

a Sir Adrian.

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Ack'd

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Mr. N. Peace,  
Secretary,  
Committee on the Financial Aspects  
of Corporate Governance,  
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20 July 1992

Dear Mr. Peace,

I am an Executive Director of Pilkington plc. I am writing to comment on the draft report of the Committee on the Financial Aspects of Corporate Governance.

I recommend the article by Owen Green, in the Financial Times, to you. I thought this was extremely pertinent. The Cadbury proposals, as drawn, are designed to set up a difference of interest between the non-executive directors and the executive directors in what is supposed to be a unitary board situation. Non-executive directors cannot have the same degree of knowledge of the company as their executive colleagues and to have committees composed solely of non-executives, passing judgement on the executives, cannot work effectively and can only lead to mistrust.

The role of the Audit Committee, as summarised in paragraph 4.29, is actually the responsibility of the entire Board. The Audit Committee is a useful forum to brief the non-executive directors on the accounts, on financial control matters and on matters arising from audits. However, I do not believe it should meet without executive directors being present, except in the most exceptional circumstances where the auditors are insisting on such a meeting. Also, the Committee should contain at least the Group Chief Executive as a member and preferably the Finance Director as well. Generally there should be no subject which the non-executives wish to discuss with the auditors which cannot be discussed in the presence of their executive colleagues.

The proposal that non-executive directors should be able to free independent professional advice, apart from their executive colleagues, again should only apply in specific circumstances where there is a conflict of interest as between the company, one or more executive directors, e.g. where a company linked to an executive director is being acquired by, or is acquiring another company. Such instances should be approved by the Board on a case by case basis.

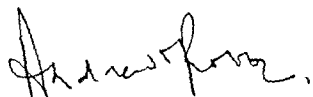
I do not believe that non-executive directors should be specifically responsible for answering questions at an AGM although they should be prepared to do so if asked by the Chairman. In a unitary Board it is not right to try to set up an alternative Chairman, which is effectively what the Committee's proposals amount to, and then seek to establish a leader amongst the non-executives.

Paragraph 4.23 of the report refers to a need for Boards to draft codes of ethics and statements of best business practice. This is a clear case of a "motherhood statement" and another example of a request for yet more information in quantity rather than quality. Such a statement adds nothing in reality.

Paragraph 4.24 refers to a Nomination Committee. I suggest one has to leave it to the Chairman to propose nominees. I agree it is best practice that these should be recruited in the same way as any other employee of the company i.e. through a formal process with other directors being involved in interviews but the smooth running of the Board and the bringing together of the necessary expertise resting finally with the Chairman.

I hope these comments are of interest and use to the Committee.

Yours sincerely,



Andrew Robb (Finance Director)