

Pending developmt. of APB auditors.

Guidance for cts. unclear / auditing arpts. unclear
Rec.

Compliance

Bank as a facilitator, sponsor. In whom shd. it report?

Wider sponsorship, present wd. be 3. CB, IOD, Law soc.
ISE.

IT, Bank,

- 1) Authority mtgs
- 2) Continuity
- 3) Financy
- 4) Haising
- 5) Staffing.

LSE, Business interests more involved.

Broad picture to Royal Commission.

Continuation Code for govt.,

Clear mtg. 1/4ly. - widen sponsorship in meantime,

Prepare ground, but Clear remain

Guidance not be given from time to time - update to

- a) Explain.
- b) What other matters
- c) Future wk.

S/HdB

Voting, procedures,

Chairman's
Note - Banks comments
progress made
action already in
hand.

1) Credible arg't for follow up.
Comments taken fwd. Banks + issues.

Not Interim - preparatory work - Same ground
In light of exposure - continuity debate, not failure
Wider, other membership diffc. (1.9)

2) Sponsors decide how follow up, need wider remit,
Who should be involved. CBI? Michael Angus? Govt.?
Current structure as given, shld. structure be questioned?

Report Raised doubts about structure? Here are issues, deal with CoAct
Fall out.

a) get up in 2 yrs. time b) corp. govt & other things.

100, CBI, ISC + Sponsors.

Look at wide picture, not just narrow views, Wajid distillate
Set in train, before final public.

3)

(1.9)

Mark substantial advance & will receive
genl. supt.

Allows further progress within present guidelines
in light of exposure. Remit

Enabling successor body to determine broad of its
terms of refce.

Have signposted, draw attention to issues may wish to consider light comments
recom.

Effective mgmt. tanks/institutions given confidence.
Lax. grace lax mgmt.

Controlled & directed rather than 'am'.

Rebds. actions. Balance between drive & ability.

Process/resps. Must get message across to recipient? ^{operate within constraints?}

Responsibility. Corp. govt. broader issue ^{than} fin. aspects.

Support concept:
1.6. unitary ^{experimentation.}

Can accommodate all these roles.

Present system. Rebut ^{mgmt. debate round a table.}

Different resps.

Interact in all dir's roles.

4.5. Stress exec. dir's role.

Cost Act. ensure co's well-managed.
all have supervisory resp.

4.3. ^{of} recognition, leader, focal point, dep. c/mn.
might well be dep. c/mn.

Good practice act as focal point dep. c/mn. or one of the
dir's concerns.

Small co's.

Constitn. / practical

Audit cttee. absd. right attendee, by any dir.

Retain routine mtg. with members.

Audit cttee. reports to bd.

any dir. able to attend.

Stewardship first resp.

Delegat.

Not a sensible practice —

Caesar's wife.

Can make bd.
an audit cttee.

When nec.

Once more away from audit etc, not clear.

Two hats — audit.

Stewardship / ^{exec} mgt: makes ... Caesar's wife:

Other Bd. members may attend. Other dir. shld. have right to attend.

Small cost.

Clmn. - i/c. mtg. (open to shldrs. are Clmn.)

1.7. less serious — avoid, avoided.
Scheme to stop Maxwell draconian system to combat outright fraud at top..

6) CBI submission — not clear as to what was intention.
— cannot ignore our advice with impunity (tyon?)

LSE, continue. Shldrs. shld. receive info. require act/make decns. in informed way.

LSE. can require info but not conduct. — if policed wld. be expensive/bureaucratic

will distinguish detriment of shldrs. criticize publicly. draw shldrs attention to problem

S/Ex. a) blatant, criticize publicly detriment to shldrs
b) draw ISC / shldrs attention to provisions private

Police info to shldrs, seriousness otherwise matter for shldrs
Listing regmt, does spade work for shldrs. individual shldrs as well as institutes. Resp. where it shld. be with shldrs.

Clmn's preface — clarificn. Stat. / self-reg with Mkt. based regmt.

On bel. Drafting careful let CBI off hook.

Effect of Code not need to be reviewed.

Press, analysts. impt. element.

Need to achieve right balance reasonable vs effective.

in Dir's Rept.

negative assurance

7) Statement of Compliance resp. of Dir's.
Auditors → audit ctee, no reason for dissent.
Auditors wd have to state if dir's rept: is misleading.
Statement of Compliance deemed

LSE. make it part of dir's rept.
APB accepted verify parts sold. give guidance.
3.9.

8) may find inappropriate.

Am has to add value.

Small cots. need's may take time

Wld. benefit from better boards.

for example over outside dir's. helps business.

Mkt. influence. Enable shldrs. signifie. of non-compliance

Concise. Right to posn. of small cts. dir's. but
benefits efficiency, profit.

poofe. / loan stock.
over corp goce.

10) Small ^{non-} Compliance. shldrs. respond to what comes out.

To get listed ^{require} compliance statement.

Value for money for complying. Pay less auditing if good control.

Positive statement why these recs. shld be put in place.

11) mid-1993. Comply as soon as poss.
end 1994.

Nigel

13) Small change wked.

← Stand-alone Code.
— class. poofe.

15) Explicit about safeguards.

Recategorise kernel ops. dec's on matters affecting viability

guarantees

Not for us to prescribe full range duties, matters fall within remit.

4.19. formal schedule ←

16) All dirs. coming up for re-election every 3 yrs.

Chief exec. appointed bd. team.

No unwarranted distinction needs/exec. — fwd.

What kind of notice is reasonable? Need for 3 yrs initially.
Manage expects down. Cost Act.

3 yr. contract shld. not be rolling.

Contract may strengthen independence of exec dirs?
Disclosure → put fwd.

17) Dirs' pay. a) shldr. voting on pay.

— specific aspects subject to shldr. approval, new stock options etc.

Disclosure will allow shldrs. to make views felt. — shldr. resolution on pay.

Addressed basis, changes.

Informed discn. about pay/reward.

Can change articles if bank gtr. control, over partic. matters.

Disclosure is effective → forward.

Pensions.

Shld. understand pos'n. for shares while + clm. et exec. hyper pd.

Attitude to take in time —

Spell out including (pension). Emph. & highest pd. pension.

Aggregation or individual? Stock option criteria proper & sensible.

Comprehensible on basis, I&E rules.

Full disclosure (Emph. | highest pd. |) arpts. & when exercised.

4.32. 'complete' out, further work.
stock appra.

18. Independence.

19. Process. PRO-NEE

formal selection process agreed by Bd.

Appointment for what?

Both this process & Rpt. shld. be. Bd.

20. Helps, needs

Reinforce total Bd. resp. Auditors present.

Internal control rather than internal audit.

4.31. Poor — Excellent, audit internal mtr defined state.

Internal control & internal audit.

Function of internal audit & control.

Internal control, internal fin. controls. APB

Response to DRAFT REPORT

- 1) Changed circs. "Corporate governance is a matter for directors." 10D.
- 2) Effect of rept. Am/US/CBI.
- 3) Responses - action - submissions to continue?
- 4) Future - firm argts for a review body.
- 5) Key issues.

- a) Tone: 'long on ability, short on efficiency & drive' Negative
- b) ~~but~~ divide the Bd. Too much reliance on n. eds. dilute collective responsibility
- c) Maxwell Test. d) Statutory intervention +
- Good Practice. (will be interpreted differently 4(A))
- d) Code. shld stand on its own, accept diff. routes to same end. detailed provs. subordinate to aims.

SEC.

- e) Compliance, CBI. listing oblign unrec. - bureaucratic
 No real sanction. Threat of withdrawal
 Vn. code for those willing to change. little effect on those not willing. Avoid cts, unreasonably criticised, arrange govt to suit own case.

(M & G p. 5) f). Start dates. — endorsement by auditors. Separation of Code?

- g) small cts.
- h) costs. value added.

Law Soc. Pt.

Structure to report

- i). Bd. structure. — convenor, AGMs, Manning of ctees (P.17) — combi. two posts.

No. of needs. (PROVED) All needs shld be indepdnt. defn. indepdnt. P.9(S). All dis. take o/s advice P.10(S)

j). Non-in. ctees. shldr. endorse

- k) All dis shld. retire/relect. no longer than 3 yrs
- l) Bds. shld define what they delegate.

m). Internal control / going concern only in Code when guidance agreed.

n). audit ethics. not just needs - fin. dir. shld be member.
Clarification that c/min. O.K. if not exec. head.

o). internal audit. (P.10 A) CIMA.

p). Remuneration of all dirs. ? pension payments. stock options.
service contracts Best practice fixed 3 yr. rolling 1 yr.

q). interim repts. cost/value.

r). Pensions $\begin{cases} \text{more} \\ \text{less} \end{cases}$

s). auditors shld. draw attention to weaknesses or resign.
If auditors suspect fraud & no redress by bd. "

t). Caparo.

u). 5.34 either inappropriate or needs strengthening.

v). Shldrs. - use of votes, resign, (GEC. dir. apptd. by bd)

w). Enable shldrs. to vote on pay as a package.

x). AGMs shld. not preclude ?'s from flows & informed opprties
Alter Co's acts. so that results can be put by shldrs to AGMs 2.21(s).

? What more shld. be done? Law renewed in depth. (Law Soc)

Europe?

Code shld. be seen as a living document (Law Soc) Caparo / auditors liability

Co. Sec; Time taken over public. Prelim. announcements

They ^{might} ~~should~~ also consider whether they have ways of comm. w/ individ. shldrs in addition to their annual & half-yearly reports. Cos have made considerable progress

They might also consider ways of keeping individ. shldrs in touch, outside their annual & 1/2-yearly reports, along the lines of the ~~companies~~ ^{maps & newsletters} which many cos. ~~prepare~~ send to their employees. ^{More} ~~Direct contact between cos & shldrs~~
Shldr participn wld. be encouraged by more direct contact between cos & shldrs

Voting rights are an asset

The ISC's ^{advice to members to} ~~proposal about the positive use of~~ voting rights positively ^{to} is imp. in the context of corp. govt., ~~altho' its implementation~~ ^{to} ~~altho' its implementation~~ voting rights are an asset and in ~~the US, which~~ ^{the way in}

They are used in the care of institutional shldrs. Those on whose behalf they invest have a right to know how they are being used. Institutional shldrs:

public their policies on the use of their voting power, either by proxy or by attending AGMs. The Cttee ^{is looking to mkt. regula. to} ~~sees its role as~~ ^{put to proposals in}

The ^{general} adoption of our proposals will in large measure turn on the ~~system~~ which shldrs. give to them. The obligation on cos to state where how far they comply with the Code provides individ. & institutional shldrs with a ready-made ~~agenda on which to base their discussions with cos.~~ ^{agenda on which to base their discussions with cos. (to make maximum use of).} It is up to shldrs

it is the exec. dirs who have functional resp in addn.

This = mpt. that the Cttee's stress on the role of non-exec. dirs in the governance process shd. not be misinterpreted as undermining the unitary nature of the bd. In law all dirs. have same. supervisory resp. under CA Act. , it is the exec. dirs. who have functional resp in addn. whatever resp.

~~individ. dirs take within the bd. framework, they do so as~~

~~It is for the bd. as a ^{collective body} ~~whole~~ to ensure that it has dir~~

whatever It is ∴ for the bd. to ensure that it is mly. its supervisory obligations as a collective body.

and whatever resp an individ. dir. undertakes in that regard; it is as ^{bd} member of the ~~bd.~~ The bd. is the.

Directors will contribute in different ways to the wk. of the bd., but it is the bd. as a whole which is the final authority.

- The legal reqmt. to give true & fair view of state of affairs of group as at end of fin. yr. & profit & loss for period
- The use of suitable accg policies consistently applied, ^{checked by} ~~the directors~~ & of reasonable & prudent judgments & estimates
- Explanation of material departures from applicable (appropriate) accg ^{standards}
- Resp. for maintaining adeq. a/c. recds, safegu assets of gp & for promptly & detecting fraud & other irreg.