and access to, succession candidates.

During the 2007 financial year:

- Joe Jimenez resigned from the Board on 12 April 2007 after agreeing to take up a full-time executive appointment with Novartis, the Swiss-based healthcare group. Mr Jimenez served the Company as a Non-Executive Director for approximately four years and was a member of the Remuneration Committee.
- At the AGM on 26 April 2007, Sir Peter Bonfield and Erna Möller, both Non-Executive Directors, stepped down from the Board. Sir Peter Bonfield served the Company as a Non-Executive Director for 12 years and worked as a member of various Board committees including the Remuneration Committee (acting as Chairman) and the Nomination Committee. Erna Möller served the Company as a Non-Executive Director for eight years (having formerly served as a Director of Astra AB for four years) and also worked as a member of various Board committees including the Remuneration Committee and, most recently, the Science Committee.
- In accordance with Article 70 of the Company's Articles of Association, which gives the Directors the power to appoint a new Director nominated by the Nomination Committee who can then hold office until the next AGM (at which they will be eligible for re-election), Bo Angelin was appointed as a Non-Executive Director on 25 July 2007.
- Jonathan Symonds resigned from the Board with effect from 31 July 2007 to pursue his career outside AstraZeneca.
- Also under Article 70 of the Company's Articles of Association, Simon Lowth was appointed as a Director and the Chief Financial Officer of the Company with effect from 5 November 2007.

Directors

2.13 Board appointments

Cadbury Schweppes plc

The Board

The Board has 12 members: three Executive Directors, and nine Non-executive Directors all of whom (except the Chairman) are deemed independent under the provisions of the Combined Code. No individual or group of individuals dominates the Board's decision-making. Collectively, the Non-executive Directors bring a wide range of international experience and expertise as they all currently occupy or have occupied senior positions in industry and public life, and as such each contributes significant weight to Board decisions.

Changes to the Board since 1 January 2007 are as follows:

Rick Braddock	Non-executive Director	resigned 24 May 2007
Ellen Marram	Non-executive Director	appointed 1 June 2007
Guy Elliott	Non-executive Director	appointed 27 July 2007
Rosemary Thorne	Non-executive Director	resigned 5 September 2007
David Thompson	Non-executive Director	will resign 8 March 2008
Sir John Sunderland	Chairman	will resign mid-2008

Sir John Sunderland will be succeeded as Chairman by Roger Carr. Biographies of each of the Directors as at the date of this report, can be found on pages 48 and 49.

Helpful hint

Set out in tabular format the changes in board appointments during the year

Directors

2.13 Board appointments

Helpful hints

State that the nomination committee is satisfied with the size, structure and composition of the board

Confirm that the non-executive directors have sufficient time to devote to their duties

Disclose whether a succession plan is in place and whether it is being kept under review

Croda International Plc

Nomination Committee

Martin Flower (Chairman)
Michael Buzzacott
David Dunn
Mike Humphrey
Stanley Musesengwa

The Nomination Committee is responsible for nominating, for approval by the Board, candidates for appointment to the Board. It meets on an ad hoc basis. Terms of reference are posted on the Company's website.

The Committee met four times during the year. The Committee continued the effort started during 2006 to identify a suitable new non-executive director. External search consultants, Spencer Stuart, were engaged to identify initial candidates. The Chairman then met candidates before recommending a shortlist to the Committee. Subsequently, Committee members and the Group Chief Executive interviewed the candidates before recommending to the Board that Stanley Musesengwa be appointed.

During the year the Committee oversaw the development of a succession plan for the senior management team. The process involved the assessment and evaluation by external consultants, Whitehead Mann, of the members of the Group Executive Committee and the Finance Committee, other than the Group Chief Executive, against defined leadership criteria. The results of the evaluations were presented to the Committee by Whitehead Mann and then were reviewed by the Committee with the assistance of the Group VP Personnel. Consequently, development activities have been identified for, and undertaken by, the executives concerned and these will be reviewed by the Committee midway through 2008.

The Committee carried out its customary corporate governance review and was satisfied that the size, structure and composition of the Board and the required time commitment from non-executive directors remained appropriate and that all the non-executive directors continued to fulfil the criteria of independence and were able to commit the required time for the proper performance of their duties.

Training and briefings are available to all directors on appointment and subsequently, as appropriate, taking into account existing experience, qualifications and skill sets.

Directors

2.13 Board appointments

Lloyds TSB Group plc

Nomination committee

The nomination committee, comprising Sir Victor Blank (chairman), Dr Berndt, Mr du Plessis, Sir Julian Horn-Smith and Lord Leitch, reviews the structure, size and composition of the board, taking into account the skills, knowledge and experience of directors and considers and makes recommendations to the board on potential candidates for appointment as directors. The committee also makes recommendations to the board concerning the re-appointment of any independent non-executive director by the board at the conclusion of his or her specified term; the re-election of any director by the shareholders under the retirement provisions of the articles of association; any matters relating to the continuation in office of a director; and the appointment of any director to executive or other office in the company, although the chairman of the company would not chair the committee when it was dealing with the appointment of a successor to the chairmanship of the company.

During the year, in accordance with the plans for the orderly succession for appointments to the board, the committee recommended the appointment of two non-executive directors. In that regard, detailed role specifications were drawn up, external search consultants were engaged and candidates were interviewed by committee members and other directors.

In addition, the directors agreed with the committee's recommendation that Mr Brown be asked to remain on the board for a further year. This would enable the group to continue to benefit from his wide experience and maintain an appropriate balance of skills and experience on the board, as part of the plans for orderly succession for appointments. His continuing membership of the audit committee and understanding of the Group's activities will be particularly helpful to the new chairman of that committee. Mr Brown remains the senior independent director and both the nomination committee and the board considered the matter very carefully and concluded that Mr Brown was independent in character and there were no relationships or circumstances which were likely to affect, or could appear to affect, the director's judgement. As stated in the directors' report, Mr Brown will stand for re-election at the annual general meeting, in accordance with the provisions of the combined code on corporate governance issued by the Financial Reporting Council which apply to independent non-executive directors who have served on the board for more than nine years from the date of their first election.

The committee's terms of reference are available from the company secretary and are displayed on our website www.lloydstsb.com.

Helpful hints

Identify the members of the nomination committee

Confirm the use of external consultants for the appointment of new directors

Section 2

Directors

2.14 Directors' time commitments

Helpful hint

Confirm appropriate time commitment by the non-executive directors to the business

Schroders plc

Time commitment

The Board is satisfied that the Chairman and each of the non-executive Directors committed sufficient time during 2007 to the fulfilment of their duties as Directors of the Company. None of the non-executive Directors has any conflict of interest which has not been disclosed to the Board in accordance with the Company's Articles of Association.

Helpful hint

Explain the company's policy on external board appointments

BP p.l.c.

Outside appointments

As part of their ongoing development, executive directors are permitted to take up one external board appointment, subject to the agreement of the chairman (which is then reported to the BP board). The board is satisfied that these appointments do not conflict with their duties and commitments to BP. Executive directors retain any fees received in respect of such external appointments and this is reported in the directors' remuneration report.

Non-executive directors may serve on a number of outside boards, provided they continue to demonstrate the requisite commitment to discharge their duties to BP effectively. The nomination committee keeps under review the nature of directors' other interests to ensure that the efficacy of the board is not compromised and may make recommendations to the board if it concludes that a director's other commitments are inconsistent with those required by BP.

Directors

2.15 Information and professional development

Friends Provident plc

Information and Communication

The Chairman, together with the Company Secretary, ensures that the directors receive timely and clear information on all relevant matters. At Board meetings, directors receive reports from finance, risk management and each of the key business areas. The Board, supplied with information that is both timely and appropriate, deals with those matters specifically reserved for its decision, and takes all material decisions affecting the Group. These include acquisitions, sales, capital structure, financing, the establishment of Board committees and their terms of reference, and the oversight and review of the operation and achievement of the Group's activities. During 2007, it has been the practice for non-executive directors to have a private session after each Board meeting without the executive directors being present. The Board regularly reviews strategy and members of executive management also participate in an annual strategic review that considers overall business direction and its financial implications.

Performance and Continual Professional Development

[…]

Throughout 2007, the Board received presentations from various business units and two Board meetings were held at the offices of subsidiary companies in order to gain better insight into business activities and operations of the Group at that location. Directors also individually attend internal briefings on specific technical topics and external seminars to keep up-to-date with regulations and best practice affecting the Group's core businesses and report on these to the Chairman and the Company Secretary.

There is a full induction process in place for new directors that recognises the complexities of the Life & Pensions and Asset Management businesses and aims to enable directors to make a full contribution to Board discussions within an optimum timeframe.

Helpful hints

Confirm that the directors receive clear, timely and relevant information

Disclose different types of professional development opportunities for directors

Explain how the induction process for new directors is appropriately tailored

Cairn Energy PLC

The Company provides the necessary resources for developing and updating its directors' knowledge and capabilities. In particular, the Company is committed to the provision of continuing professional development training to its directors and in 2007 held a number of seminars for Board members, which are regularly presented by the Company's external advisers and guest speakers, on subjects appropriate to the Company's business, including changes to legislation, regulation and market practice. For example, at the meeting of the Board in December 2007, the Cairn Professor of Petroleum Engineering from Heriot Watt University (a position recently created through an alliance between the Company and the University) spoke to the Board about enhanced oil recovery techniques and their applications. These seminars were held at the end of Board meetings and were attended by all directors present at such meetings. This process is continuing in 2008. Any director may request that a particular subject is covered in a seminar. In addition, all press cuttings relating to the Company and all brokers' and analysts' reports on the Company are distributed to all directors.

Helpful hint

Provide examples of the relevant training given to directors

Section 2

Directors

2.15 Information and professional development

Helpful hint

Explain how the knowledge of the executive and non-executive directors is continually refreshed

Vodafone Group Plc

Information and professional development

Each member of the Board has immediate access to a dedicated online team room and can access monthly information including actual financial results, reports from the executive directors in respect of their areas of responsibility and the Chief Executive's report which deals, amongst other things, with investor relations, giving Board members an opportunity to develop an understanding of the views of major investors. These matters are discussed at each Board meeting. From time to time, the Board receives detailed presentations from non-Board members on matters of significance or on new opportunities for the Group. Financial plans, including budgets and forecasts, are regularly discussed at Board meetings. The non-executive directors periodically visit different parts of the Group and are provided with briefings and information to assist them in performing their duties.

The Chairman is responsible for ensuring that induction and training programmes are provided and the Company Secretary organises the programmes. Individual directors are also expected to take responsibility for identifying their training needs and to take steps to ensure that they are adequately informed about the Company and their responsibilities as a director. The Board is confident that all its members have the knowledge, ability and experience to perform the functions required of a director of a listed company.

On appointment, individual directors undergo an induction programme covering, amongst other things:

- the business of the Group;
- their legal and regulatory responsibilities as directors of the Company;
- briefings and presentations from relevant executives; and
- opportunities to visit business operations.

If appropriate, the induction will also include briefings on the scope of the Internal Audit function and the role of the Audit Committee, meetings with the external auditor and other areas the Company Secretary deems fit, considering the director's area of responsibility.

The Company Secretary provides a programme of ongoing training for the directors, which covers a number of sector specific and business issues, as well as legal, accounting and regulatory changes and developments relevant to individual director's areas of responsibility. Throughout their period in office, the directors are continually updated on the Group's businesses and the regulatory and industry specific environments in which it operates. These updates are by way of written briefings and meetings with senior executives and, where appropriate, external sources.

The Company Secretary ensures that the programme to familiarise the non-executive directors with the business is maintained over time and kept relevant to the needs of the individuals involved. The Company Secretary confers with the Chairman and senior independent director to ensure that this is the case.

Directors

2.16 Access to independent advice

Reuters Group PLC

1.3 Board responsibilities and process

[…]

All directors have access to the services of the Company Secretary who is appointed by, and can only be removed by, the Board. The directors may take independent professional advice at the company's expense. None of the directors sought such advice during 2007. Reuters provides insurance cover and indemnities for its directors and officers.

AstraZeneca PLC

Insurance, indemnities and professional advice

The Company maintained Directors' and Officers' liability insurance cover throughout 2007.

The Directors are also able to obtain independent legal advice at the expense of the Company, as necessary in their capacity as Directors.

Friends Provident plc

All directors have access to the advice and services of the Company Secretary who ensures that Board processes and leading corporate governance practice are followed. There is also an established procedure whereby individual directors, who consider it necessary in furtherance of their duties, may take independent, professional advice at the Company's expense.

Helpful hints

Confirm that directors may take independent professional advice

State whether any directors sought such advice during the reporting period

Disclose that all directors have access to the advice and services of the company secretary

Directors

2.17 Performance evaluation

Helpful hints

Set out the areas covered by the performance evaluation

Detail the actions taken following the previous year's review

Disclose the outcome of the evaluation of the board and committees and of the review of the chairman's performance

National Grid plc

Performance evaluation

In each financial year since 2003/04, the Board has undertaken a formal evaluation of its performance and that of its Committees and individual Directors in order to review past performance and to develop future performance.

The Chairman led the overall process of evaluation which was, as in previous years, in the form of a confidential survey completed by all Directors in relation to the Board and any Committee of which they were a member, plus one-to-one meetings between the Chairman and each Director. Additionally, certain regular attendees at specific Committee meetings were asked to complete surveys in relation to the relevant Committee.

The Board considered the merit of using an external body to manage the performance evaluation process. It concluded that the current approach remained appropriate for the Company. This is reviewed annually.

The Company Secretary & General Counsel collated the evaluation results and these were considered. Overall the results for the evaluation carried out in 2007/08 were positive and indicated that the Board and Committees were effective and that no major changes were required. The Chairman's performance was reviewed and his leadership and performance were considered to have been of a high standard.

Areas highlighted by the Board and Committees for consideration following the latest review included:

- a review of the rolling business agenda to include a greater emphasis on strategic external factors such as climate change;
- increasing the number of informal meetings of Board members; and
- consideration of the interaction between Committees.

In accordance with established practice, the Board and Committees review these matters in a formal response and action plan and will adopt new processes and procedures as appropriate.

Following the 2006/07 evaluation process, a number of actions were implemented during the year including:

- informing Directors at each Board meeting of the latest training courses which may be of interest to them;
- providing a programme of shareholder communications in a 'Shareholder Issues' update to the Board;
- devoting additional time to long term succession plans;
- in depth operational review sessions were held during the year where more time was assigned for certain key areas;
- producing more detailed guidance for Board and Committee papers and presentations to ensure information presented is clear and relevant; and
- new sub-committees of the Executive Committee were established to consider Social Policy and Global Retirement Plans respectively.

Directors

2.17 Performance evaluation

BG Group plc

Board evaluation

An evaluation of the performance of the Board, its principal committees, the individual non-executive Directors and the Chairman, was conducted during the year. The Board and committee evaluations were facilitated by external consultants on behalf of the Chairman and the chairmen of the Board committees, and comprised a series of one-to-one interviews between a facilitator and each Director.

The interviews were based upon a number of key areas covering Group strategy, succession planning, Board size and the relationship between the Board and its committees.

The results of the reviews were then considered with the Chairman and Senior Independent Director and subsequently discussed collectively by the Board as a whole.

The performance of individual non-executive Directors is evaluated by the Chairman, with input from the committee chairmen and the Executive Directors. The performance of the Chief Executive is evaluated by the Chairman and non-executive Directors. The performance of the Chief Financial Officer is evaluated by the Chief Executive in consultation with the Chairman and other non-executive Directors.

The evaluation of the Chairman was led by Paul Collins, the Senior Independent Director, and involved individual meetings with each of the Executive Directors, followed by a group review with the non-executive Directors, excluding the Chairman.

The Directors have concluded that, following this evaluation, the Board and its committees operate effectively and also consider that each Director is contributing effectively and demonstrates commitment to the role.

Helpful hints

Disclose whether external consultants were used to carry out board evaluation

List the key areas covered by the review

Wm Morrison Supermarkets PLC

The Board

[…]

b) Performance evaluation

In February 2007, an independent assessment was conducted to evaluate the performance of the Board, its committees and its Directors. The results of this were presented to the Board in March 2007. This confirmed that Board members felt that good progress had been made, and that the Board was embracing the right programme of work to ensure further improvements in its effectiveness.

This assessment was followed up with another evaluation carried out in December 2007. The Board conducted this evaluation without external assistance through the use of a questionnaire, based on the independent assessment. The questionnaires were sent to all Directors and the responses were reviewed by the Chairman and the Company Secretary, and a report of findings was discussed by the Board. The Board was satisfied with its performance and it was agreed that action would be taken in those areas for which it believed improved processes could be introduced.

Helpful hint

Where circumstances suggest appropriate, carry out more than one evaluation within a year

Section 2

Directors

2.17 Performance evaluation

Helpful hint

Disclose the outcome of previous year's performance evaluation of boards, committees and individual directors

Marks and Spencer Group plc

Board performance

The performance of the Board is a vital component of the Group's success and the Board is keen to ensure that the annual review of its performance builds on the previous year's results to ensure a continuous process. In September 2007 the Board approved an action plan based on the key themes from the 2006/07 review of process, people, strategy and performance measures. The action plan also referred to the new statutory directors' duties, to address these as an integral part of Board performance. The Board agreed to conduct the 2007/08 review 'in house' and that it be led by Lord Burns. In January 2008 each director completed a questionnaire to rate collective performance over some 20 questions with free text boxes for comments. The Chairman then reviewed an unattributed executive summary, highlighting key outcomes which he has subsequently discussed with individual directors.

Some of the outcomes achieved in 2007/08 following the 2006/07 review:

- a greater focus on the long-term growth prospects of the business leading to the announcement in November 2007 of our priorities for the next five years. Whilst continuing to invest in our core business we have ambitious plans for our UK property portfolio, M&S Direct and International businesses and Plan A;
- regular reviews of the bench strength of senior management and future skills and composition of the Board, leading to the new governance and management structures announced on 10 March 2008. Succession planning will continue to be a priority and from 1 June 2008 Sir David Michels, Deputy Chairman, will chair the Nomination Committee; and
- introduction of an online Board portal to provide a more secure, efficient and flexible method of delivering Board papers and easy access to information for induction and ongoing development.

From 1 June 2008 Sir David Michels as Deputy Chairman will lead the Board's review of its performance. He will also hold meetings with the non-executive directors, without the executive directors present, to monitor and reflect on the effectiveness of the new governance structure and to appraise the performance of the Executive Chairman.

Individual performance

The performance of the executive directors was reviewed individually by the Chief Executive against set objectives. Remuneration is directly linked to these reviews and determined by the Remuneration Committee. Similarly, the Chief Executive's performance was reviewed by the Chairman. The Senior Independent Director reviewed the Chairman's performance against a set of previously agreed objectives. The performance of the non-executive directors was reviewed individually by the Chairman. This year's questionnaire also invited each director to comment on the individual performances of themselves, other directors and the Chairman.

Under the new Board structure from 1 June 2008 the Deputy Chairman will review the performance of the Executive Chairman, taking into account the views of the non-executive directors.

Committee performance

The process for reviewing the effectiveness of the Committees in 2007/08 has been to combine ongoing reviews with a simple questionnaire led by each of the respective chairmen. The Audit and Remuneration Committees undertook a review looking at their methods of operation and processes

Directors

2.17 Performance evaluation

Marks and Spencer Group plc (cont'd)

and combined this with the use of questionnaires which were conducted in March 2008. An executive summary was produced for the Chairman of each Committee which they discussed with their respective Committee members.

Succession planning and senior leadership development

During the year successional planning reviews were held by the Board and the Nomination Committee resulting in key appointments to the Board and senior management.

We made important organisational changes, promoting existing talent and bringing in new people, to ensure we have the right skills in key areas of focus over the next three years. Senior leadership development remains a priority.

Marshalls plc

Performance evaluation

During the year, the Board conducted an evaluation of its own performance and that of its three principal Committees. A brief questionnaire covering the main areas of the evaluation was prepared by the Chairman and the Secretary and formed the basis of one-to-one discussions between each of the Directors and the Secretary. The evaluation questionnaire included questions about the effectiveness of the Executive and the Non-Executive Directors.

Feedback on the points raised was considered by the Board. The principal conclusions were that there should be a re-allocation of Board time to allow the Non-Executive Directors to spend time visiting sites or meeting with senior management to gain a more detailed understanding of the business, that the style of the Board's financial reporting should be amended to focus on key matters and the mechanics of the Audit and Remuneration Committees should be refined. The exercise was viewed positively by the Directors and it will be undertaken again during the course of the current financial year.

Following the evaluation in 2006 the Board set itself objectives for the year. Progress on these objectives was reviewed in 2007, new objectives for 2008 have been agreed and a Board timetable has been set to ensure that they are properly considered during the year.

As set out above there is an established process to evaluate the performance of the Chairman.

Helpful hint

Explain the planning process for the performance evaluation, including any objectives set for the board and monitoring of progress against them

Section 2

Directors

2.18 Re-election

Helpful hint

Explain the circumstances where directors are subject to re-appointment by the shareholders

Cobham plc

Non-executive Directors are appointed for specified terms of three years which can be extended by agreement provided that the individual's performance continues to be effective. All Non-executives have confirmed they will have sufficient time to meet what is expected of them and copies of their appointment letters are available on request to the Company Secretary. Under the Company's Articles of Association, Directors are subject to re-appointment by shareholders at the first AGM after their appointment by the Board; if they have held office for three years or more since their previous appointment by shareholders; and, in the case of Non-executive Directors, if they have held office for nine years or more since first being appointed by shareholders.

Helpful hints

Use of a table adds clarity on re-election of directors

Set out the board's recommendations for directors' re-election

Rexam PLC

Election and re-election of directors

Article 57 of the Articles states that a director should be proposed for election if he or she has been appointed to the Board since the date of the last AGM, or proposed for re-election if he or she has held office for more than 30 months at the date of the notice convening the next AGM. The Board ensures that each executive and non executive director be required to submit himself or herself for re-election by shareholders at least every three years.

Non executive directors serve the Company under letters of appointment which are generally for an initial three year term. On appointment, an undertaking is requested from the non executive director to ensure that he or she has sufficient time to fulfil his or her role on the Board. The continued appointment of any non executive director who has served on the Board for a period in excess of nine years will be subject to annual re-election at the AGM. The non executive directors' letters of appointment are available for inspection at the Company's registered office and at the AGM.

The Board will only recommend to shareholders that executive and non executive directors be proposed for election or re-election at an AGM, in accordance with the Articles, after evaluating the performance of the individual director. At the AGM 2008, the following directors are being recommended by the Board and will be proposed for election or re-election:

Name	Director	AGM 2008
Peter Ellwood	Non executive	Election
Bill Barker	Executive	Re-election

Peter Ellwood is being recommended for election at the AGM 2008 as the Board believes that he is an experienced chairman with international business and leadership experience that will complement the Board.

Bill Barker is being recommended for re-election at the AGM 2008 following a performance evaluation which confirmed his comprehensive knowledge of the beverage can industry and market. His international leadership skills are important to the Board and key to the continued development of the Group.

Directors

2.18 Re-election

Croda International Plc

Re-election of directors

The Company's Articles of Association require the directors to offer themselves for re-election at least once every three years. At this year's AGM, Michael Buzzacott will be retiring under Article 85 and offering himself for re-election. In addition, as Stanley Musesengwa was appointed after the notice of last year's AGM was posted to shareholders, he will be offering himself for election under Article 84. Further details about Michael Buzzacott and Stanley Musesengwa are given in the notice of the AGM which is in a separate document issued to shareholders with the annual report.

Helpful hint

Explain the process for the re-election of the directors

Section 3

Accountability and audit

3.1 Going concern and directors' responsibilities

Helpful hints

Ensure disclosure complies with the new Disclosure and Transparency Rules

State the directors' responsibility for the integrity of the company's website

BT Group plc

Statement of directors' responsibilities

The directors are responsible for preparing the group's financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and issued by the IASB, and for preparing the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with IFRS as adopted by the EU and issued by the IASB, of the state of affairs of the group and of the profit or loss of the group and a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP), of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether the consolidated financial statements comply with IFRS as adopted by the EU and issued by the IASB, and with regard to the parent company financial statements whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the consolidated and parent company financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the group financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation and the parent company financial statements comply with the Companies Act 1985. They are also responsible for the preparation of the Report on directors' remuneration, safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors confirm, to the best of their knowledge:

- that the consolidated financial statements, which have been prepared in accordance with IFRS as adopted by the EU and issued by the IASB, give a true and fair view of the assets, liabilities, financial position and profit or loss of the group; and
- that the Report of the Directors on pages 11 to 82 includes a fair review of the information required by Rules 4.1.8-4.1.11 of the Disclosure and Transparency Rules of the United Kingdom Financial Services Authority.

The names and functions of all of the directors are set out on pages 58 to 60.

Section 3

Accountability and audit

3.1 Going concern and directors' responsibilities

The Capita Group Plc

Going concern

The Board of Directors has a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

[…]

Statement of Directors' responsibilities in respect of the accounts and auditors

Company law requires the Directors to prepare accounts for each financial year that give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those accounts, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

To the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware.

Each of the Directors has taken all steps that a Director might reasonably be expected to have taken to be aware of all relevant audit information and to establish that the Company's auditors are aware of that information.

The Directors confirm that the accounts comply with the above requirements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at anytime the financial position of the Group and to enable them to ensure that the accounts comply with the Companies Act 1985.They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

To the best of each Director's knowledge, the financial statements contained within this Annual Report and Accounts give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole; and the Directors' report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face. Details of the principal risks and uncertainties can be found on page 21.

Helpful hint

Give a clear statement of the directors' responsibilities using bullet points and confirm that the accounts comply with the requirements

Section 3

Accountability and audit

3.1 Going concern and directors' responsibilities

Helpful hint

Disclose justification of the going concern basis of accounting

Cattles plc

Going Concern

Under company law, the directors are required to consider whether it is appropriate to prepare financial statements on the basis that the Company and the Group are going concerns. As part of its normal business practices, the Group prepares annual budgets and longer-term financial and business plans. In reviewing this information, the directors are satisfied that the Company and the Group have adequate resources to continue in business for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the Group's financial statements.

Shaftesbury PLC

Going Concern

Comprehensive financial forecasts are prepared at least quarterly and submitted to the Audit Committee for review. Based on the information contained in these forecasts, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Helpful hint

Disclose any uncertainties and risks in determining going concern

Given the current economic climate companies should consider providing extensive disclosure surrounding the basis for the going concern statement

SkyePharma PLC

Going concern basis

As noted above, the Directors have made an assessment of the general working capital requirements for the next twelve months, including the cash required to service debt obligations, operate the Lyon facility, complete certain development programmes and establish the supply chain for *Flutiform*™, and of the likelihood of success of the potential approaches to renegotiating or refinancing the convertible bonds. Based on this assessment the Board has a reasonable expectation that the convertible bonds can be renegotiated or refinanced in a timely manner and that the Group will have adequate resources to continue in operational existence for the foreseeable future and have, therefore, prepared the financial information contained herein on a going concern basis. The auditors' report on the financial statements for 2006, the auditors' conclusion on the unaudited statements for the first half of 2007 and the auditors' report on the financial statements for 2007 include emphasis of matter paragraphs to draw attention to the disclosures made in Note 1 to these financial statements indicating material uncertainties. The auditors' reports are not qualified in this respect and the Directors believe that these risks can be managed to a successful outcome.

Accountability and audit

3.2 Internal control

British American Tobacco p.l.c.

Internal control

The Board is responsible for the overall system of internal control for the Company and its subsidiaries and for reviewing the effectiveness of the system. It carries out such a review annually, covering all material controls including financial, operational and compliance controls and risk management systems, and reports to shareholders that it has done so.

Overview

The Company maintains a sound system of internal control with a view to safeguarding shareholders' investment and the Company's assets. It is designed to identify, evaluate and manage risks that may impede the achievement of the Company's business objectives rather than to eliminate these risks and can therefore provide only reasonable, not absolute, assurance against material misstatement or loss. A description of the key risk factors that may affect the Group's business is provided in the Operating and Financial Review on pages 28 to 31.

The main features of the risk management processes and system of internal control operated within the Group are identified below. They do not cover the Group's associate undertakings. Save to the extent indicated (in relation to developments which occurred during the year), they have been in place throughout the year under review and up to date.

Audit committee framework

The Group uses audit committees at central, regional, area and individual market levels to support the Audit Committee in monitoring risks and control. This framework provides a continuing process for identifying, evaluating and managing the significant risks faced by the Company and its subsidiaries. It is designed to capture and evaluate failings and weaknesses and to ensure that appropriate remedial action is taken where necessary.

The audit committee framework is regularly reviewed by the Board and was revised during the course of 2007 to ensure that it remains aligned with the Group's business structure. The revised framework reflects the continuing migration of many of the processes and supporting control systems above the Group's individual markets and is directed towards ensuring that these processes and control systems remain subject to adequate review from an internal control and business risk perspective. In relation to each level of audit committee, the Group's requirements on constitution, membership and procedures have been developed to reflect both existing practice within the Group and best practice generally in the field of corporate governance.

The Group's regional audit committees (which are all chaired by an Executive Director) focus on risks and the control environment within each region and are in turn supported by end market or area audit committees. The corporate audit committee comprises members of the Management Board and it focuses on the risks and the control environment within the Group's operations which do not fall under the responsibility of the regional, area and local audit committees, for example central functions, global programmes and above-region projects. The reviews conducted by the regional audit committees and the corporate audit committee include consideration of the effectiveness of the process for identifying, evaluating and managing the risks of the business and the assessments of internal control and business risks completed by operating companies. The relevant external and internal auditors regularly attend meetings of all audit committees and have private audiences with members of the audit committees at least once each year. In addition, central, regional and individual market management, along with internal audit, supports the Board in its role of ensuring a sound control environment.

Helpful hints

Outline high-level results of the board's review of internal control effectiveness and that remedial action is monitored

Explain dissemination of controls processes

Describe the annual processes for each company within the group

Note that no significant failings or weaknesses were identified in the internal control system

British American Tobacco p.l.c. (cont'd)

Risk management and internal control processes

It is the responsibility of each Group company to manage its risks (both financial and non-financial) and they must maintain a business risk register to identify, assess and monitor the key risks which they face. They are required regularly to review and update the register. The Group's internal audit function provides advice and guidance to the Group's businesses on best practice in risk management and control systems.

Group companies and other business units are required at least annually to complete a checklist of the key controls which they are expected to have in place. Its purpose is to enable them to self-assess their internal control environment, assist them in identifying any controls which may require strengthening and support them in implementing and monitoring action plans to address control weaknesses.

The Group's internal audit function is responsible for carrying out audit checks on Group companies and other business units, and does so against an audit plan presented annually to the Audit Committee, which focuses in particular on higher risk areas of the Group's business.

Annual processes

Annually, at the year end, each operating company within the Group and each department within the Group's UK headquarters is required to:

- review its system of internal control, confirm whether it remains effective and report on any material weaknesses and the action being taken to address them; and
- review and confirm compliance with the Standards of Business Conduct and identify any material instances of non-compliance or conflicts of interest identified.

The results of these reviews are reported to the relevant regional audit committee or to the corporate audit committee and, where appropriate, to the Board's Audit Committee to ensure that appropriate remedial action has been, or will be, taken where necessary.

Review

The Turnbull Guidance sets out best practice on internal control for UK-listed companies to assist them in assessing the application of the Code's principles and compliance with the Code's provisions with regard to internal control. The current version of the Turnbull Guidance (the Guidance) applies to listed companies for financial years beginning on or after 1 January 2006.

The processes described above, and the reports that they give rise to, enable the Board and the Audit Committee to monitor the internal control framework on a continuing basis throughout the year and to review its effectiveness at the year end. The Board, with advice from its Audit Committee, has completed its annual review of the effectiveness of the system of internal control for the period since 1 January 2007. No significant failings or weaknesses were identified and the Board is satisfied that, where specific areas for improvement have been identified, processes are in place to ensure that the necessary remedial action is taken and that progress is monitored. The Board is satisfied that the system of internal control is in accordance with the Guidance.

Accountability and audit

3.2 Internal control

J Sainsbury plc

Internal control

The Board has overall responsibility for the system of internal controls, including risk management, and has delegated certain of these responsibilities to the Audit Committee. The Audit Committee has reviewed the effectiveness of the system of internal control and ensured that any required remedial action has or is being taken on any identified weaknesses. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. It includes all controls including financial, operational and compliance controls and risk management procedures.

The processes used to assess the effectiveness of the internal control systems are ongoing, enabling a cumulative assessment to be made, and include the following:

- discussion and approval by the Board of the Company's strategic direction, plans and objectives and the risks to achieving them;
- review and approval by the Board of budgets and forecasts, including both revenue and capital expenditure;
- regular operational and financial reviews of performance against budgets and forecasts by management and the Board;
- regular reviews by management of the risks to achieving objectives and actions being taken to mitigate them;
- regular reviews by the Board and Audit Committee of identified fraudulent activity and any whistleblowing by colleagues or suppliers, and actions being taken to remedy any control weaknesses;
- regular reviews by management and the Audit Committee of the scope and results of internal audit work across the Company and of the implementation of recommendations. The scope of the work covers all key activities of the Company and concentrates on higher risk areas;
- reviews of the scope of the work of the external auditors by the Audit Committee and any significant issues arising;
- reviews by the Audit Committee of accounting policies and levels of delegated authority; and
- consideration by the Board and by the Audit Committee of the major risks facing the Group and of the procedures in place to manage them. These include health and safety, product safety, legal compliance, litigation, quality assurance, insurance and security and reputational, social, ethical and environmental risks.

There is a continuous process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place throughout the year and up to the date of approval of the Annual Report and Financial Statements and accords with the Turnbull guidance (2005).

The effectiveness of the process is reviewed annually by the Audit Committee which then reports to the Board. The process consists of:

- formal identification by management of each division of the key risks to achieving their business objectives and the controls in place to manage them. The likelihood and potential impact of each risk is evaluated and actions necessary to mitigate them are identified. The risks and progress in mitigating them are regularly reviewed

Helpful hints

Confirm the board's responsibility for the internal control system

Explain the processes used to assess the effectiveness of the internal control system

Disclose how these processes are reviewed

Confirm compliance of the internal control system with the Turnbull guidance (2005)

J Sainsbury plc (cont'd)

at divisional leadership team meetings as part of their normal business activities;

- certification by management that they are responsible for managing the risks to their business objectives and that the internal controls are such that they provide reasonable but not absolute assurance that the risks in their areas of responsibility are appropriately identified, evaluated and managed;
- reporting and review by the Operating Board of risk management activities and actions to improve their effectiveness;
- assurance from specialist functions and committees that legal and regulatory, health and safety, product safety, social, ethical and environmental risks are appropriately identified and managed; and
- independent assurance by Internal Audit as to the existence and effectiveness of the risk management activities described by management.

The system of internal control and risk management is embedded into the operations of the Company, and the actions taken to mitigate any weaknesses are carefully monitored.

Helpful hints

Confirm that the internal control process has been in place throughout the year and up to the date of the report

Explain operating-level responsibility for internal control system

WS Atkins plc

C.2 Internal control

The Board is responsible for reviewing and approving the Group's system of internal controls and its adequacy and effectiveness. This established system of internal controls includes financial, operational and compliance controls and risk management. It is the role of management to implement the agreed policies on risk and control.

Our system of internal financial and operational controls is designed to meet the Group's particular needs and aims to facilitate effective and efficient operations, to safeguard the Group's assets, ensure proper accounting records are maintained and ensure that the financial information used within the business and for publication is reliable. Our risk management process identifies the key risks facing each business and reports to the Board on how those risks are being managed.

Such a system of internal control can only be designed to manage rather than eliminate risk of failure to achieve business objectives and can provide reasonable, but not absolute, assurance against material misstatement and loss.

The Board has a process for identifying, evaluating and managing the risks we face. That process is continual and has been in place for the year under review up to and including the date of this report. This process covers subsidiaries in which the Group has an interest of 50% or more. Joint Ventures in which we do not have overall control are not treated, for these purposes, as part of the Group. For these Joint Ventures, systems of internal control are applied as agreed between the parties to the venture. For the Metronet Joint Venture the Board regularly reviewed the risks faced by the Group separately.

The Audit Committee formally reviews the operation and effectiveness of the Group's system of internal controls on an annual basis. The latest review covered the financial year to 31 March 2008 and included the period to the approval of the Directors' Report and Financial Statements by the Board.

Key features of our system of internal control are as follows:

- **Group organisation and culture**
  By its statements and actions the Board emphasises a culture of integrity, competence, fairness and responsibility.

Accountability and audit

3.2 Internal control

WS Atkins plc (cont'd)

The Board focuses mainly on strategic issues, senior management performance and financial performance. Our chief executive and the Group Executive, as his senior executive team, concentrate on operational performance, operational decision-making and the formulation of strategic proposals to the Board. The Group's managing directors manage their businesses with the support of senior managers. The Board determines how the chief executive operates within a framework of delegated authorities and reserved powers which seek to ensure that certain transactions, significant in terms of their size or type, are undertaken only after Board review.

- **Control environment**
  Our operational structure has clearly documented and communicated principles of delegation of authority and segregation of duties. The Group's management systems include financial policies and procedures, corporate and business quality assurance manuals, health and safety procedures and environmental management procedures. These procedures are subject to review to ensure that improvements to enhance controls can be made.

- **Financial reporting**
  The Board approves a strategic plan and annual budgets for the Group. The financial performance of individual business segments is reported regularly and compared to annual budgets. We report to our shareholders on a half-yearly basis. Forecasts for the Group are updated and reviewed by the Board regularly.

- **Project and contract control**
  Procedures seek to ensure that risks are identified through the project lifecycle from bidding to completion. Regular review procedures are in place to ensure that issues are reported to the Board appropriately. A commercial risk and audit framework is in place that requires peer review to be carried out for all significant bids and opportunities or where significant investment decisions have to be taken.

- **Business conduct policy**
  The Board is responsible for the Group's business conduct policy. The Group believes that integrity is a fundamental prerequisite for successful business relationships, both internally and externally. Reputation, trust and confidence are essential elements that we seek to protect and enhance to the benefit of all with whom we have a relationship. The Group seeks to understand and meet its customers' needs, whilst seeking continuous improvement. Across the Group there are procedures in place that seek to underpin this approach. By so doing the Group aims to meet the needs of all stakeholders.

- **Individual business controls**
  Individual businesses and central corporate functions complete an annual self-certification statement. Responsible managers personally confirm the review of their systems of internal control and their compliance with Group policies. The statement also requires the reporting of any significant control issues that have emerged so that areas of Group concern may be identified, addressed and experience shared. The results of the process are reviewed by the Audit Committee and reported to the Board.

- **Functional reporting**
  The Board assesses the risks facing the business on an ongoing basis and has identified a number of other key areas that are subject to regular reporting to the Board such as human resources, health and safety, environment, tax and treasury.

Accountability and audit

3.2 Internal control

WS Atkins plc (cont'd)

- **Risk management review**
  The Board assesses risk management throughout the Group, aided by the Group Risk Committee and detailed reviews of internal controls and risk management. The Group risk management framework requires businesses to record formally all significant risks facing their business and detail the steps being taken to avoid or mitigate those risks. A summary of the key risks facing the Group is placed on risk registers which are reviewed regularly by the Audit Committee and the Board.

  The Group maintains insurance policies to provide protection from losses arising through claims from clients. The adequacy of the Group's insurance cover, including arrangements within the captive insurance company, is reviewed by the Board annually.

- **Internal audit**
  The internal audit function undertakes a programme to address internal control and risk management processes with particular reference to the Turnbull report. Its conclusions are communicated to the relevant level of management and the function has a direct reporting responsibility to the Audit Committee.

Accountability and audit

3.3 Audit committee responsibilities and activities

Friends Provident plc

Activities and Work of the Committee

During 2007, the Committee met on five occasions, timed to coincide with the financial reporting and audit cycles of the Company. The Committee has throughout the year monitored the integrity of the financial statements through a review of the quarterly new business results and final and interim report and accounts. As part of its normal responsibilities, the Committee has dealt with compliance with the relevant parts of the Combined Code, the effectiveness of internal controls and reporting procedures for risk management processes. In particular, the Committee has agreed the annual audit plan with the external auditor and has considered the auditor's reports and has monitored and followed up management actions in response to the issues raised. The Committee also worked closely with Internal Audit and agreed the annual internal audit plan and reviewed the performance and resourcing of Internal Audit. The Committee also reviewed the Company's policy on 'whistleblowing', the anti-money laundering procedures and the annual compliance plan for the Company's UK life and pensions subsidiaries.

The use of the auditor for non-audit work is approved by the Committee or its Chairman within his delegated authority.

On an annual basis, the Committee reviews the effectiveness of the external auditor and has made a recommendation to the Board on the re-appointment of the auditor. Within the schedule of meetings, the Committee fulfilled its main role and responsibilities and as a consequence can confirm that it has met the requirements of the Combined Code in so far as they relate to the work of audit committees during 2007 and up to the date of this report.

Helpful hint

Give details of the activities of the audit committee

AstraZeneca PLC

Audit Committee

"In recent years, the Audit Committee agenda has been shaped by the requirements to monitor the implementation of the Group's compliance with various new developments in the external regulatory environment, including the Sarbanes-Oxley Act, International Financial Reporting Standards, changes to the UK Combined Code and the Smith Report. In 2007, the Committee sought to ensure that the amended systems of compliance and governance have become embedded effectively within the business, supporting the Group's strategic objectives as well as providing assurance to the Directors and shareholders. Regular reviews of key accounting judgements and financial results continued as well as the risk-based review of key issues."

JOHN BUCHANAN
Chairman of the Audit Committee

The current members of the Audit Committee are John Buchanan (who chairs the committee), Jane Henney and Michele Hooper. They are all Non-Executive Directors. The Board considers each member to be independent under the UK Combined Code and under the general guidance and specific criteria of the New York Stock Exchange's (NYSE) corporate governance listing standards concerning the composition of audit committees applicable to non-US companies. In May 2007, the Company submitted the required annual written affirmation to the NYSE confirming its full compliance with those standards. For the purposes of the UK Combined Code, the Board remains satisfied that at least one member of the Audit Committee has recent and relevant financial experience. At its meeting in December 2007, the Board determined that Michele Hooper is an audit committee financial expert for the

Helpful hints

Include a personal statement from the audit committee chairman

Detail the activities of the audit committee during the year

Set out the terms of reference and confirm their availability on the company's website

State that the committee members met operational managers

Accountability and audit

3.3 Audit committee responsibilities and activities

AstraZeneca PLC (cont'd)

purposes of the US Sarbanes-Oxley Act of 2002. The Deputy Company Secretary acts as secretary to this committee.

The core remit of the Audit Committee includes, among other things, reviewing and reporting to the Board on:

- Matters relating to the audit plans of the external auditor and Group Internal Audit.
- The Company's overall framework for internal control over financial reporting and for other internal controls and processes.
- The Company's overall framework for risk management with particular emphasis on financial risks.
- The accounting policies and practices of the Company.
- The annual and quarterly financial reporting carried out by the Company.

The Audit Committee is charged with promptly bringing to the attention of the Board any significant concerns of the external auditor or the Vice-President, Group Internal Audit about the conduct, results or overall outcome of their audit work, any matters which may significantly affect or impair the independence of the external auditor, any significant deficiencies or material weaknesses in the design or operation of the Company's internal control over financial reporting or other internal controls and any serious issues of non-compliance.

The Audit Committee oversees the establishment, implementation and maintenance of the Company's Code of Conduct and other related policies. It establishes procedures for the receipt and handling of complaints concerning accounting or audit matters. It recommends to the Board the appointment of the external auditor, subject to the approval of the Company's shareholders at a general meeting. Shareholders in a general meeting authorise the Directors to fix the remuneration of the external auditor. The Audit Committee reviews and approves the appointment and any dismissal of the Vice-President, Group Internal Audit.

The Audit Committee maintains policies and procedures for the pre-approval of all audit services and permitted non-audit services undertaken by the external auditor. The principal purpose of these policies and procedures is to ensure that the independence of the external auditor is not impaired. The policies and procedures cover three categories of work – audit services, audit-related services and tax services. The policies define the type of work that falls within each of these categories, as well as those non-audit services that the external auditor is prohibited from performing under the rules of the US Securities and Exchange Commission and other relevant UK professional and regulatory requirements. The pre-approval procedures permit certain audit, audit-related and tax services to be performed by the external auditor during the year, subject to fee limits agreed with the Audit Committee in advance. The Chief Financial Officer (supported by the Group Financial Controller and the Director of Group Tax) monitors the status of all services being provided by the external auditor. The procedures also deal with the placing of non-audit work out for tender, where appropriate. Authority to approve work in excess of the pre-agreed fee limits is delegated to the Chairman of the Audit Committee in the first instance. Regular reports to the full Audit Committee are also provided for and, in practice, a standing agenda item at Audit Committee meetings covers the operation of the pre-approval procedures.

The Audit Committee's remit is available on the Company's website, astrazeneca.com.

The Audit Committee held five scheduled meetings during 2007. Four of these meetings were held in London, UK and one

Accountability and audit

3.3 Audit committee responsibilities and activities

AstraZeneca PLC (cont'd)

meeting was held in Boston, US. All Audit Committee members participated in all meetings either in person or by telephone.

Following each Audit Committee meeting, the Chairman of the committee (or the Senior Non-Executive Director in the absence of the Chairman of the committee) reported to the Board on the principal matters covered at the meeting. The minutes of Audit Committee meetings were also circulated to all Board members.

In addition to attendance at Audit Committee meetings, members of the Audit Committee met individual managers or groups of managers from the Company on a number of occasions during 2007. This direct contact with other managers helped the Audit Committee members gain a deeper insight into areas relevant to the Audit Committee's work and provided an opportunity to discuss specific areas of interest.

During the year, in line with its normal practice, the Audit Committee also held a number of private meetings, without management present, with both the Company's Vice-President, Group Internal Audit and the lead partners from the Company's external audit firm. The purpose of these meetings was to facilitate free and open discussions between the Audit Committee members and those individuals, separately from the main sessions of the Audit Committee, which were attended by the Chief Financial Officer and the Group Financial Controller. (From July 2007 until the appointment of Simon Lowth on 5 November 2007, the Group Financial Controller acted as Chief Financial Officer.)

During 2007 and January 2008, the business considered and discussed by the Audit Committee included the matters referred to below:

- The Company's financial disclosures were reviewed and various accounting matters considered.
- Reports were received from the external auditor concerning its audit of the financial statements of the Group and from management, Group Internal Audit and the external auditor on the effectiveness of the Company's system of internal controls and, in particular, its internal control over financial reporting. This included review and discussion of the results of the Company's 'continuous assurance' and annual 'letter of assurance' processes. These processes are described on pages 42 to 43. The Audit Committee also reviewed quarterly activity reports of audit work carried out by Group Internal Audit and the status of follow-up actions with management.
- The Audit Committee reviewed the Company's continuing work to comply with the applicable provisions of the US Sarbanes-Oxley Act (the 2002 Act). In particular, it regularly reviewed the status of compliance with the programme of internal controls over financial reporting implemented pursuant to section 404 of the Act. Further information about the implementation of section 404 of the Act is set out in the Financial Review on page 92.
- The Audit Committee reviewed data about calls made by employees to the Company's Code of Conduct whistleblowing helpline either seeking guidance on issues, or raising concerns, together with the results of enquiries into these matters. No material issues were reported through this route during the year.
- The Audit Committee reviewed the Company's new Code of Conduct.
- The Audit Committee reviewed both the accounting matters relating to the Company's arrangements with Merck & Co., Inc. resulting from the restructuring

Accountability and audit

3.3 Audit committee responsibilities and activities

AstraZeneca PLC (cont'd)

in 1998 of the joint venture between Astra AB and Merck & Co., Inc. and the contractual arrangements which will begin to affect the Company in 2008.

- The Audit Committee reviewed reports relating to certain taxation matters, including the Company's continuing dialogue with tax authorities around the world and considered these matters, where relevant, in the light of accounting judgements.
- The Audit Committee heard reports concerning the internal audit, global compliance and global finance functions, including the internal audit plan and progress and plans of the Global Compliance Officer.
- The Audit Committee reviewed the amount of audit and non-audit fees of the external auditor throughout 2007. The Audit Committee was satisfied throughout the year that the objectivity and independence of the external auditor were not in any way impaired by either the nature of the non-audit work undertaken by the external auditor during the year, the level of non-audit fees charged for such work or any other facts or circumstances. Further information about the audit and non-audit fees for the year is disclosed in Note 29 to the Financial Statements on page 175.
- A review and assessment of the Audit Committee's performance and terms of reference was carried out. It was concluded that the Audit Committee's terms of reference remain satisfactory and fit for purpose, and therefore no changes were recommended for approval by the Board.
- A review of the Group's liquidity and financing strategy in respect of the acquisition of MedImmune, Inc. was also carried out.
- The Audit Committee reviewed aspects of the Company's risk management processes as well as the Group risk profile and risk management plans ahead of scrutiny by the Board.
- In the context of the Company's accelerated internal change programme, the Audit Committee considered the potential impact on the Group's system of internal control and, in conjunction with Group Internal Audit, identified areas within the business most likely to be impacted by this change programme for the purposes of being able to ensure management maintained the effectiveness of these controls.

Following discussions at a meeting in January 2008, the Audit Committee unanimously recommended to the Board that a resolution for the re-appointment of KPMG Audit Plc as the Company's external auditor be proposed to shareholders at the AGM in April 2008.

At the same meeting, the Chief Executive Officer and the Chief Financial Officer presented to the Audit Committee their conclusions following the evaluation of the effectiveness of the Company's disclosure controls and procedures required by Item 15(a) of Form 20-F as at 31 December 2007. Based on their evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that, as at that date, the Company maintains an effective system of disclosure controls and procedures.

There was no change in the Company's internal control over financial reporting that occurred during the period covered by this Annual Report and Form 20-F Information 2007 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The Audit Committee is currently scheduled to meet four times in 2008 and will meet at such other times as may be required to conduct business.

Accountability and audit

3.3 Audit committee responsibilities and activities

BT Group plc

Report of the Audit Committee

Introduction

The *Audit Committee* is chaired by Phil Hodkinson. The other members are Maarten van den Bergh, Clay Brendish, Patricia Hewitt and Carl Symon. They are all independent non-executive directors. With the exception of Patricia Hewitt, who joined the Committee on 8 May 2008, they were members of the Committee throughout the 2008 financial year. John Nelson stepped down as a member of the Committee on 13 January 2008 when he retired from the Board. The Board considers that the Committee's members have broad commercial knowledge and extensive business leadership experience, having held – between them – various prior roles in major business and financial management, treasury and financial function supervision and that this constitutes a broad and suitable mix of business, financial management and IT experience. The Board has reviewed membership of the Committee and is satisfied that members of the Committee have the recent and relevant financial experience required for the provisions of the Combined Code. It is the opinion of the Board that the *Audit Committee* includes a member in the person of Phil Hodkinson who is an 'audit committee financial expert' for the purposes of the US Sarbanes-Oxley Act.

Committee role

The Committee's terms of reference are available from the Company Secretary and are posted on our website at **www.bt.com/committees.** The Committee recommends the appointment and reappointment of the external auditors and considers their resignation or dismissal, recommending to the Board appropriate action to appoint new auditors. It ensures that key partners are rotated at appropriate intervals. It discusses with the auditors the scope of their audits before they commence, reviews the results and considers the formal reports of the auditors and reports the results of those reviews to the Board. It reviews the auditors' performance, including the scope of the audit, and recommends to the Board appropriate remuneration.

As a result of regulatory or similar requirements, it may be necessary to employ the external auditors for certain non-audit work. In order to safeguard the independence and objectivity of the external auditors, the Board has determined policies as to what non-audit services can be provided by the external auditors and the approval processes related to them. Under those policies, work of a consultancy nature will not be offered to the external auditors unless there are clear efficiencies and value-added benefits to the company. The overall policies and the processes to implement them were reviewed and appropriately modified in the light of the provisions of the Sarbanes-Oxley Act relating to non-audit services that external auditors may not perform. The *Audit Committee* monitors the extent of non-audit work being performed by the external auditors and approves any substantive work before it is undertaken. It also monitors the level of non-audit fees paid to the auditors.

The *Audit Committee* reviews BT's published financial results, the Annual Report & Form 20-F and other published information for statutory and regulatory compliance. It reports its views to the Board to assist it in its approval of the results announcements and the Annual Report & Form 20-F.

The Committee also reviews the disclosure made by the Chief Executive and Group Finance Director during the certification process for the annual report about the design and operation of internal controls or material weaknesses in the controls, including any fraud involving management or other employees who have a significant role in the company's financial controls.

Helpful hints

Disclose the policy on non-audit services and external auditors' independence

Identify the members of the audit committee

State that an independent review of the audit committee was carried out and disclose the outcome

Section 3

Accountability and audit

3.3 Audit committee responsibilities and activities

BT Group plc (cont'd)

The Board, as required by UK law, takes responsibility for all disclosures in the annual report.

Committee activities

During the year, the *Audit Committee* monitored and reviewed the standards of risk management and internal control over financial reporting, including the processes and procedures for ensuring that material business risks, including risks relating to IT security, fraud and related matters, are properly identified and managed, the effectiveness of internal control, financial reporting, accounting policies and procedures, and BT's statements on internal controls before they were agreed by the Board for the Annual Report.

It also reviewed the internal audit function and its relationship with the external auditors, including internal audit's plans and performance.

It reviewed the arrangements for dealing, in confidence, with complaints from employees and others about accounting or financial management impropriety, fraud, poor business practices and other matters, ensuring that arrangements are in place for the proportionate and independent investigation and appropriate follow up action.

At each of its meetings, it reviewed with the group chief internal auditor and appropriate executives the implementation and effectiveness of key operational and functional change and remedial programmes including major contracts and IT programmes. The Committee also set aside time at every meeting to seek the views of the internal and external auditors in the absence of executives.

In addition to carrying out those regular tasks described above under the Committee's terms of reference, the Committee also carried out its annual consideration of the group's risk register process, and reviewed BT's system of internal control, its accounting systems, IT security and fraud and related matters.

Additionally, the Committee has reviewed at each of its meetings during the 2008 financial year the steps being taken within the group with regard to the application of the Sarbanes-Oxley Act dealing with internal control over financial reporting.

An independent review of Committee processes, conducted by Egon Zehnder, assessed performance and processes. This formed part of the annual Board and Committee evaluation. Committee members, and those others consulted, regard the Committee as effective on both behaviours and processes. There is a similar view too of the external audit process, which is regarded as effective, following an external evaluation by questionnaire. The Committee also reviewed the experience, skills and succession planning within the group's finance function.

The Group Finance Director, the Secretary, the chief internal auditor and the external auditors attend the Committee's meetings. The Committee met four times during the 2008 financial year. The papers and minutes of *Audit Committee* meetings are sent to directors who are not members of the Committee.

Accountability and audit

3.3 Audit committee responsibilities and activities

LogicaCMG plc

Audit Committee

The composition of the Company's Audit Committee and its terms of reference reflect the Combined Code and the Smith Guidance.

The Committee is authorised by the Board to investigate any activity within its terms of reference and to seek any information that it requires from any employee of the Company and its subsidiaries. All employees are directed to cooperate with any request made by the Committee. The Committee has the right to consult the Company's professional advisers or, if it is not satisfied with the advice received, seek further independent professional advice at the Company's expense in the furtherance of its duties. The Committee believes that the skills, qualifications and commercial experience of its members are appropriate for them to perform their duties in accordance with the terms of reference laid down by the Board.

The Audit Committee, which comprises all independent Non-Executive Directors, is chaired by Roger Payne and, for 2007, included Angela Knight, George Loudon (retired 1 November 2007), Wim Dik and Wolfhart Hauser. The Board considers Roger Payne to have recent and relevant financial experience following his role as a former financial director of a FTSE 100 listed company. The Committee meets at least four times a year and any two members constitute a quorum.

The Chairman of the Audit Committee and the Committee itself meet with the external auditors in private at least four times a year. The Chairman, Chief Executive Officer, Chief Financial Officer, Deputy Chief Financial Officer, Head of Internal Audit and other appropriate specialist functional managers attend the scheduled meetings at the request of the Committee. The Chairman of the Audit Committee meets with the Head of Internal Audit in private at least four times a year.

In order to fulfil its terms of reference, the Committee reviews, challenges and approves, as the case may be, presentations or reports from senior management, consulting as necessary with the external auditors. During the year, the Committee had a satisfactory level of dialogue with the Company's auditors. During the year, the Committee specifically considered, amongst other things, the following matters:

- the performance of its independent auditor, PricewaterhouseCoopers LLP (PwC) (including qualifications, expertise and resource, effectiveness, objectivity and independence), and recommended to the Board their re-election as the Company's independent auditors for 2007
- the review and approval of PwC's 2007 proposed fee and audit programme. The Committee subsequently received and considered PwC's report, which summarised the conclusions from their 2006 audit. This report included feedback from PwC on the status of the Company's control environment and management's responsiveness to audit results
- the appropriateness of the Company's accounting policies were also reviewed and approved
- the review and approval of the Company's ongoing policy for using PwC for non-audit work. This policy is designed to ensure PwC's independence and that the Company complies with best practice
- the review of the 2006 full-year preliminary and 2007 interim announcements
- the review of the Company's 2006 Annual report and accounts, in particular the financial overview, report of the Directors, Financial statements (including notes to the accounts) and relevant sections of the Corporate

Helpful hints

Identify the audit committee member(s) with recent and relevant financial experience

Confirm that the audit committee met with the external and internal auditors in private

Accountability and audit

3.3 Audit committee responsibilities and activities

LogicaCMG plc (cont'd)

Governance report. These were recommended for approval to the Board

- the search process for a new Head of Internal Audit following the move of the incumbent to a financial role and the interim management arrangements of the function pending the recruitment of a new Head of Internal Audit
- the reports and updates from the Company's internal audit and quality assurance functions. The internal audit and quality assurance plans for 2007 were reviewed and approved. These reports and updates additionally covered the Company's management of its internal controls
- the appointment of Ernst & Young LLP to undertake an independent review of the effectiveness of the Internal Audit function. A number of recommendations were made following the review which will be implemented during the course of 2008
- the reports from the Company's Risk Management Committee (RMC) regarding the Company's risk management policy and programme of work. The Committee and the Board also received reports concerning specific key risks identified by the RMC. In addition, the impact of changing legislation and regulation, were considered and where necessary, appropriate actions were taken
- the review of the financial position of the Company's defined benefit pension schemes
- the implementation of a policy in respect of the recommended investigation of potential/actual fraud
- the annual review of the Company's tax and treasury policies in accordance with its terms of reference. Both policies were approved
- an extensive goodwill evaluation covering the Group's activities which supported the carrying value thereof with no impairment deemed necessary
- a review of the processes in respect of the costing, pricing and controls on large, long term contracts, following a profits warning in May 2007, involving both executive management and the Company's external auditors PwC. As a consequence of this, additional controls and closer monitoring of such controls were put in place
- at each Audit Committee meeting, the Committee reviews any matters, as required, relating to a number of standing items including major acquisitions/divestments; progress concerning actions taken in response to the Committee's representations; relevant legal, reporting practices and compliance developments, reports filed under the Company's confidential disclosure policy; compliance with the Company's code of ethical conduct, including 'whistleblowing', and any other special investigations falling under the terms of reference of the Audit Committee.

Accountability and audit

3.4 Whistleblowing

BlueBay Asset Management plc

Whistle-blowing measures

In accordance with the FSA rules the Company has had a whistle-blowing policy in place for a number of years. This enables staff to raise concerns about possible improprieties relating to the Company's operations. The Code recommends that the Audit Committee should review the adequacy of the Company's whistle-blowing arrangements. The review was conducted during the 2007/08 financial year, and again in the period between the year-end and publication of the 2008 Annual Report and Accounts.

The policy was considered to meet current market practice in this area and no changes were recommended.

Helpful hint

State when the policy was reviewed and whether changes were recommended

Arriva plc

Whistleblowing

The group operates a whistleblowing policy and procedure whereby employees can, in confidence, report on matters where they feel a malpractice is taking place, or if health and safety standards are being compromised. Areas that are addressed by this procedure cover financial malpractice, criminal activities, dangers to health and safety, improper or unethical behaviour and risks to the environment.

The procedures allow for employees to raise their concerns with line management or, if this is inappropriate, to raise them on a confidential basis. A confidential telephone mailbox and confidential e-mail facility are provided to protect the identity of employees in these circumstances. The complaint will be investigated in a confidential manner and, after a decision is made as to what further steps should be taken, feedback is given to the person making the complaint. An official written record is kept of each stage of the procedure.

The whistleblowing policy and its operation is subject to periodic review by the Audit Committee; the last review was in February 2008.

Helpful hint

Explain the procedure for reporting concerns and appropriate follow up, and confirm that the audit committee reviews these arrangements

Section 3

Accountability and audit

3.4 Whistleblowing

Helpful hints

Provide examples of concerns that may be raised

Provide information in circumstances where facilities are operated by an independent party

Disclose the number of reports received and whether any resultant action was taken

Anglo American plc

Whistleblowing programme

Following adoption in December 2003 of a whistleblowing policy that is aligned with the Public Interest Disclosure Act 1998, the Group has implemented a whistleblowing programme in virtually all of the managed operations. The programme, which is monitored by the Audit Committee, is aimed at enabling employees, customers, suppliers, managers or other stakeholders, on a confidential basis, to raise concerns in cases where conduct is deemed to be contrary to our values. It may include:

- actions that may result in danger to the health and/or safety of people or damage to the environment;
- unethical practice in accounting, internal accounting controls, financial reporting and auditing matters;
- criminal offences, including money laundering, fraud, bribery and corruption;
- failure to comply with any legal obligation;
- miscarriage of justice;
- any conduct contrary to the ethical principles embraced in our *Good Citizenship: Our Business Principles* or any similar policy;
- any other legal or ethical concern; and
- concealment of any of the above.

The programme makes available a selection of telephonic, e-mail, web-based and surface mail communication channels to any person in the world who has information about unethical practice in Anglo American and its managed operations. The multilingual communication facilities are operated by independent service providers who remove all indications from information received as to the identity of the callers before submission to designated persons in the Group.

During 2007, 230 reports were received via the global Speakup facility, covering a broad spectrum of concerns, including ethical, criminal, supplier relationships, health and safety, and human resource-type issues. Reports received were kept strictly confidential and were referred to appropriate line managers within the Group for resolution. Where appropriate, action was taken to address the issues raised.

Accountability and audit

3.5 External auditors

Friends Provident plc

Independence of External Auditor

The Combined Code requires the Company to explain the process to ensure that auditor's objectivity and independence is safeguarded in its provision of non-audit services to the Company.

The Audit and Compliance Committee evaluated the independence of the external auditor and satisfied itself of its integrity, competence and professionalism. Having given full consideration to the Committee's evaluation, the Board has satisfied itself that during the year, no aspect of the work of the independent auditor was impaired on these grounds. In maintaining a clear perception of independence and balancing that with the best interests of the Company, the Board has also considered the policy for awarding audit-related and/or non-audit work to the Group's external auditor. The Company does not impose an automatic ban on any Group company's external auditor undertaking non-audit work. The Group's aim is always to have any non-audit work carried out in a manner that affords best value for money. The auditor must not be in a position of conflict in respect of the work in question and must have the skill, competence and integrity to carry out the work in the best interests of the Company and the Group.

In particular, the external auditor is not permitted to:

- perform work that involves the valuation of an asset or liability incorporated into any of the Company's financial statements;
- act as secondees to positions of influence within the Group;
- design and implement systems that have financial implications;
- provide internal audit services where an opinion has to be given on management's assessment of accounting controls and financial systems;
- provide litigation support services;
- provide corporate finance services; and
- advise on senior executives' remuneration.

The auditor of the Company is permitted to perform audit-related and non-audit work in areas where, in the opinion of the Audit and Compliance Committee or its Chairman, it is appropriate for it to do so and there are no actual or perceived independence issues.

The Chairman of the Audit and Compliance Committee is authorised to approve the use of auditors for audit-related and non-audit work provided that the cost does not exceed £100,000 and the aggregate value of audit-related and non-audit work awarded to auditors does not exceed the audit fee for the financial year in question. In other circumstances, the approval of the Audit and Compliance Committee is required.

If the Committee considers it appropriate, the provision of audit services may be formally market-tested through a tender process involving those audit firms judged competent to meet the needs of the Group. The frequency of this market-testing will depend on the needs of the Group and prevailing leading practice. Following a limited tender process undertaken in 2006 and the respective shareholder approval at its 2007 AGM, KPMG Audit Plc was appointed as auditor to F&C and now acts as a single group auditor.

Helpful hints

Explain the audit committee's policy on non-audit services being performed by the auditor

State how the external auditor's objectivity and independence is maintained

Accountability and audit

3.5 External auditors

Helpful hint

Disclose the controls for safeguarding the independence of the external auditors

Croda International Plc

Audit independence

The Committee and the Board place great emphasis on the objectivity of the Group's auditors, PricewaterhouseCoopers LLP ("PwC"), in their reporting to shareholders. The PwC audit partner is present at all Audit Committee meetings to ensure full communication of matters relating to the audit.

The overall performance of the auditors is reviewed annually by the Audit Committee, taking into account the views of management, and feedback is provided to senior members of PwC unrelated to the audit. This activity also forms part of PwC's own system of quality control.

The scope of the forthcoming year's audit is discussed in advance by the Audit Committee. Audit fees are reviewed by the Committee and then referred to the Board for approval. The rotation of audit partners' responsibilities within PwC is required by their profession's ethical standards, is actively encouraged and has taken place.

Assignments awarded to PwC have been, and are, subject to controls by management that have been agreed by the Committee so that audit independence is not compromised. The chairman of the Audit Committee is required to give prior approval of work carried out by PwC and its associates in excess of predetermined thresholds; part of this review is to determine that other potential providers of the services have been adequately considered.

These controls provide the Committee with adequate confidence in the independence of PwC in their reporting on the audit of the Group.

Helpful hint

Confirm the audit committee's responsibility regarding the objectivity and independence of the external auditors

Arriva plc

(d) External audit

The external audit process is fundamental to any company's audit programme and the role of the external auditor is to provide assurance to the members of the company as a whole that the financial statements produced by the company are in all material respects true and fair. Whilst the external auditor is ultimately appointed by the shareholders in general meeting it is inevitable that the regular contact with the company is via the executive directors, senior managers and other employees.

It is therefore against this background that the Audit Committee is charged by the Board with the responsibility of ensuring that the external auditor remains completely independent of the company (and relevant officers of the company) in all material respects and that the external audit firm is adequately resourced (both from a technical and territorial capacity) to enable it to deliver a completely objective audit to the shareholders. It is the responsibility of the Audit Committee to formally recommend to the Board each year the continuation, or removal and replacement, of the external auditor. This process is supported by a full annual review of the expertise, resources, effectiveness and independence of the external audit firm.

Additionally, the Audit Committee, as part of its ongoing process for ensuring continued audit independence, reviews and approves the level and nature of non-audit work performed.

Section 4

Relations with shareholders

4.1 Dialogue with institutional shareholders

BAE Systems plc

Relations with shareholders

The Company has a well-developed investor relations programme managed by the Chief Executive, Group Finance Director and Investor Relations Director. In addition, the Chairman is in regular contact with major shareholders and looks to keep them informed of progress on corporate governance matters. In order to assist in developing an understanding of the views of major shareholders, each year the Company commissions a survey of investors undertaken by external consultants. The results of the survey are presented to the Board.

The Company maintains a comprehensive Investor Relations website that provides, amongst other things, information on investing in BAE Systems and copies of the presentation materials used for key shareholders presentations. This can be accessed via the Company's website, www.baesystems.com.

Helpful hints

State how the company keeps up to date with the views of the shareholders, disclosing whether any external consultants are used

Disclose the extent of the information on the internet and the company's website

Reuters Group PLC

1.12 D. Relations with shareholders

'There should be a dialogue with shareholders based on the mutual understanding of objectives. The board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place.' (2006 Combined Code – Main Principle D.1)

The executive directors meet regularly with institutional shareholders and analysts. Non-executive directors are offered the opportunity to attend meetings with major shareholders and from time to time some attend the presentations of the annual results to analysts. No shareholders asked to meet with Dick Olver, the Senior Independent Director, during the year.

An investor relations department is dedicated to facilitating communications between the company and its shareholders. In the last three years, Reuters has received several awards for investor relations, including the IR Magazine award in each of those years for best investor relations in the media sector. It provides a regular report on investor relations as part of the routine Board report materials. The company's AGM is used as an opportunity to communicate with private investors. The chairmen of each of the Board committees are available to answer questions at the AGM, and all directors are expected to attend the AGM. At the AGM the level of proxies lodged on each resolution and the balance for and against the resolution and the number of votes withheld are announced after the resolution has been voted on. At the 2005 AGM, voting using a poll for all resolutions was introduced to replace voting by a show of hands as the Board considers poll voting gives a better representation of shareholders' views.

Helpful hints

State whether any shareholders asked to meet with the senior independent director

Disclose if the company has a good track record in investor media relations

Section 4

Relations with shareholders

4.1 Dialogue with institutional shareholders

Helpful hints

Explain the development of the process to establish effective dialogue with shareholders, providing details of the format of such dialogue

Explain how the company seeks the views of both the institutional shareholders and the retail shareholders

Disclose that the website is updated at the same time as Stock Exchange announcements and with the voting results, including the number of votes withheld

Standard Life plc

Communications with investors

Since its shares were listed on the London Stock Exchange, the Company has been working to develop processes to support an effective dialogue with its shareholders based on a mutual understanding of objectives. The Company has a formal Investor Relations department, whose remit is to support communication with institutional investors. The Group has put in place an ongoing programme of domestic and international presentations and meetings between the executive Directors and institutional investors, fund managers and analysts. A wide range of relevant issues is discussed at these presentations and meetings, including business strategy, financial performance, operational activities and corporate governance – but excluding price-sensitive inside information. During 2007, the executive Directors undertook a comprehensive dialogue programme, holding many one-to-one and group investor and analyst meetings. Issues discussed at these meetings have been brought to the attention of the Board. In addition, during the year, an independent, detailed analysis was commissioned by the Company to gather the views of institutional investors on the Company's performance during its initial year as a listed company. The results of this study were carefully considered by the Board. As a result of these procedures, the non-executive Directors believe that they are aware of shareholders' views.

The Board is equally committed to the interests of retail shareholders who make up 95% of the Company's total number of shareholders. During the year, shareholders' views were gathered on the services and means of communication available to them. Shareholder comments have informed the Company's communication methods, in particular with regard to the use of electronic communications and the distribution of the *Annual Report and Accounts* and AGM pack.

To allow all shareholders full access to the Company's announcements, all material information reported via the London Stock Exchange's regulatory news service is simultaneously published on the Company's website.

The Chairman's statement, Group Chief Executive's statement and Business review contained in this *Annual Report and Accounts* together aim to provide a balanced overall assessment of the Group's activities, performance and prospects. This information will be supported by a presentation at the 2008 Annual General Meeting – an event that provides a valuable opportunity for the Board and investors to communicate. Shareholders will be invited to ask questions during the meeting and will have an opportunity to meet the Directors after the formal part of the meeting. Details of the voting results from the meeting, including the number of votes withheld, if any, will be published on the Group's website at **www.standardlife.com**

Relations with shareholders

Section 4

4.2 Constructive use of the AGM

BP p.l.c.

BP's AGM

Shareholders are encouraged to attend the AGM and use the opportunity to ask questions and hear the resulting discussion about BP's performance. However, given the size and geographical diversity of the company's shareholder base, attendance may not always be practical and shareholders are encouraged to use proxy voting on the resolutions put forward. Every vote cast, whether in person or by proxy at shareholder meetings, is counted, because votes on all matters except procedural issues are taken by a poll.

Copies of speeches and presentations given at the AGM are available to download from the BP website after the event, together with the outcome of voting on the resolutions.

Both the chairman and board committee chairmen were present during the 2007 AGM. Board members met shareholders on an informal basis after the main business of the meeting. In 2007, voting levels at the AGM showed a slight decrease to 61%, compared with 64% in 2006. It is proposed that the AGM in 2008 will also be webcast.

Helpful hints

Disclosure that all votes are counted as all resolutions are taken on a poll

State that copies of speeches are available on company's website

Give disclosure when the AGM is webcast

HBOS plc

Case Study – AGM

The Company's AGM takes place at different UK locations each year to maximise opportunities for the Company's shareholders to attend. The AGM enables shareholders to hear about and question the Group's performance and the Directors' stewardship of the Company. Shareholders who wish to raise a question can submit it beforehand, or can ask it at the AGM.

The Chairs of the Audit, Remuneration and Nomination Committees are present at the AGM – along with other Directors – to answer shareholders' questions, through the Chairman of the Board, on the responsibilities and activities of their Committees. In the last three years AGMs have been held in Edinburgh, Manchester and Brighton. The 2008 AGM will be held in Glasgow.

Helpful hints

Explain flexibility surrounding the location of the AGM

Confirm that the directors will attend the AGM and that committee chairmen will be available to answer shareholder questions

Section 4

Relations with shareholders

4.2 Constructive use of the AGM

Helpful hint

Summarise the business to be transacted at the AGM in addition to disclosing it in the formal notice of the meeting

GlaxoSmithKline plc

Annual General Meeting

The AGM will be held at 2.30pm on Wednesday, 21st May 2008 at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE. The business to be transacted at the meeting will include:

- Receiving and adopting GlaxoSmithKline's 2007 Annual Report
- Approving the 2007 Remuneration Report
  The Remuneration Report on pages 71 to 86 sets out the remuneration policies operated by GlaxoSmithKline and disclosures on Directors' remuneration, including those required by the Companies Act 2006 and the Directors' Remuneration Report Regulations 2002. A resolution will be proposed to approve the Remuneration Report.
- Retirement, election and re-election of Directors
  Mr Witty, Mr Viehbacher and Professor Sir Roy Anderson have been appointed Directors since the 2007 AGM and will offer themselves for election to the Board. Sir Christopher Gent, Sir Ian Prosser and Dr Schmitz will each retire and offer themselves for re-election to the Board under article 93 of the company's Articles of Association. Dr Garnier will also be retiring by rotation but will not be seeking re-appointment as he will be retiring from the Board after the conclusion of the AGM.
- Re-appointment and remuneration of Auditors
  Resolutions will be proposed to re-appoint PricewaterhouseCoopers LLP as auditors and to authorise the Audit Committee to determine their remuneration.
- Special business
  The company will seek authority to:
  - make donations to EU political organisations and incur EU political expenditure, each capped at £50,000
  - allot Ordinary Shares in the company
  - give the Directors authority to disapply pre-emption rights when allotting new Shares in connection with rights issues or otherwise up to a maximum of 5% of the current issued share capital and purchase its own Ordinary Shares up to a maximum of just under 10% of the current issued share capital
  - adopt new Articles of Association to reflect the changes introduced by the new Companies Act 2006.

Shareholders are entitled to appoint one or more proxies to attend the AGM, and to speak and vote on their behalf.

Details on how to appoint or be appointed a corporate representative or proxy can be found on page 177. The Notice of AGM will be published on the company's website.

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Appendix 1

Main changes introduced by the Combined Code (2008)

On 27 June 2008 the Financial Reporting Council (FRC) released a new version of the Combined Code on Corporate Governance. The Combined Code (2008) is applicable for accounting periods commencing on or after 29 June 2008 and contains only a small number of amendments, which are as follows:

- To remove the restriction in provision A.4.3 on an individual chairing more than one FTSE 100 company. This restriction was felt to be over-prescriptive and to focus narrowly on the holding of other company chairmanships in certain listed companies. It was also recognised that provision A.4.3 already has safeguards in place regarding the time commitment of the chairman

- For listed companies outside the FTSE 350, to amend provision C.3.1 to allow the company chairman to be a member of, but not chair, the audit committee provided that he or she was considered independent on appointment as chairman. This relaxation is intended to assist smaller companies meet the Code's recommendations on the composition of the audit committee. However, membership of the company chairman would be in addition to a minimum of two independent non-executive directors

- Schedule C to the Combined Code has been revised to acknowledge that the Financial Services Authority's Disclosure and Transparency Rules (DTR) now include certain Corporate Governance disclosure requirements (also for periods commencing on or after 29 June 2008 - see Appendix 2 for further detail). Schedule C has also been amended to reflect that eight of its provisions now overlap with the DTR requirements and the overlapping provisions are set out in an Appendix to Schedule C (see Appendix 3)

- The Preamble to the Code has been revised to reflect some of the findings of the FRC's 2007 review of the impact and implementation of the Combined Code (2006), which were outlined in Appendix 1 to 'Best Practice Corporate Governance Reporting - November 2007'. In particular, the preamble now provides guidance for companies to assist them in making the statement required by Listing Rule 9.8.6 R(5) of how the Combined Code's main principles have been applied.

So A.4.3 now reads:

- For the appointment of a chairman, the nomination committee should prepare a job specification, including an assessment of the time commitment expected, recognising the need for availability in the event of crises. A chairman's other significant commitments should be disclosed to the board before appointment and included in the annual report. Changes to such commitments should be reported to the board as they arise, and their impact explained in the next annual report.

And C.3.1 now reads:

- The board should establish an audit committee of at least three, or in the case of smaller companies two, independent non-executive directors. In smaller companies the company chairman may be a member of, but not chair, the committee in addition to the independent non-executive directors, provided he or she was considered independent on appointment as chairman. The board should satisfy itself that at least one member of the audit committee has recent and relevant financial experience.

Appendix 2

Main changes introduced by the revised Rules issued by the Financial Services Authority

On 27 June 2008, the Financial Services Authority (FSA) released revisions to the Listing Rules and the Disclosure and Transparency Rules (DTR) to implement recent amendments to the EU Company Law 4th and 8th Directives and to make other minor changes. The revisions apply for periods commencing on or after 29 June 2008.

As a result, a new section relating to corporate governance has been inserted into the DTR. The main elements are:

- **Requirement to have an audit committee**

  Certain companies are required to have an audit committee (or a body performing equivalent functions). At least one member must be independent and at least one member (who may, but need not be, the same person) must have competence in accounting and/or auditing

- **Requirement to have a corporate governance statement**

  Certain companies will be required to present a separate corporate governance statement. It may be included as part of the directors' report or separately issued to accompany the annual report and accounts or may be made available on the company's website, and if so, cross-references must be made to it in the directors' report

  The DTR contains a number of required disclosures in the corporate governance statement listed below:

  The corporate governance statement must contain a reference to:

  - any corporate governance code to which the company is subject
  - any corporate governance code which the company may have voluntarily decided to apply
  - where that code is publicly available
  - all relevant information about the corporate governance practices applied beyond the requirements under national law
  - an explanation of any departure from any corporate governance code applied.

  In addition the corporate governance statement must contain:

  - a description of the main features of the company's internal control and risk management systems in relation to the financial reporting process
  - certain information resulting from the EU Takeover Directive relating to share capital
  - a description of the composition and operation of the company's administrative, management and supervisory bodies and their committees.

The interaction between the requirements of the DTR and other UK legislation and guidance is considered in Appendix 3.

Appendix 3

Overlapping provisions between the Disclosure and Transparency Rules and the Combined Code (2008)

As there is some overlap between the mandatory disclosures required under the Financial Services Authority's Disclosure and Transparency Rules (DTR) and those expected under the Combined Code, the DTR clarify that compliance with the relevant provisions of the Combined Code will result in compliance with the relevant Rules. However, where a company chooses to "explain" rather than "comply" with any of these overlapping provisions, then such departure from the Combined Code may result in a breach of the DTR.

The following table lists the new Audit Committee and Corporate Governance disclosure requirements of the DTR and outlines the extent of overlap with existing UK legislation and guidance.

<table>
<tr><th>Disclosure and Transparency Rules</th><th>Combined Code</th></tr>
<tr><td>DTR 7.1.1 R</td><td>Provision C.3.1</td></tr>
<tr><td>Sets out minimum requirements on composition of the audit committee or equivalent body.</td><td>Sets out recommended composition of the audit committee.</td></tr>
<tr><td>DTR 7.1.3 R</td><td>Provision C.3.2</td></tr>
<tr><td>Sets out minimum functions of the audit committee or equivalent body.</td><td>Sets out the recommended minimum terms of reference for the committee.</td></tr>
<tr><td rowspan="3">DTR 7.1.5 R</td><td>Provision A.1.2</td></tr>
<tr><td rowspan="2">The composition and function of the audit committee or equivalent body must be disclosed in the annual report.</td><td>The annual report should identify members of the board committees.</td></tr>
<tr><td>Provision C.3.3</td></tr>
<tr><td colspan="2">The annual report should describe the work of the audit committee. Further recommendations on the content of the audit committee report are set out in the FRC Guidance on audit committees.</td></tr>
<tr><td colspan="2">DTR 7.1.7 R states that compliance with Code provisions A.1.2, C.3.1, C.3.2 and C.3.3 will result in compliance with DTR 7.1.1 R to DTR 7.1.5 R.</td></tr>
</table>

Appendix 3

Overlapping provisions between the Disclosure and Transparency Rules and the Combined Code (2008)

Disclosure and Transparency Rules	Combined Code
DTR 7.2.5 R	**Provision C.2.1**
The corporate governance statement must include a description of the main features of the company's internal control and risk management systems in relation to the financial reporting process.	*The Board must report that a review of the effectiveness of the internal control system has been carried out. Further recommendations on the content of the internal control statement are set out in the Turnbull Guidance.*
While the DTR requirement differs from the recommendation in the Combined Code, it is envisaged that both could be met by a single internal control statement.	
DTR 7.2.7 R	**Provision A.1.1**
The corporate governance statement must include a description of the composition and operation of the administrative, management and supervisory bodies and their committees.	*The annual report should include a statement of how the board operates.*
	Provision A.1.2
	The annual report should identify members of the board and board committees.
	Provision A.4.6
	The annual report should describe the work of the nomination committee.
	Provision B.2.1
	A description of the work of the remuneration committee should be made available. [Note: in order to comply with DTR 7.2.7 R this information will need to be included in the corporate governance statement].
	Provision C.3.3
	The annual report should describe the work of the audit committee.
DTR 7.2.8 R states that compliance with Code provisions A.1.1, A.1.2, A.4.6, B.2.1 and C.3.3 will result in compliance with DTR 7.2.7 R.	

Appendix 3

Overlapping provisions between the Disclosure and Transparency Rules and the Combined Code (2008)

Disclosure and Transparency Rules	UK Legislation
DTR 7.2.6 R	**SI 2008/410 7 Sch 13**
The corporate governance statement must contain the information required by paragraph 13(2)(c), (d), (f), (h) and (i) of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) (information about share capital required under Directive 2004/25/EC (the Takeover Directive)) where the issuer is subject to the requirements of that paragraph.	*This paragraph applies to a company with securities carrying voting rights admitted to trading on a regulated market at the end of the reporting period.*
These disclosure requirements are identical and all companies subject to DTR 7.2.6 R are subject to the equivalent requirement in Company Law. Note, however, that SI 2008/410 requires the information to be included within the directors' report whereas, if the corporate governance statement is not included within the directors' report, the DTR permit a cross-reference to this information in the directors' report to avoid the need for duplication.	

Appendix 4

Main changes introduced by the Guidance on Audit Committees 2008

On 15 October 2008, the Financial Reporting Council (FRC) published revised non-mandatory 'Guidance on audit committees', formerly known as the 'Smith Guidance' (the Guidance), which is effective for listed companies for financial years ending on or after 30 June 2009.

The Guidance was first published in 2003 and updated in 2005. It provides guidance to listed companies on the composition, role and responsibilities of the audit committee and assists directors serving on audit committees in carrying out their role. Boards are not required to follow the Guidance, but it is intended to assist them when implementing the relevant provisions of the Combined Code on Corporate Governance.

The purpose of the amendments is to implement changes recommended by the FRC Market Participants Group report on promoting choice in the audit market, which was published in October 2007.

The main changes to the Guidance are:

- Recommended disclosure in the annual report of how the audit committee reached its recommendation to the board on the appointment, reappointment or removal of the external auditor, including:
  - Supporting information on tendering frequency
  - The tenure of the incumbent auditor
  - Any contractual obligations that acted to restrict the audit committee's choice of external auditor.
- Encouragement to audit committees to consider the need to include the risk of the withdrawal of their auditor from the market in their risk assessment process
- Amendments to the information that audit committees should seek from the external audit firm about the independence of its staff, its policies for maintaining staff independence and monitoring compliance with relevant requirements (including the rotation requirements for partners and staff) and its safeguards in relation to provision of non-audit services. These changes simply ensure consistency with the existing APB Ethical Standards for auditors
- Introduction of the suggestion that it may be appropriate for the audit committee of a group to consider using audit firms from more than one network of firms (with additional guidance on considerations relevant to such a decision, including the option of joint audits).

The revisions do not change the duty of the audit committee to make a recommendation to the board on the appointment of the auditor, using their own judgement and seeking the information they require to come to the right decision.

The press release accompanying the revised Guidance encourages adoption of best practice with immediate effect, but indicates that the recommendations on disclosures apply only to periods ending on or after 30 June 2009, which aligns with the effective date of the Combined Code (2008) and the new Financial Services Authority's Disclosure and Transparency Rules on corporate governance.

Appendix 5

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Year ended 31/12/2007
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Further guidance

Appendix 6

Other corporate governance publications by PricewaterhouseCoopers LLP

Corporate governance and AIM
An assessment of the governance procedures adopted by AIM companies
(July 2008)

Best Practice Corporate Governance Reporting
(November 2007)

Internal control reporting in the UK
Survey of annual report disclosures
(Summer 2007)

Board performance evaluation
Survey of annual report disclosures
(Summer 2007)

Audit committee benchmarking survey
Best and worst features
(Summer 2007)

Performance evaluation tools (for board, audit committee, remuneration committee and effectiveness of the external audit process)

Combined Code Disclosure Checklist

Governance Briefing (quarterly publication)

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