

29 July 1992

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Secretary,
Committee on the Financial Aspects of Corporate Governance,
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Nigel Mr Peace

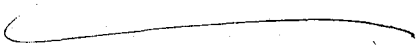
CADBURY COMMITTEE REPORT

- 1 The Institutional Fund Managers' Association represents the interests of UK based institutional fund management companies. Funds managed by our 77 members, a list of whom is attached, total around £450 billion.
- 2 The Association strongly supports the Cadbury Committee's aim of establishing best practice on financial reporting and accountability and its proposal for a non-statutory Code of Best Practice as a means of achieving this. We also support the Committee's suggestion (paragraph 6.12) that the institutions should be looked to to take action, with the backing of the Institutional Shareholders Committee, where there is clear evidence of non-compliance with the spirit of the Code.
- 3 There are, however, certain general points that we would like to make:
 - 3.1 We believe that the full compliance with the Code will prove impracticable for many small companies. The report should make it clear that the Code is a statement of best practice with which all large companies should comply and to which small companies should aspire. We believe that, subject to minor amendment, the Code will become accepted practice among larger and medium-sized companies.

- 3.2 We are concerned that the London Stock Exchange is intending to require all listed companies to state, as a continuing obligation of listing, whether they are complying with the Code (paragraph 1.3). As we stated above, we feel that full compliance with the Code will prove impracticable for many small listed companies and probably all investment trusts, and that an obligation to state compliance or non-compliance with the Code would merely undermine its credibility. We would also be concerned at any suggestion that delisting should be a sanction for non-compliance with the Code as this would be more likely to penalise shareholders than the company's directors.
- 3.3 The Companies Act 1985 makes clear the responsibility of all the directors for the integrity of a company's accounting records and for the preparation of each year's balance sheet, profit and loss account and directors' report. The Report draws too great a distinction between the responsibilities of executive and non-executive directors and could be taken to imply that their interests are somehow opposed. We believe that the Code should place greater emphasis on the need for each director to recognise his responsibility for corporate governance, however the Board is constituted, and for the Board as a whole to recognise its responsibility and that of each of its members.
- 3.4 We doubt that the proposed statement of compliance with the Code can be endorsed in any meaningful way by a company's auditors (paragraph 3.10).
- 4 While we have commented on the Report in general, we feel that it is not appropriate for an association representing fund managers as managers to comment in detail on shareholder matters. This is the responsibility of our members who we have encouraged to respond directly to the Committee. We believe that the Committee's draft Report in effect codifies current 'good practice' and we have no difficulty in supporting this. Most comments which give rise to concerns are when the Report goes further than current good practice and here we hope that the Committee will give careful consideration to the points we have made. We see the Report as an important step in the evolutionary process of corporate governance in the United Kingdom.

L.E. Linaker
Chairman

*Yours Sincerely,
Paddy Linaker*





INSTITUTIONAL FUND MANAGERS' ASSOCIATION

MEMBERS OF THE ASSOCIATION

Allied Dunbar Asset Management plc
AMP Asset Management plc
Baillie Gifford & Co
Bankers Trust Investment Management Ltd
Barclays de Zoete Wedd Investment Management Ltd
Baring Asset Management Ltd
British Aerospace Pension Funds Investment Management Ltd
British Gas Pension Funds Management Ltd
Brown Shipley Investment Management Ltd
James Capel Fund Managers Ltd
Capital House Investment Management Ltd
Capital International Ltd
Cazenove & Co
CIN Management Ltd
Citicorp Investment Bank Ltd
Clerical Medical Investment Group
Commercial Union Asset Management Ltd
Co-operative Insurance Society Ltd
County NatWest Investment Management Ltd
CSFB Investment Management Ltd
Martin Currie Limited
Dunedin Fund Managers Ltd
Eagle Star Investment Managers Ltd
Equity & Law Investment Managers Ltd
Fidelity Pensions Management Ltd
Framlington Group plc
Robert Fleming Asset Management Ltd
Foreign & Colonial Management Ltd
Gartmore Investment Management Ltd
Goldman Sachs Asset Management
John Govett & Co Limited
GRE Asset Management Ltd
GT Management plc
Guinness Flight Global Asset Management Ltd
Hambros Bank Ltd
Henderson Administration Group plc
Hill Samuel Investment Management Group Ltd
ICI Investment Management Ltd
Imperial Investments Ltd

Invesco MIM Management Limited
Ivory & Sime plc
Kemper Investment Management Co Ltd
Kleinwort Benson Investment Management Ltd
Lazard Investors Ltd
Legal & General Investment Management Ltd
Lloyds Investment Managers Ltd
Marine & General Mutual Life Assurance Society
Mercury Asset Management Group plc
Meridian Global Funds Management Ltd
M & G Investment Management Ltd
Midland Montagu Asset Management
Morgan Grenfell Asset Management Ltd
J P Morgan Investment Management Inc
Murray Johnstone Ltd
National Provident Institution
Newton Investment Management Ltd
Norwich Union Fund Managers Ltd
Pension Services Ltd
Phillips & Drew Fund Management Ltd
PosTel Investment Management Ltd
Provident Mutual Managed Pensions Funds Ltd
Prudential Portfolio Managers Ltd
Refuge Group plc
Rothschild Asset Management Ltd
Royal Insurance Asset Management Ltd
Schroder Investment Management Ltd
Scottish Amicable Investment Managers Ltd
Scottish Mutual Assurance plc
Scottish Widows' Investment Management Ltd
Shell International Petroleum Company Ltd
Stewart Ivory & Co Ltd
The Scottish Life Assurance Company
Standard Chartered Equitor Ltd
The Standard Life Assurance Company Ltd
Sun Alliance Investment Management Ltd
Sun Life Investment Management Services Ltd
Touche, Remnant & Co