

Paul van Romunde Response to the Higgs Review

In respect of your review of the role and effectiveness of non-executive directors, I would like to offer a suggestion relevant mainly to Issue 27 (information from management to non-executive directors) in your Consultation Paper but also relevant to Issues 22 (exposing serious problems) and 25 (relationship with senior management) and relevant to the Combined Code, Principle A.4 (supply of information) and Principle D.2 (internal control).

My suggestion is that non-executive directors should receive much more information directly from senior management (other than directors) without interference from executive directors. This would provide non-executive directors with the means to detect problems (conflicts of interests, un-ethical behavior, gross incompetence, undisclosed risks etc.) early.

In order to give the non-executives the comfort to know that they receive the best possible information, it should be gathered regularly (i.e. quarterly) in a systematic way (questionnaires), forcing senior management to respond to a number of pertinent questions, somewhat similar to following a compliance procedure.

If Enron would have had such a procedure in place, events may well have turned out differently!

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