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## **REVIEW OF THE EFFECTIVENESS OF THE COMBINED CODE**

### **Response to Call for Evidence**

The Irish Association of Investment Managers (“IAIM”) strongly supports the Governance framework provided by the Combined Code. We are in agreement that the effectiveness of the Code should be reviewed in the light of economic and other challenges facing issuers. Our member firms are of the view that these challenges demand a principles led approach accompanied by a ‘comply or explain’ requirement. More detailed rules may, in our view, lead to a mechanistic “box-ticking” approach and are unsuited to the diversity of challenges and necessary governance responses facing different issuers in multiple sectors.

#### **1. The Composition and effectiveness of the board as a whole and the respective roles of the chairman, executive and non-executive directors**

The Code (A.2.1) provides that the roles of Chairman and Chief Executive should be separately exercised. IAIM believes that the code should be strengthened in a manner that prohibits;

- the combining of these roles
- the appointment of an out-going Chief Executive as Chairman
- the appointment of any former executive as Chairman

except in the most rare circumstances.

Board Committees play a critical role in the Governance framework. We believe there is merit in disclosing the considerations, including relevant skills/experience, leading to the appointment of individual directors to the various committees.



2. **The Boards role in relation to risk management**

The FRC should consider specific guidance for Boards in the area of risk assessment and management. Shareholders need to understand the processes through which enterprise risk is identified, assessed and managed. However, the balance between board oversight and the executive responsibilities of management must be respected. Guidance would be helpful to Boards in maintaining that balance.

3. **Effectiveness of the 'Comply or Explain' approach**

IAIM endorses this approach but notes that the disclosure of explanations has become mechanistic or 'boiler plate'. Deviation from the Code may be appropriate however Companies should provide detailed reasons behind such decisions. These explanations should address the particular situations faced by the individual issuer.

In general much of the detail provided in annual reports is standardised, not sufficiently detailed and does not fully reflect the differing circumstances of individual companies.

4. **Role of Institutional Shareholders**

IAIM believes that the role and obligations of institutional shareholders is appropriately addressed in the Code. It is our view that institutional investors should be active but not routinely 'Activist'.

***Frank O'Dwyer***  
***Chief Executive***

