

29 July 1992

Nigel Peace, Esq  
Secretary,  
Committee on the Financial Aspects of Corporate Governance,  
PO Box 433,  
Moorgate Place,  
LONDON EC2P 2BJ.

*Nigel Mr Peace*

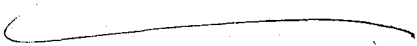
### **CADBURY COMMITTEE REPORT**

- 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