

CAD-02155

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 Secretary,
 Committee on the Financial Aspects of Corporate Governance,
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Adm'd.
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10th July 92.

Dear Mr. Pearce,

I am writing to comment as invited on the Draft Report of the Committee. Now semi-retired, I am writing as a private citizen although I do still have part-time work in the business world.

My comments are as follows :-

1. In the Committee's terms of reference, para i, it refers to "other financially interested parties". Does this include employees? I suspect not and it not, does the Committee think it should. In fact, the only reference I can find referring to employees is in para 4.23 telling them how to behave. I appreciate that in many companies these days, employees are also shareholders but there are still many which are not and where frequently communication down is poor or non-existent.

2. Para 4:33. I should like to see this paragraph strengthened to deal in addition with cases where loss of office is due to incompetence, suspect activity leading to prosecution or forced resignation (virtual dismissal). It seems to me that in the past there have been occasions where Executive Chairmen & Directors have left boards for the above reasons with pay-offs of such a size plus large guaranteed pensions not necessarily earned by time which can only be described as immoral and which have shocked and angered the shareholders, employees and the general public. This could continue even with the imposed limit of a three year service contract. It seems to me that arrangements could be made for service agreements to be closed with the giving of six months notice or pay in lieu in cases of forced resignation and that where prosecution is concerned followed by conviction there should be no compensation, only earned pension rights.

3. Para 4:20 I appreciate that the governance of pension funds is under active review but the contribution from a Company into its pension fund is of such importance that I feel it

ought to be included under the schedule of
matters reserved for decision by the full board.

Yours sincerely,

W. H. Melly. (W. H. MELLY).