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*Sir Adrian*  
CAD-02137

Mr Nigel Peace  
Secretary  
Committee on the Financial Aspects of Corporate  
Governance  
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*- Ash'd*

14th July 1992

Our Ref: JRS/rs

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Dear Mr Peace,

DRAFT REPORT OF THE COMMITTEE ON  
THE FINANCIAL ASPECTS OF CORPORATE GOVERNANCE

I expect that you will have noticed that I said at the Second Annual Company Secretary's Conference that there might be a need for a Cadbury II Committee to consider the importance of environmental management systems in relation to corporate governance. I recognise that this aspect is beyond the terms of reference for the Committee but it is within the Committee's terms of reference to consider relevant issues in relation to financial reporting and accountability.

An important issue is the treatment of potential environmental liability as a contingent liability. I think my concern is that the report does not seem to address environmental issues. In terms of annual reporting, these have been recently addressed by The Hundred Group of Finance Directors who have published their own code of practice. Many companies now have an environment director on the board and a health, safety and environment committee to support that director and to set policies, objectives, targets and programmes for implementation under an environmental management system (BS7750). Under that system effective auditing arrangements are put in place. By following such a system it is possible to assess in a proper manner contingent liabilities arising from environmental issues.

With kind regards.

Yours sincerely,



JOHN SALTER  
Chairman, Environmental Law Group

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