



CAD-01218

\$ 1000 a yr. enables SHldr. to have proposal included.
Moves to enable SHldr. to get together & SHldr./mgts.
to do same. Response to defence tactics, cost.
Confidential voting, Shareholder advisory office.
Issues to do with personalities rather than structures
More life-threatening and not susceptible to compromise
U.K. system depends on personalities rather than structure.
U.K. pressures on hiecs. of mgt/Exec
Wld. be resisted in USA.

Understg. motivation of potential institutional investors.
Target prospective investors.

- 1) Trends in activism & SHldr. (institutional) upwards ^{onwards} 1987
- 2) Negotiations between SHldr. proposals & mgts.
United SHldr. Assoc. Coercive bargaining. Class warfare.
- 3) Split in activist movement \leftarrow 'USA. interests punitive institutions, results.
Issue is Compensation. No longer ordinary business
& Exec. Compensation will be subject to votes.
Individual rather than Institutional interest.
- 4) SEC rules designed for individual vs corporatis but
now collectivised vs. corp. Institutions shld. be subject
to same disclosure as boards.
- 5) Invest in stocks not in corp. Unless funds mgts. take
interest, own will, individ. pension fund members cannot

- 1) Matters of control
- 2) " " Capital structure
- 3) " " Compensation
- 4) Nomination/election directors
- 5) Share rights / governance issues

How shld. power be distributed? Structure now becoming more important, rather than takeover.

With U.S. activism spread to rest of world?

- a) U.S. buying foreign shares & voting them.
Organised ADRs 60% vote 20% w. = 12%
- b) Informed shareholders ask?
- c) Uniform settlement process - get international
- d) Publicity. creates interest & action
- e) Scandals in Japan (Germany?) undermine models of corp. ownership.

What do we do? Co's shld take control over relationship with shareholders. Who owns? Why traded? How valued?

Brands.

Office

- Takeover Panel
- Bank
- Two tier
- Pro-NEO

Control.

Governance - responsibility separate from ownership.

Relationship provides capital & users.

UK

Characterised by openness, large no. quoted cos, self-regulation, Takeover.

CF Longterm relationship
Transactional relationship

Checks & balances ← Boards & Structure
Incentives (keep shareholders appropriate, not in line)
Communications
Manage expectations
Small shareholders, shareholders

Mergers & Acqs, selling, raising capital etc.
Disclosure / authority.

Quota in fact vs. ability to veto.

Speed of reports vs. timely info.
Should not have gtr. power to manage strategy agreed by board.

Balance between trust / power of veto.

US, mgt. has gtr. power. Closer institutional relationships in UK?

Stability of ownership, restricting mgt's power matched by shareholder trust / loyalty.

Dynamic mgt, ambitious mgt, financing / operating flexibility,

Qual. of info ↓. Passive shareholders except pre-emptive rights.

Alg. games (1980's) due for review. Line shifted
longt. results achieved.

Long-term value vs. short-term trading.

- Strategic disclosure? 1) Line - mgt. delegated power vs. initial control.
- 2) Investor resp. 3) Effects on UK competitiveness

Auditors relationship with directors. - client is board, ∴ not independt.

Ned's - independt?

Lack of auditing backbone, if auditors will take stand then
ASSB. Independt. profession, climate of audity.

ASSB target is investor, cost/benefit. listen to preparers.

Future cash flow / viability / profitability

Analysts (behind the scenes competitive) ∴ info flows at night

Mgt. discn & analysis approach.

Competitn in Europe, doing little. How much competitive disadvantage

Informal disclosure?

Future info. / simplifich issue.

Values. - disposable assets, revalued regularly.
shldos' shld. know value.

evening up info. gap. privileged info.

Trust in audit is crucial.

Urgent Issues Task Force. Technical partners + fin. dir. + others.

Stop precedents, but cld. be taken on in court.

Continuity but change of personnel, but must be indepdnt.
unable to be sued.

John Stevenson, Tomke Ross.

Stand inspection of acg. practice. MDA. Wld. help.

Extended audit rept. Emphasis of matter, draw attention to note (but

MDA. Wld. help. Cld. draw attention to areas of risk ^{what if wrong note}

Notes are there to protect dir. not to alert s/hldrs.

FRC sovereign body appoints members & provides funds / guidance
but not direction. Support & encouragement.

ASB. choose agenda, but FRC must back.

Review Panel — dir. liable for new rept.

— what will happen to auditor 1/10/91. into effect.

To make that a/cibility effective, the fullest degree of disclosure compatible with genuine commercial prudence is required. ~~Openness is the basis on which trust is formed and differences of interest about the way in~~

~~Openness is the way~~ enables conflicts of fin. interest to be resolved constructively ~~as the basis on which trust is formed.~~

This brings me to my final point which is that we cannot place all the burden on rules & regulations. ^{essential high degree.} First, because they ~~tend to follow~~ ^{normally} ~~best~~ ^{good} practice rather than lead the way. They consolidate. Secondly, ~~because it is the way in which~~ individuals interpret ^{tends to}

it is best practice which sets the pace and regulations consolidate ^{over time} the progress which ~~they~~ ^{the} leading firms have made. Secondly, because ~~the~~ business standards depend on the way in which individuals interpret.

If resp. interpret the rules ~~with~~ ⁱⁿ the reg. framework within which they work. ~~High standards of~~ ^{high} ~~standards of~~ ^{standards of} ~~best~~ ^{best} Agreement on the principles

which lie behind the rules & regulations ~~is what we need~~ and ^{interpret/gent.} ~~are~~ ^{are} a/determin to honour them ~~and~~ ^{are} provide the foundation on which real advances in ^{Corporate} a/cibility & effectiveness ^{(Can} ~~will be~~ ^{will be} made

SEC can ask whether rows with auditors in last 2 yrs.

Keith Hamill (Guinness).

Bridle (Pubs).

Derek Foster (creeping crumple), AY.

John Stevens.

Opinion shopping, not take task on intent talking to auditors.