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COMMITTEE
ON
THE FINANCIAL ASPECTS
OF CORPORATE GOVERNANCE

Sir Adrian Cadbury

PO Box 433
Moorgate Place
London EC2P 2BJ
Tel: 071-628 7060 ext 2565
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Dear Sir Andrew,

PUBLICATION OF THE COMMITTEE'S FINAL REPORT

On the assumption that no torpedoes are fired during what remains of the consultation period, and that the Committee proceeds to issue its final report towards the end of the year, I have been giving some thought to how the final report should be published. As the format may be relevant to how the Stock Exchange incorporates the requirement to report on compliance with the Code in the Yellow Book, I thought I should report progress to you and give you the opportunity to comment. I would also like to give the other sponsors a chance to comment on the matters discussed below.

One document or two?

The main issue I have been considering is whether the Code should be published as a short free-standing document as well as part of the final report. The purpose of doing so would be to inform companies concisely and precisely what it is the Committee is recommending that they should do.

I have tried my hand at a draft, as attached. It is based on the draft report and obviously would need bringing into line with the final version. As far as possible it uses the exact words of the full report. I propose to circulate it to the Committee to consider, but before doing so would be pleased to take account of comments.

The process of preparing the draft has forced me to think more carefully about the extent of the Code - is it just pages 42 and 43 of the draft report, or is it also the various supplementary recommendations contained in the cross-references? This is a point raised for example in a recent letter from Gary Allen, Managing Director and Chief Executive of IMI plc, and Sir Ron Dearing has also raised it with me.

My view is that the Code should comprise only the words in the Code itself and not the various supplementary recommendations scattered through the report. I do however think that companies would find it helpful to have an easy reference source of what the Committee regards as good practice and I have therefore included the text of the supplementary recommendations under the heading 'Notes'.

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22nd July 1992

PO Box 433
Moorgate Place
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Sir Andrew Hugh Smith
Chairman
London Stock Exchange
London EC2N 1HP

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Whether the Code is issued as a separate document or not, I suggest that the full report should make clear precisely what companies are being asked to comply with as part of the Code.

Use of a commercial publisher

We have not charged for the draft report and demand has been far in excess of my original estimate. So far over 12,000 copies have been distributed and demand is still brisk. Requests for copies have come in roughly equal proportions from companies (who often want one copy for each board member), professional advisers (accountants, city solicitors, merchant bankers, etc), and 'others' (eg conference organisers, academics, libraries, journalists, members of the public, and so forth). Many requests have also come from English-speaking countries overseas following coverage in the Economist. We have reached a substantial audience, but at the cost of a very big bill for printing and postage.

In order to avoid incurring these costs a second time, and to ensure that the final report remains 'in stock' and readily obtainable for as long as demand persists, I have approached three commercial publishers (Accountancy Books, Butterworths, and Gee & Co, a division of Professional Publishing Ltd) to see if they would be interested in handling it.

I have received a preliminary proposal from each one. Much the most positive is that from Gee (copy enclosed). Gee are extremely keen to handle the report and would market it widely. Under their proposals there would be a cover price of £10, with discounts for multiple purchases. All printing and distribution costs would be borne by Gee and we would be supplied with 2,300 copies without charge in order to circulate one free copy to the chairman of each listed company. Gee would require the exclusive right to sell the report and code, and to administer licensing and permission arrangements: permission to reproduce the Code would be given freely to the Stock Exchange (for the Yellow Book) and the press but permission fees would be payable by other publishers, large institutions, accountancy and law firms etc. The Committee would receive royalties including an initial advance of £10,000.

The precise terms I am able to agree with Gee will depend on whether the Committee wishes to publish the Code as a separate document. This would obviously depress demand for the full report. One possibility suggested by Gee is that the Code should be sold only in packs of ten. This would help Gee to maintain revenue and might also encourage quite wide distribution of the Code within companies.

Subject to any comments by you or copy recipients, I propose to work up a draft agreement with Gee, for signature after the Committee's meeting on 17th September, and to impress upon Gee that there is every likelihood that the Committee will want to publish the Code as a separate document.

I am copying this letter to Sir Ron Dearing, Jim Butler, and Sir Adrian Cadbury.

Yours sincerely,

Nigel Peace

Nigel Peace
Secretary