

**THE CADBURY REPORT: "FINANCIAL ASPECTS OF CORPORATE GOVERNANCE"**

**Recommendations**

**NHSME position**

**The Board of Directors**

1. *The board should meet regularly, effective control over the company and monitor the executive management.*

*Already happens with retain full and*

2. *There should be clearly accepted division of responsibilities at the head of a company, which will ensure a balance of power and authority, such that no one individual has unfettered powers of decision. Where the chairman is also the chief executive, it is essential that there should be a strong and independent element on the board, with a recognised senior member.*

*Could be relevant in some cases; we will review*

3. *The board should include non-executive directors of sufficient calibre and number for their views to carry significant weight in the board's decisions.*

*Already happens.*

4. *The board should have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the company is firmly in its hands.*

*Already happens (eg delegation limits)*

5. *There should be an agreed procedure for directors in the furtherance of their duties to take independent professional advice if necessary, at the company's expense.*

*NHSME to consider appropriateness of this proposal for the NHS.*

6. *All directors should have access to the advice and services of the company secretary, who is responsible to the board for ensuring that board*

*Could be helpful - will review*

*procedures are followed and that applicable rules and regulations are complied with. Any question of the removal of the company secretary should be a matter for the board as a whole.*

### ***Non-Executive Directors***

*7. Non-executive directors should bring an independent judgement to bear on issues of strategy, performance, resources, including key appointments, and standards of conduct.*

*Already happens.*

*8. The majority should be independent of management and free from any business or other relationships which could materially interfere with the exercise of their independent judgement, apart from their fees and shareholding.*

*Already happens.*

*9. Their fees should reflect the time which they commit to the company.*

*Remuneration broadly reflects time commitment.*

*10. Non-executive directors should be appointed for specified terms and reappointments should not be automatic.*

*Already happens.*

*11. Non-executive directors should be selected through a formal process and both this process and their appointment should be a matter for the board as a whole.*

*Formal appointment process exists.*

### ***Executive Directors***

*12. Directors' service contracts should not exceed three years without share-holders' approval.*

*Not appropriate.*

*13. There should be full and clear disclosure of directors' total emoluments and those of the chairman and highest-paid UK director, including pension contributions and stock options. Separate figures should be given for*

*NHSME will look at this.*

*salary and performance-related elements and the basis on which performance is measured should be explained.*

*14. Executive directors' pay should be subject to the recommendations of a remuneration committee made up wholly or mainly of non-executive directors.*

*Non-executives have key role deciding senior managers' pay levels.*

### **Reporting and Controls**

*15. It is the board's duty to present a balanced and understandable assessment of the company's position.*

*Accept recommendation.*

*16. The board should ensure that an objective and professional relationship is maintained with the auditors.*

*Accept recommendation.*

*17. The board should establish an audit committee of at least 3 non-executive directors with written terms of reference which deal clearly with its authority and duties.*

*NHSME will look at this.*

*18. The directors should explain their responsibility for preparing the accounts next to a statement by the auditors about their reporting responsibilities.*

*NHSME will look at this.*

*19. The directors should report on the effectiveness of the of the company's system of internal control.*

*Accept recommendation.*

*20. The directors should report that the business is a going concern, with supporting assumption or qualifications as necessary.*

*Not appropriate.*