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Nigel Peace
Secretary
Committee on The Financial Aspects
of Corporate Governance
PO Box 433
Moorgate Place
London EC2P 2BJ

Dear Mr Peace

I am pleased to enclose Legal & General's comments on the draft report of the Cadbury Committee on the financial aspects of Corporate Governance.

If you would like any further explanation, or if any points in our comments are unclear, please do not hesitate to contact me.

Yours sincerely

Maureen Howe

Maureen Howe
Government & Investor Relations

LEGAL & GENERAL GROUP - RESPONSES TO THE CADBURY REPORT ON CORPORATE GOVERNANCE

1. We welcome the tenor of the report, which has brought together on a more formal basis many of the long-term ideas institutional shareholders have been expressing about the thrust and future direction of corporate governance. Legal & General itself has been prominent in promoting debate on the subject.

2. We see the code as being based on existing best practice - particularly with regard to the separation of the roles of the Chairman and Chief Executive.

3. We also welcome the formal recommendation that the non - executive presence on the Board should be such that balance is provided between executive responsibility for day to day management and non-executive strategic input.

4. We are however concerned that Board balance between executive and non executive should not be translated into a separation into supervisory and non supervisory functions with the two-tier implication that that would suggest. We see the directors as having different roles but equal responsibilities, with all of them ultimately being responsible to those who elect them - the shareholders.

5. We welcome the recommendations that discrete groups of non-executive directors should be formed into separate committees with specific responsibilities for matters such as remuneration and audit. This reflects existing practice within L&G.

6. Non-executive directors need to be able to bring the necessary knowledge of the company to make proper input to the deliberations of such committees - even if they are enabled to seek expert outside advice. For this reason we would not support the Cadbury recommendations that non-executive directors should have a time limit on their tenure of office in order to keep them "fresh". Directors are, in any event, already subject to periodic re-election.

7. We feel that the concept of training for directors should not be allowed to overtake the requirement that they should be of a status and experience adequate to enable them to carry out their duties. The idea of professional non-executive directors, fully trained but lacking in directorial experience would not enhance the future shape of corporate governance.

8. Adequate remuneration for non-executive director is a concept we fully support, but our views are less certain about the concept of other financial interests - especially shareholdings. What for example would be the status of a director representing a significant shareholding? Would he/she be permitted to continue while he had a financial interest (ie. was salaried) by the significant shareholder? It is our belief that hard guidelines cannot be established and that non-executive directors are answerable to the shareholder they represent in all matters. Disclosure of relevant interests is essential in relation to specific matters being considered by the Board.

9. We feel that the main thrust of the Cadbury Report is to ensure that corporate governance is in the hands of a balanced Board, with a mixture of executive and non executive experience and skills guiding the company in the best interests of its shareholder/owners. However, we feel that total emphasis on the directors role and responsibilities is not in itself a balanced approach. Institutional shareholders have a definite role and responsibilities in influencing activities of a company's Board, private shareholders are less well placed. We suggest that Shareholder communication and education should form an integral part of the corporate governance scenario.

10. We agree with the Cadbury Committee that Corporate Governance should be a matter for self regulation rather than legislation. Market forces, especially shareholders, are more effective in influencing companies and Corporate Governance is one of the key factors in assessing companies.