a Sir Adrian

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Ack'd.

BPB INDUSTRIES PLC

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13th July 1992

Mr N Peace
Secretary
Committee on the Financial Aspects of
Corporate Governance
P O Box 433
Moorgate Place
London EC2P 2BJ

Dear Mr Peace

The Cadbury Report on the Financial Aspects of Corporate Governance

While I am generally supportive of the concept and content of the Report, there are a number of areas where I disagree with the provisions of the "Code of Best Practice" and I have listed these comments on the attached sheet.

I hope this submission will be of use in helping you to prepare a definitive text.

Yours sincerely

R.Heard

R M Heard
Company Secretary

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COMMENTS OF BPB INDUSTRIES PLC ON THE CADBURY REPORT

1. ICSA must achieve much higher profile in the debate.

2. Corporate Governance is at the heart of a PLC Secretary's role; this must be recognised in a more positive way than the single mention in paragraph 4.21, even though overall responsibility lies with the Board.

3. Effective Governance can only be implemented from within (eg Chairman and Company Secretary) not from outside (eg Auditors); prevention is much better than cure.

4. Note potential difficulties with the need for auditors to review the directors' statement of compliance with the code; just what will the review be expected to add, especially with the more subjective provisions (eg calibre of NED's)?

5. Although it is necessary to have a strong, independent body of NED's, why is it necessary for them to appoint a leader? Potential for division of the Board?

6. It is helpful to develop a close relationship with the auditors; a pro-active contribution can add significantly to effectiveness. This should not therefore be over-restricted, although separate controls within Audit practices (eg technical review departments) should be encouraged.

7. Why should the chairmen of the audit and remuneration committees be responsible for answering questions at the AGM? This is the duty of the Chairman, although the former can of course provide amplification if necessary, or where matters personal to the Chairman are at issue.

8. Why should audit committees meet at least three times each year? Twice would normally be sufficient, especially as it is not always necessary for the committee to review the half-year statement; the full Board can do this.

9. Why should audit committees be wholly non-executive, whereas remuneration committees need only be mainly non-executive? It is important to have an executive representation/input on the committee, albeit in the minority; the Chief Executive, but not the Finance Director, could do this. Attendance of executives at a committee meeting is not always an adequate substitute.

10. If the Group Chairman is not also the Chief Executive but is a member of the audit and/or remuneration committee, he should also chair those committees.

11. The Company Secretary should be the Secretary of the audit and remuneration committees.

12. Has the case (and therefore cost) for more detailed interim reports really been made?

13. The audit review of the "going concern" statement by Directors must not develop into the elaborate procedure which supports the "adequacy of working capital" statement required for capital issues.

R M Heard
Group Secretary
10/7/92