

## THE CODE OF BEST PRACTICE

Recommendations to ensure board has an appropriate balance, and can challenge constructively:

- clearly accepted division of responsibilities at the top
- if Chairman also Chief Executive, essential to have strong, independent non-execs, with an appointed leader
- calibre and number of non-execs to be such that their views carry significant weight
- majority to be independent.

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Structural and procedural recommendations, to buttress board effectiveness:

- board to have formal schedule of matters reserved to it for decision
- board must establish an effective audit committee
- agreed procedure should be set up to enable non-execs to take independent advice, at company's expense.

## THE CODE OF BEST PRACTICE

Recommendations to strengthen control systems and improve disclosure:

- directors to report on internal control
- directors to report on going concern
- full disclosure of emoluments of chairman and highest paid director, and basis for measuring performance to be explained
- board's duty is to present a balanced and understandable assessment of the company's position.

## AUDITING

Factors to support a proper relationship between board and auditors:

- development of more effective accounting standards
- formation of audit committees
- full disclosure of fees paid to audit firms for non-audit work
- periodic change of audit partner.

## AUDITING

Areas where Committee's proposals will expand role of auditor:

- going concern
- internal control
- interim reporting
- statement of compliance with the Code.

## SHAREHOLDERS

Extracts from policy statement by Institutional Shareholders Committee

- institutions to encourage regular systematic contact to exchange views on strategy, performance, board membership and quality of management
- institutions to make positive use of their voting rights and vote on a regular basis
- institutions to take a positive interest in the composition of boards.