

It's Your Business; Your Opinion Counts - The Results

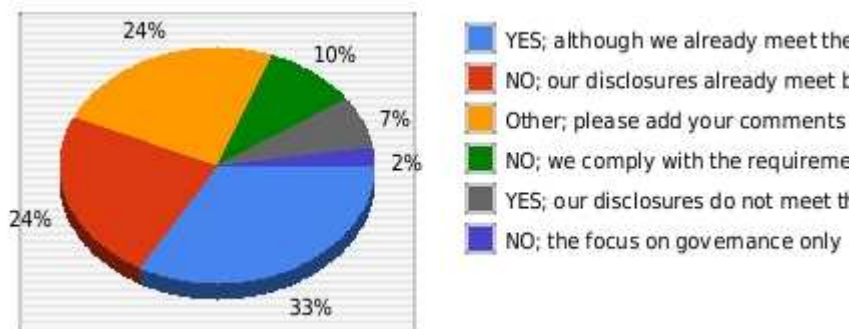


Company Secretarial Services Alert

“Comply or Explain” or “Apply and Explain”

Unquestionably a hot topic, inciting a number of very full responses; thank you for your input!

The pie chart of results looks like this:



And in terms of additional comments, these ranged from the somewhat dismissive

“The whole issue is nonsense and a box ticking exercise”

to cautious acceptance

“Another knee-jerk response prompted by a high profile corporate failure ... there is scant evidence ... of any (business) successes being put down to good corporate governance ... but ... plenty (of evidence) to show that proper controls ... have a restricted role in avoiding further failures “

to positive support for the need to balance the reality of ‘doing business’ with effective regulatory controls

“... even if a company already meets the requirements and best practice, it should consider going further because of the current business climate. This should apply to all FTSE 250, irrespective of sector”

“ ... but not making a cottage industry out of it; there has to be value in doing so ... not simply a present climate issue ... it should be seen as worthwhile doing it on an ongoing basis”

Taking another tack, a key point raised by several replies centred on the wording; some advocated the expression “**apply or explain**” instead of ‘**comply or explain**’. The point being that “**comply or explain**” is technically incorrect as by explaining a divergence a company is, in fact, complying with the code – and it is therefore not a question of “**comply or explain**” as these are not mutually-exclusive conditions.

For a number of institutional investors and the Governance Advisors on whom they rely, **comply** and **explain** are seen as alternatives so any non-adherence – however it is explained and however reasonable in the circumstances of an individual company – is presented as a failure to comply, with potentially significant implications for the company concerned.

Other respondents, however, felt that this issue was simply a matter of semantics that was in danger of drawing focus away from the original purpose of the guidelines.

It’s clear that the FRC’s review is high on the business community’s agenda for 2009 and has generated discussion that will run and run.

Thank you to all who contributed.