

RESPONSE OF R & MURIEL

1st September 2002.

Non-Executive Directors' Review,
Room 2142,
1, Victoria Street,
London SW1H 0ET.

Dear Sirs,

The Government has asked for a short review. With the list of 34 issues for comment, the impression is that the review will be far too lengthy. While I write below my comments, I do so in the context of Lord Young's suggestion that there should be no non-executive directors. This may be an extreme view but it certainly emphasises the need not to build the numbers and cost of non executives.

In relation to the questions raised:

- A1 Role of the board is to devise strategy.
- A2 Non executives should cross examine executives on proposed strategy.
- A4 Non executives should be independent of associated and competitive companies.
- A6 Non executives should spend three days a month, preparing for and being at meetings and following up where necessary.
- A7 A senior independent non executive is necessary to answer to shareholders who can obtain no information from a Chairman or Chief Executive.
- A8 The statutory statement of directors' duties should distinguish between executives and non executives.
- B9 Non executives need age, to bring experience, plus financial knowledge and adequate time to devote to the role.
- B11 Non executives are too often faceless and, except in cases where the board removes a chief executive, appear to have performed no function.
- B12 Little effort is given to recruiting non executives from a wide pool; more often than not they are people known personally by the executives.
- B13 There may be scope for greater international representation but there are usually more disadvantages than advantages.
- B14 Non executives should receive pay only; pay levels are already more than high enough. Non executive Chairmen earning £250,000 a year in badly performing companies are a disgrace.
- C performance by non executives is not effective.
- C19 Remuneration committees lean on outside consultants to fix rewards and thus provide excuse for substantial and unnecessary rises. Executive directors should be able to fix their own salaries and allow shareholders to vote on whether they are reasonable.
- C21 Yes to all three questions.
- D23 Non executives should not opt out of answering correspondence addressed to them as, at present, most pass letters to the Company Secretary to answer.
- E27 Non executives need papers supporting items on board meeting agendas, monthly financial results and the full annual report - for full study!
- F31 The non executive system is too cumbersome for small plcs; they may need and can afford only one non executive, if any.
- F32 Avoid at all costs, the European system of a supervisory board on which there is only one, chief, executive, with all decisions taken mainly by the executive committee. (see attachment).

While I have listed above my comments on the points in the consultation paper, the paper seems to have overlooked the failures of the present system.

There is the glaring example of Marconi where the cosy relationship between Simpson and Mayo was apparently unchallenged by the non executives. (see attachment)

In the cases of Cable & Wireless, Invensys and Royal & Sun, as just a few examples, the highly paid non executives have obviously achieved nothing as the companies could not have fallen further even without them.

This must partly be because the non executives do not give enough time to a company in trouble. For example, Gillam the Chairman of Royal & Sun (on £175,000 a year) is also Chairman of Standard Chartered. Recently he spent a full week in China shaking hands for the bank, obviously with a week beforehand in preparation and, when he returned, he decided to write an article about his "achievements" for the newspaper to print. This did not leave much of the month for Royal & Sun. Weeks before that he could not find time even to acknowledge, let alone answer, letters raising serious points with him in May and June. Instead I had to obtain a proper answer by subsequently approaching the senior non executive.

Thus specific recommendations I make are:

1. No non executive director should have more than three such posts in three companies.
2. At least one of the non executives should not be a director of any other plc.
3. No non executive director should be appointed for more than three 3-year terms. This is condition of Abbey National but BP, Cable & Wireless and CGNU (Aviva) keep non executives indefinitely - and far too long.

Yours faithfully,



R.G. Muriel.