

Response of Anthony Good

1. The board should agree and oversee the strategy of the company. It should lay down terms of reference for the executive directors and see that these are achieved. It should review – and question - management accounts and the reports of the Chief Executive, Finance Director and appropriate departmental heads.

The Chairman should lead the Board in strategy and be responsible for the appointment (after due consideration by the Board) and, occasionally, for the dis-appointment, of the Chief Executive. He should be the last port of call for representatives of any of the stakeholder groups- customers, suppliers, shareholders and employees. In the case of the last-mentioned they should have genuine grounds for complaint, as they will have gone over the heads of line management.

The Chairman should draw on the experience and skills of all non-executives in formulating and developing strategy and should involve them both in general board room discussion and policy-making. In addition he should use them in committee for deliberations relating to the executive directors as well as to form Audit, Remuneration and nomination committees as appropriate.

2. Ideally non-executives should be drawn from a wide range of experience and qualifications as possible. Obviously, those with accountancy qualifications are better suited to the Audit committee and those with Human Resources backgrounds to the Remuneration committee while bringing their various skills to the board's more general deliberations

3. Some companies currently meet these guidelines – many do not.

4. Non-executives should by definition be independent and impartial. Ideally, they should not need the remuneration they receive and should not owe particular loyalty to the Chairman, Chief Executive or, indeed, any member of the board.

5. One of the main potential conflict areas arises where the remuneration of the Chief Executive and/or other executive directors is linked, for example, to growth in operating profit rather than to net profit before tax. It may be necessary in such situations for the non-executives to take action to prevent diminution in shareholder value, particularly where the executive director(s) concerned have or non-existent shareholdings. In such circumstances the non-executives may need the assistance of legal and accountancy advice to be paid for by the company.

6. The time commitment required for Chairman and non-executive director roles will vary not only from company to company but also as the company passes

through various stages of development. It is particularly important for the Chairman to be available to the Chief Executive and Finance Director on a continuous basis even though such conversations may be quite brief. Individual non-executives will rapidly develop a feel for how many such posts they can sensibly take on.

7. Yes, this can be of value when one non-executive has longer experience than the others.

8. While the law understandably does not distinguish between the legal duties of executive and non-executive director, allowance should be made for what information it is reasonable for a non-executive to have and, for example, for the near-impossibility for a non-executive to detect fraud resulting from collusion between, say, the Chief Executive and Finance Director.

9. Experience of other boards in both executive and non-executive capacity. Understanding of company accounts, organisation structure and ideally, the sector involved.

10. An ability to listen, absorb information rapidly, sensitivity, diplomacy and a sense of humour.

11. I should be happy to provide details of situations involving

- (a) the removal of a Chairman
- (b) the removal of a Chief Executive
- (c) fraud

12. It is not easy to recruit appropriate non-executives. The Institute of Directors and Pro-NED have attempted to solve the problem but unfortunately the individuals most keen to serve one are often not those most appropriate.

13. While many boards continue to appoint from their immediate circle it is difficult to see what can be done to improve recruitment of appropriate candidates.

14. The gap between the remuneration of many Chief Executives and their non-executive colleagues is often in the ratio of 40:1 and this seems far too great considering the increasing amount of time taken for the non-executive role to be filled competently and the risks involved. However bearing in mind the importance of financial independence this is a difficult problem to solve.

15. Professional indemnity policies paid for by the company are likely to become increasingly important.

16. I do not think that independence can be defined effectively. It is often a matter of judgement, but the most important factor is to ensure that a non-executive will act according to his conscience and judgement and not with regard to personal relationships or private gain.

17. Boards larger than 15 or so become increasingly difficult to manage and to ensure appropriate contributions from all members. In particular care should be taken to avoid representation of specific interests within the company.

22. Yes, but they will need support and in particular, advice from either the company's or independent legal and financial advisers.

23. Regular meetings between non-executive directors and shareholders and stakeholders could be encouraged but there are obvious difficulties in public companies relating to information divulged other than through the stock exchange and in relation to time available from non-executives.

27. Non-executives are rarely short of information but it is difficult for them to know whether they are receiving all relevant information. Regular interaction with executive directors is a possible solution to this problem.