

**COMMITTEE ON THE FINANCIAL ASPECTS
OF CORPORATE GOVERNANCE**

Monitoring Compliance with the Code of Best Practice

Interim Report

1. At its meeting on 1 November 1994, the Monitoring Sub-Committee considered the attached statistical report prepared by John Weld, the researcher undertaking the monitoring of compliance with the Code of Best Practice on behalf of the ABI and the Committee. It was agreed that the report should be brought to the attention of the full Committee.
2. Mr Weld advised that he hoped by the end of the year to have all available information from the companies in the sample entered into the database, at which time he would draft a final report. At the Sub-Committee's request, he agreed to include in this draft some of the verbatim comments which he had received from company secretaries and others with whom he had been in contact.
3. The Sub-Committee also agreed that a small further research project should be undertaken, extracting information from published company reports for the year ending after 30 June 1991 (i.e. two years prior to the current exercise's sample). This research would look at four areas only: the occurrence of a split in the Chairman/Chief Executive role; and the existence/composition of the audit, remuneration and nomination committees. The sample examined would be the same as that for the major monitoring exercise and it was hoped that the results would provide some measure of changes in corporate governance practice since the introduction of the Code of Best Practice. The £4,500 cost of this extra project is being met from the £15,000 set aside for further research commissioned by the Monitoring Sub-Committee.
4. With the co-operation of the ABI and the London Stock Exchange in providing access to the relevant company reports, it is hoped that this project will be completed in time for its incorporation into the main report.

Gina Cole
Secretary
30 November 1994

CADBURY MONITORING - INTERIM REPORT

Up to 31 October 1994, a total of 631 companies reporting after 30 June 1993 had been examined. All of them had made a statement of compliance, or non-compliance and in only 1 case (Arlen) had the auditor reported that the statement was inadequate.

As you know, I am looking at all of the top 500 companies and a random sample of 1 in 5 for the rest.

First of all, a summary of the statistics concerning the more important elements of the Code.

Company order	1-100	101-250	251-500	501-750	751-1000	1001-1250	1251-1550
% examined	99%	94%	87%	86%	82%	82%	78%
Market Cap down to	£1.4bn	£400m	£120m	£45m	£25m	£10m	£0m
	%	%	%	%	%	%	%
companies stating reasons for non-compliance	10	14	32	33	29	46	58
Ch/CE combined but without independent element of NEDs	3	2	7	12	2	12	21
Nomination Cttee	69	60	36	32	27	27	6
Remuneration Cttee	98	97	86	93	80	68	57
Audit Cttee - 3 NEDs	90	86	71	67	59	44	23
Audit Cttee 2 NEDs	3	4	8	12	12	17	17
Audit Cttee 2 or 3 NEDs	93	90	79	79	71	61	40
All or majority of NEDs independent	92	86	79	84	78	68	57

By excluding the Investment Trusts we are given the following statistics.

Company order	1-100	101-250	251-500	501-750	751-1000	1001-1250	1251-1550
	%	%	%	%	%	%	%
companies stating reasons for non-compliance	10	16	37	38	36	51	76
Ch/CE combined but without independent element of NEDs	3	2	9	15	4	14	22
Nomination Cttee	69	67	44	35	29	27	7
Remuneration Cttee	98	98	92	91	79	69	56
Audit Cttee - 3 NEDs	90	84	69	65	46	37	20
Audit Cttee 2 NEDs	3	5	9	12	18	20	20
Audit Cttee 2 or 3 NEDs	93	89	78	77	64	57	40
All or majority of NEDs independent	92	87	78	85	82	69	59