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Our Ref:

Your Ref:

PME/JDT

30th July 1992

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

Dear Sir

Re: Draft Report - 27th May 1992

Firstly, may I state that this Company fully supports principles of openness, integrity and accountability in corporate governance. There are, however, some aspects and details of the report upon which we would comment as follows:-

1. Timing

We understand that, in practice, the final report is only likely to be available in October 1992, and yet you recommend that listed companies should include a statement of compliance (reviewed by the auditors) in their report and accounts in respect of "years ending on or after 31 December 1992". We regard this timetable as unrealistic. Assuming that 3.7 of your report will require a statement of compliance current at the time of publication of the accounts, and not relating to the financial year (and this should be clarified in your final report), a company with a December 1992 year end will have only a few months before publication of its accounts to review its practices, and put in place any additional arrangements required to bring itself into compliance. This imposes an unnecessarily tight timetable on such companies, particularly bearing in mind the requirement for auditors' review.

We would suggest that, bearing in mind your Committee's own timetable for publication of its final report, it would be more realistic to require statements of compliance "in respect of years ending on or after 31 December 1993".

2. Nomination Committees

We believe that it is unnecessary to require the "setting up of a nomination committee" to carry out the selection process - to the extent that formality is required we believe this could be a natural extension of the task of the remuneration committee, and it is unnecessary to require the formation of yet another committee - however we believe the code should, in this area, restrict itself to a statement of general principle, rather than requiring a particular formal selection process. For example, 2.5 of the code could provide that "Non-executive directors should be selected on merit and their nomination should be a matter for the board as a whole" - this would then leave it to the individual Board to decide on the level of formality required for the process of selection, which must be designed to suit the workings of the particular Board and company. The question of the "independence" of Non-Executive directors is already adequately dealt with by 2.1 of the code.

3. Audit Committees

You need to clarify in paragraph 4.1 of the draft code that the requirement to establish effective audit committees is only "within the next two years" (as stated in your recommendation in 4.29 of the body of the draft report).

4. Financial Report

With reference to paragraph 4.47, you recommend that interim reports should be expanded, specific guidance is, however, required as to what is meant by "balance sheet information" to be included with the interim report; this could, for example, require a level of information varying from a full balance sheet to a gearing ratio.

5. Auditing

Paragraph 5.11 states, "... disclosure must enable the significance of the company's audit and non-audit fees to the audit firm to be assessed, both in a UK context and, where appropriate, a worldwide context". Again, clarification is required as to what is intended for an international group of companies such as this one - we assume that what is intended is a straight-forward split between audit and non-audit fees paid globally, rather than a more specific analysis by geographical areas, but this is not clear.

6. Going Concern

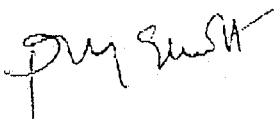
Whilst the report acknowledges that guidance is required with regard to the "supporting assumptions and qualifications" to the going concern statement (paragraph 4.6 of the draft code), we would make the point that companies will not for reasons of commercial confidentiality, wish to disclose forward cashflows and internal plans in this respect. With regard to this paragraph and also paragraph 4.2 (effectiveness of system of internal financial control) of the draft code, we note that the Committee accepts that companies will not be able to comply with this provision until guidance has been developed. We feel the delay in waiting for guidance on these two important areas of the Report also adds weight to the view expressed in paragraph 1 above in respect of timing for statements of compliance.

7. Reporting

Finally and with reference to paragraph 4.7 of the draft code, we believe that it is a matter for the individual company, in the context of a unitary board, to select the appropriate questions to answer particular categories of questions at the AGM, and it is unnecessary to seek to regulate this; all the directors are in attendance at such a meeting.

We trust that these comments will be of use in finalising the report. If you require any further information or help in this respect please do not hesitate to contact me.

Yours faithfully



P M Elliott
Group Secretary