

1. Does the Code require companies to comply with all its recommendations?

No. Companies which do not comply with all recommendations have to make a statement of non-compliance, in accordance with the SE listing requirement.

2. What does the Report/Code mean by "independent" in relation to non-executive directors?

Bearing in mind the number of listed and USM companies to whom the Code applies, it would be impossible for the Committee or the Stock Exchange (or any other body) to define independence. It is up to the companies themselves, and in particular the Chairman, to make a judgement on directors' independence, taking account of the particular circumstances of the company, and ensuring that the directors themselves have made full disclosures as regards their interests.

3. Surely the Code does not apply to smaller companies?

The Code applies to all listed companies and USMs. Essential to have good standards of corporate governance in all companies, regardless of size. It is recognised, however, that some smaller companies may have greater difficulty in complying with all the recommendations. Statements of non-compliance covering these areas will therefore, presumably, be acceptable to shareholders.

4. Will the Committee be taking action against companies who do not comply or make statements of compliance/non-compliance?

Companies will need to comply or make statements:-

- (a) because of the Stock Exchange listing requirement,
- (b) to inform shareholders on the state of corporate governance in their company.

The Committee itself, although undertaking some monitoring research, will not be formally involved in any regulatory action.

6. Is the Committee going to publish guidance on how to comply with the Code?

No. It is hoped that the professional institutions and commercial organisations (eg remuneration consultants) will provide sources of reference to which companies can refer. The Committee does not wish to be prescriptive or to prevent companies from implementing the Code as best fits their individual circumstances. [The Auditing Practices Board and the Joint Working Parties of the ICAEW/ICAS/Hundred

Group of Finance Directors are preparing guidance for auditors and directors respectively on the two issues of going concern and internal control.]

7. Does the Code apply to my company, we have a dual listing in London and Hong Kong but are registered in Hong Kong?

The Stock Exchange listing requirement applies to companies incorporated in the United Kingdom, and therefore would not include your firm. However, the Committee would like to see as many companies as possible, whether formally covered by the Code or not, to follow the guidelines for best practice, as in their view this is in the best long term interests of the company.

[Similar answers would be given for companies registered/incorporated in the Channel Islands, Bermuda, Cayman Islands etc. However, I advised Allied Dunbar, who are incorporated in the Isle of Man but have their only listing on the London Stock Exchange, that I thought they should comply as they are subject to all the other Yellow Book listing requirements. Would their shareholders find it acceptable for them not to make a statement of compliance on a technicality?