



The Hundred Group
of Finance Directors

Investor Relations and Markets Committee

Website submission: www.ftse.com

25 November 2011

FTSE UK Index Series User Consultation 2011

We are writing in connection with your above consultation to express our views as Directors of the UK's largest companies. We have not sought to address the first set of questions on free float requirements, however we set out below our views in relation to the your proposal to create an index where participants have to demonstrate compliance with the provisions of the UK Combined Code.

Who we are

The Hundred Group represents the views of the Finance Directors of FTSE 100 index constituents and several large UK private companies. Our Members collectively employ over 1.8 million people in the UK, and pay, or generate, taxes equivalent to 12% of the UK Exchequer's overall tax take. We seek to assist the development of UK businesses particularly in the areas of tax, reporting, pensions, regulation, capital markets and corporate governance

Our Views

Our members fully support measures that promote strong corporate governance principles, which enhance the quality of decision making at the Board level and enable the Directors to carry out their fiduciary duties on behalf of those to whom they are accountable (the shareholders as the legal owners). As well as underpinning the credibility and competitiveness of their companies, good corporate governance benefits other stakeholders and the communities in which our members operate and as such, we endorse measures that promote good Board room behaviours and effective shareholder engagement.

The UK corporate governance code has been in place for a number of years and its 'comply or explain' regime has resulted in considerable behavioural change over that time. The robustness of the UK framework has been the subject of much recent debate, particularly in the European Union, where certain territories have only recently moved away from a rules based system, but whose corporates are still perceived to lag behind the UK in the quality of their board room behaviours. In the UK, where the comply or explain approach has had time to become instilled, experience has shown that the limited instances of inappropriate and unexplained breaches to good governance behaviour that have occurred have been subject to much adverse media comment and significant shareholder action, which we believe fundamentally vindicates the 'comply or explain' approach.

Your proposed eligibility rules run counter to the UK's current approach to corporate governance. If your proposed index is aimed at enhancing governance, it should take into account the current 'comply or explain' framework by accepting that explanations which are

made validly should not preclude membership, notwithstanding that the underlying governance provision has not specifically been complied with. Without this, the current UK governance structure is not being respected. Clearly it would not be acceptable for a non-compliant company not to provide an explanation. In that instance, eligibility should rightly be precluded.

Please feel free to contact me if you wish to discuss the views expressed in this letter.

Yours sincerely

Robin Freestone
Chairman
Hundred Group – Investor Relations & Markets Committee