

Review of Role and Effectiveness of Non-Executive Directors

Response to questions raised in consultation paper: -

- A. Role. 1. I believe Chairman should be non-executive.
Also boards of investment trusts should be wholly non-executive (and any other instance where Board gives a management contract).
2. A key role is to understand, monitor and as required control the risks being run in the business. All too often they do not seem to understand where risks lie (nature and size). [Barney, Equitable Life, Marconi etc].
5. See D 25
- b. Clearly there is a number of non-exec posts one person can sensibly take on, but it is not unique (2.5).
- B. Appointment. 14 Role of non-exec. is not identical to the exec. and is developing steadily. I believe share options would be inappropriate (and are probably too significant a part of exec remuneration with insufficiently demanding targets. [different target for bonus computation])
- C. Structure. 22 If execs. do not paint a full picture on a proposed strategy it can be difficult for non-exec to challenge. A full understanding of the implications of proposals (including those not drawn attention to by the execs) would be necessary.
- D. Relationships with management 25 } Relationships with senior management below Board level (and middle management?)
- E. Support 27 } should be improved. I would suggest that two non-exec directors should have dealings with groups of say 6 to 8 managers without the executive present for general discussion aimed at improving their understanding of the business (success of profit and risk). A forum for relaxed informal discussion would help the non-exec. in their understanding.

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