

COMMITTEE
ON
THE FINANCIAL ASPECTS
OF CORPORATE GOVERNANCE

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2 pages

23rd Nov,

To :- Nigel Peace (ext 2565) From Adrian Cadbury 0564 771130.

It would seem to me logical to link the issues raised with main consultation with the changes to the Report. I have listed more items than I would expect to be included in a Press Notice and my comments are not in drafting language!

1) Concentrates too much on control and not on the essentials of succeeding in a competitive marketplace. "Long on accountability, short on drive & efficiency" (Owen Green).

Met by underlining purpose for which Cttee set up and recognition of need for drive & efficiency paras 1.1 & 1.2. plus 2.5 - 2.8.

2) "Undermining the unitary nature of the UK board" CBI response.

1.8. Statement of support for unitary boards plus supervisory responsibility of all directors.

4.3. - 4.6. Clarification of n.ed's role within unitary board.

4.8. Responsibilities of all directors for governance.

4.14. Info. to all directors.

4.18 Professional advice to all directors.

4.36 Relationship between audit cttees. & boards.

Strengthening chairman's hand & avoiding too many 'leaders' on the board,

4.5. (no leader'), 4.35g & 4.44. C/mn. controls AGM.

Will there be enough n.ed's? 4.17.

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- 3) Compliance. Meaning of listing obligation. Criticized as unnecessary & bureaucratic (CBI), inadequate (institutions), like Ernst & Young at the extreme — self regulation will not work, SEC required. Disadvantages of statutory approach 1.10.
- 4) Burdensome for small companies. 3.15. ensure get benefit in return.
- 5) Whitewash for auditors. 5.15. (extension of liability). Concern over Caparo 5.31 - 5.35.
- 6) Maxwell Test. 1.9. advantages of early attention 5.20. (going concern)
- 7) Role of shareholders 6.4, 6.5, 6.8. Policy on voting 6.12. Market regulation (linked to 3) above) 6.16.
- 8) Strengthened paras. on Company Secs. and internal audit: clearer definition of independence.
- 9) Future issues, which include more disclosure on directors' pay.

Adrian.

Hope these are of some help, but add & subtract in the light of your run-through of the changes.