

31 July 1992

Our Ref: Cms\AP\Let\Peace

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



CAD - 02359

Dear Mr Peace

### COMMITTEE'S DRAFT REPORT

The Association supports the objective of establishing best practice in the areas of financial reporting and accountability. As the representative of a significant group of institutional investors in plcs, the Association therefore welcomes the Draft Report's recommendation for a Code of Practice which it regards as an important contribution and benchmark towards proper supervisory corporate governance in the case of those plcs which have boards without a majority of non-executive directors. The Association believes, however, that it may be unrealistic to expect small companies to be able to meet all the requirements of such a Code and that the Committee may have to recognise the problems for such companies, possibly by laying down the minimum which it considers necessary to meet the spirit of the Code's objectives.

The Members of this Association are some 220 quoted investment trust companies, a few of which are independently managed but the great majority of which do not employ any staff but enter into a management contract with an external firm for the provision of fund management, secretarial, accounting and administrative services. Under either structure, investment trust companies have boards of which the great majority of the directors (if not all) are non-executive and their dominance should ensure that investment trust companies already meet the need for proper supervisory governance. Thus, even where currently investment trust companies do not already have formally constituted Audit and Remuneration Committees, the obligations which the Code proposes for such Committees should already be met by the non-executive directors. As a result, investment trust companies should have no problem in complying with the major recommendations and requirements of the Code; and the Association has no objection to the proposal for a requirement, under the London Stock Exchange's continuing listing obligations, for a statement in the report and accounts of all listed companies as to whether they are complying with the Code, and identifying and giving reasons for any areas of non-compliance.

Yours sincerely

H M Priestley  
Deputy Chairman



**Investment Trusts**

ASSOCIATION OF INVESTMENT TRUST COMPANIES