

MEETING AT THE STOCK EXCHANGE 1/6/95

Present, Adrian Cadbury, Michael Lawrence, Sydney Lipworth and John Kemp Welch.

The Stock Exchange's consultative document on Proposed Changes to the Listing Rules has led to confusion about their intentions towards the Code. The object of the meeting was to establish the ground rules for the future, so that the chairman and members of the successor body had a clear remit.

It was agreed that the only element of the Code to be transferred from the Code to the Listing Rules would be para. 4.6 Going Concern. The logic of the move is that the going concern statement is crucial and should not be left open to compliance or non-compliance. The pattern which this establishes is that the Code and the compliance statement remain in place. The Code represents best practice and can be added to in that light. A Code recommendation will only become a listing rule when it is central to investor protection and has earned general acceptance. Interestingly, audit committees are not thought to have reached that status in this country, in spite of US experience.

The proposal to include the internal financial control recommendation in the Listing Rules will be dropped, since it does not meet the criteria which apply to going concern. That section of the Code will be reviewed by the successor body in the light of experience.

On timing, the detailed rule changes and the IPO proposals are likely to come into force at the end of July, with the incorporation of guidelines and codes remaining open for further debate. The Stock Exchange has been directly involved in the deliberations of the Greenbury Committee and expects some of its recommendations to be incorporated in the Listing Rules, others might be combined with our Code. This would depend on the nature of the recommendations and the possibility of statutory intervention; The object would be to avoid having two Codes.

Assurances were given that there was no intention of weakening the Stock Exchange's support for the Code through the compliance listing requirement and it was claimed that the Stock Exchange's position in the matter had been misrepresented in the Press. This claim is difficult to reconcile with statements such as the attached.

CAD-02319

PRESSLINE - RESULTS OF CADBURY REPORT ON COMPLIANCE

The Exchange is delighted at the positive response by companies to the recommendations contained in the Cadbury Code. It shows the benefits of incorporating into the Exchange's listing rules, those elements of other bodies' codes of best practice relating to investor protection. For the future we believe that targeting key areas for specific compliance in our rules may be a more sensible approach rather than the existing blanket rule re compliance given that other bodies, such as the Greenbury Committee, are devising codes which may cover the same ground, but potentially with a different approach. We are currently consulting with listed companies, member firms and other market practitioners on this subject.

24/5/95 plk

Approved by MJL

MEETING AT THE LONDON STOCK EXCHANGE
1 JUNE 1995

Present: Sir Adrian Cadbury, Sir Sydney Lipworth, Michael Lawrence
and John Kemp- Welch.

The London Stock Exchange's consultative document on Proposed Changes to the Listing Rules has led to confusion about their intention towards the Code. The object of the meeting was to establish the ground rules for the future, so that the chairman and members of the successor body had a clear remit.

Michael Lawrence said that the only element of the code to be transferred from the Code to the Listing Rules would be para. 4.6 Going Concern. The logic of the move is that the going concern statement is crucial and should not be left open to compliance or non-compliance. The pattern which this establishes is that the Code and the compliance statement remain in place. The Code represents best practice and can be added to in that light. A Code recommendation will only become a listing rule when it is central to investor protection and has earned general acceptance. Interestingly, audit committees are not thought to have reached that status in this country, in spite of US experience.

The proposal to include the internal financial control recommendation in the Listing Rules will be dropped, since it does not meet the criteria which apply to going concern. That section of the Code will be reviewed by the successor body in the light of experience.

On timing, the detailed rule changes and the IPO proposals are likely to come into force at the end of July, with the incorporation of guidelines and codes remaining open for further debate. The London Stock Exchange has been directly involved in the deliberations of the Greenbury Committee and expects some of its recommendations to be incorporated in the Listing Rules, others might be combined with our Code. This would depend on the nature of the recommendations and the possibility of statutory intervention. The object would be to avoid having two Codes.

Assurances were given that there was no intention of weakening the London Stock Exchange's support for the Code through the compliance listing requirement and it was claimed that the London Stock Exchange's position in the matter had been misrepresented in the Press, (although statements such as the attached could have contributed to this impression).