

Main criticisms of report in press comment following launch on 27 May

(This note summarises the criticisms only - it does not summarise the favourable comments!)

Daily Express, 27 May

The recommendations are too soft-centred. A complete overhaul for auditors is long overdue (eg in areas of external monitoring of audit work, duty of care, and the conflict of interest involved in undertaking consultancy work).

Evening Standard, 27 May

Code couldn't stop another Maxwell.

Financial Times, 28 MayMain leader

Shareholders should vote on directors' remuneration. NEDs are part of the problem, not the solution - they will continue to identify with the leadership of the company at the expense of the control function.

Lex

Proposed rules are not always as hard and fast as they look (no insistence on separating the roles of chairman and chief executive; going concern is to rely only on 'reasonable expectation'; rotation of auditors is ducked; no guarantee of legislation to implement the recommendation on fraud). Little fear must attach to the threat of stock exchange delisting. A latter-day Robert Maxwell would make mincemeat of the Committee's efforts to strengthen the role of NEDs.

(FT also reports concern that shareholders will not take notice of the Code - they will hold shares if they like the company, regardless of its governance, and they will sell them if they do not like it, rather than attempt to improve matters in the long term, assuming management does not respond positively to an initial approach.)

Daily Telegraph, 28 May

(Tone of leader very cynical.)

Report will cause little trouble to those determined to ignore it: Maxwell boasted a good clutch of non-execs.

Directors' remuneration must be specifically approved by the shareholders before becoming binding on the company.

Times, 28 May

Thoroughly bad companies will use the report as further smokescreen for crookedness. The proposals, only barely sufficient, must be introduced fast.

Independent, 28 May

Concern about the subjective judgements on which the proposals in the Code rely. Rogue companies will take a different view of the facts than more establishment figures. Cadbury might have served up stronger meat.

Guardian, 28 May

Why stop at half measures? Auditors should have a statutory duty to report fraud. Audit firms should be required to rotate. Shareholders should vote on directors' pay.

Economist, 29 May

Committee's proposals are exceptionable only in their mildness. They do not tackle the crucial issue - how, and whether, to put sharevoting muscle behind board members. It would be worthwhile experimenting in institutions pooling their shares and nominating an outside director or two.

Report's enforcement proposals (ie disclosure requirement) may be ineffectual.

Investors Chronicle, 29 May

Concern at admission that institutional shareholders get more information from companies than private shareholders. Cadbury dismisses private investors as second-class citizens. More could have been done - immediate introduction of cash-flow statements in interim reports, quarterly accounting for Footsie stocks, and legislative backing for the various proposals.

Daily Telegraph, 30 May

Piece mocking lack of requirement for disclosure and shareholder votes on directors' pay.

Sunday Telegraph, 31 May (John Jay)

Cadbury's curate's egg. Should be more disclosure of the finances of boardroom shareholders: directors should disclose when they secure debt against their shares, and at what price fresh collateral would be needed. Shareholders need more warning about boards that disguise weak earnings with balance sheet provisions; on top, working capital adequacy is important. Perhaps all firms should produce working capital statements each year.

Sunday Times, 31 May

Laughable to propose a voluntary code as a solution to vast abuses of corporate power. Captain Bob had no aversion to NEDs. The best proposals should be strengthened, encapsulated in a new Companies Act and policed by a well-financed regulator.

Independent on Sunday, 31 May

A classic case of too little, too late. Will do little to prevent the determined fraudster. There is no escaping the need for legislation. Committee should have tested feeling by calling for something like the SEC.

Mail on Sunday, 31 May

Auditors should not be allowed to undertake consultancy work. Shareholders should be given the choice of at least two auditors at the AGM. Auditors duty of care should be extended. The formulae by which directors' bonuses are determined should be in their service contracts and on view to shareholders.

Marjorie Mowlam (press release, 27 May)

Voluntary Code is a recipe for inactivity.

Report is vague on companies finding new ways of working with shareholders.

Annual general meetings should be able to vote on directors' pay.

NDP

3.6.92

prcrit