

Report of the Directors

The articles of association of the Company currently provide for the retirement of one-third of the directors each year. A change to the articles of association is to be proposed at the annual general meeting whereby directors will be required to retire every three years. This change is in line with one of the provisions of the Combined Code. The year of the last election for each of the current directors is included in their biographies above. The provisions of the Combined Code have been met in respect of the current Board.

All directors have access to the advice and services of Adrian Goodenough, the Company Secretary and are entitled, through him and at the expense of the Company, to obtain independent professional advice of their choice, where they believe it is essential to the effective discharge of their corporate duties.

The **Board** met formally on seven occasions during 1999 and the four main standing committees of the Board met in accordance with their terms of reference, as detailed below. Members of the Board and committees receive appropriate notice of each meeting, accompanied by an agenda and relevant papers, so that the members may discharge their duty effectively. Where decisions of the Board or committees are relevant, they are detailed in the pertinent section of the 1999 annual report.

The **audit** committee met three times in 1999. Its main purposes are: to provide a conduit for the interface between the Company and the auditors; to review the financial statements of the Company, focusing particularly on compliance with legal, regulatory and accounting standard requirements and the going concern assumptions; and to review the internal controls of the Company.

One of the provisions of the Combined Code is that the membership of this committee should consist of at least three non-executive directors. Following the retirement of Michael Bardsley in May 1999, this committee met twice in 1999 when it did not comply with this provision. The committee does now comply with this provision.

The **executive** committee is constituted so that the Company can function day to day by taking care of routine matters not requiring the consideration of the Board as a whole. Under the terms of reference, parameters have been established which limit its authority to act without consulting the Board as a whole. The executive committee has delegated some of its authority to a number of sub-committees in order to facilitate the decision making process. These sub-committees cover consideration of acquisitions, treasury matters and operational matters and have their own terms of reference with relevant parameters to their authority.

Each business unit has its own board of directors with responsibility for their business. Every quarter, members of the executive committee review in detail each business and their findings are reported to the Board.

The **nomination** committee did not meet in 1999. Its role is to recommend to the Board any appointment as a director. Non-executive directors are normally appointed for a five year term and another role of the committee is to consider whether a non-executive director should continue for a second five year term of office.

One of the provisions of the Combined Code is that a majority of the members of this committee should be non-executive directors. This committee does not comply with this provision. The directors believe that, while it is imperative to ensure that new directors are of sufficient calibre to make a contribution to the deliberations of the Board, it is also important that they can work effectively with the individuals constituting this committee.

The **remuneration** committee met four times in 1999 and is authorised by the Board to determine the remuneration of the executive directors and to grant options under the discretionary share option schemes. The Board determines the fees of the non-executive directors.

Membership of the main committees of the Board

	audit	executive	nomination	remuneration
Frequency of meetings				
monthly and as required	-	*	-	-
minimum number of times per year	2	-	-	1
as required	-	-	*	-
Committee members:				
non-executive directors				
C. Berretti	E	-	-	-
K.H. Clarke	-	-	CM	CE
N.E. Cross	CE	-	-	E
P. Ponsolle	E	-	-	E
executive directors				
B.M. Andrews	-	M	-	-
O. Barra	-	M	-	-
G.I. Cooper	A	M	-	-
A. De Bono	-	M	-	-
C. Etherington	-	M	-	-
J.F. Harris	-	CM	M	A
S. Pessina	-	M	M	A
company executives				
M. Deleers - group internal auditor	A	-	-	-
A.J. Goodenough - company secretary	A	A	A	A
S.D. Sampson - group financial controller	A	-	-	-
external				
auditors' representative	A	-	-	-

'A' indicates an attendee of the committee,
'C' indicates the chairman of the committee,
'E' indicates an elected member of the committee, and
'M' indicates an automatic member of the committee.