

# The Role Of Non-Executive Directors

### Director Appointment

Who is director of company?

Who do directors get appointed?

How do directors get appointed?

What are the roles?

What are the duties?

### Committee's:

**Audit Committee:**  
Essential role  
Act as bridge between the independent external auditors and the board

**Remuneration Committee:**  
Essential role  
Responsible for reviewing the remuneration packages of board members

**Nominating Committee:**  
Essential Role  
Reduce the possibility of a dominant director pushing through their choice

### Agenda

- Introduction
- Directors
- Board Structures
- Functions Of The Board
- Board Committees
- Conclusion

### Delegation

Tasks

Functions Of The Board

Effects

### Directors

Corporate director = another company not a human being

Associate director = not legally board member

Non-exec director = nominated by shareholder to represent interests

Shadow director = not formal board member, BUT can put pressure on decision making

Governing director = dominant power in private company

Co-directorship = director of firm A is director in firm B (and vice versa)

### Board Structures

Ordinary director

22-over-200 director board

Majority non-executive director board

Majority executive director board

20% non-executive on board

100% non-executive on board

100% executive on board

### Functions Of The Board

Accountability

Strategy Formulation

Supervising executive activities

Policymaking

# The Role Of Non-Executive Directors

### Director Appointment

Who is director of company?

Who do directors get appointed?

Who can director be?

Who can't director be?

How do directors get appointed?

What are the duties of directors?

### Committee's:

**Audit Committee:**  
Essential role  
• Act as bridge between the independent external auditors and the board

**Remuneration Committee:**  
Essential role  
• Responsible for overseeing the remuneration packages of board members

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### Board Structures

Ordinary boards

22-over-200 director board

Minority non-executive director board

Majority non-executive director board

25% non-executive board

### Functions Of The Board

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## Conclusion

- Different board structures imply different power hierarchies
- The type of "director" defines the corresponding tasks and duties
- The board of directors has different dynamic functions to fulfill
- Committees play an integral role in ensuring correct dispersion of control, accountability and due diligence.
- Correct delegation of Tasks and function is crucial in CG.

# Introduction



The image shows a page from The Washington Times newspaper, dated Friday, October 1, 2004. The main headline is "Merck recalls Vioxx" with the sub-headline "Heart risk found in arthritis drug". The page includes a stock price chart for Merck, showing a drop from \$33 to \$12.07. The article discusses the recall of Vioxx, a painkiller, due to concerns about heart risks. It mentions that Merck's stock fell 27 percent on the day of the recall. The article also notes that Vioxx is part of a class of anti-inflammatory drugs called COX-2 inhibitors, which have been found to increase the risk of heart attacks and strokes. The article mentions that Merck is also pre-emptively withdrawing Vioxx from the market in several other countries. The article also mentions that Merck is also pre-emptively withdrawing Vioxx from the market in several other countries. The article also mentions that Merck is also pre-emptively withdrawing Vioxx from the market in several other countries.

**Merck recalls Vioxx**  
Heart risk found in arthritis drug

TRENTON, N.J. (AP) — Merck's blockbuster arthritis drug Vioxx, taken by 2 million people, was pulled from the market after its maker yesterday said a risk study found it doubled the risk of heart attacks and strokes. Experts advised patients to immediately stop taking Vioxx and talk to their doctors about alternatives.

"Given the availability of alternative therapies, and the questions raised by the data, we concluded that a voluntary withdrawal is the responsible course to take," said Raymond V. Gilmartin, chairman, president and chief executive officer of Merck & Co.

Merck stock fell \$12.07, or nearly 27 percent, to \$32.90 in heavy trading on the New York Stock Exchange yesterday. Merck dragged down the Dow Jones Industrial Average, which was off by 56 points.

Merck's recall of its Vioxx painkiller surprised pharmacies in the United States and Canada, leaving them unprepared to handle questions from concerned patients and doctors looking for alternatives and trying to get information about re-imbursing.

Vioxx, which is also prescribed for acute pain and disorders such as carpal tunnel syndrome, is seen as a potential cancer-prevention medicine. In fact, the recall was prompted by a three-year study aimed at showing the drug could prevent the recurrence of potentially cancerous polyps in the colon and rectum.

Participants taking Vioxx for more than 18 months were found to be twice as likely as those given placebos to have a heart attack, stroke or other heart complications.

The Food and Drug Administration said there were early signs of potential problems with Vioxx. A Merck study led by Dr. Steven Gaisson, acting director of the FDA's Center for Drug Evaluation and Research, said Vioxx is part of a class of anti-inflammatory drugs called COX-2 inhibitors that have been heavily touted by the pharmaceutical industry as being more effective and having fewer side effects, particularly on the stomach, than older drugs. Pfizer's Celebrex and Bextra are also COX-2 inhibitors. But so far there has been no evidence that these other drugs pose any dangers to the heart.

Officials do not know how Vioxx may be causing the increased risk.

Alternatives to Vioxx include generic pain relievers such as ibuprofen and aspirin, as well as Celebrex.

"There are very few patients for whom there won't be a good alternative drug," said Dr. Steven Abramson, director of rheumatology at New York University Hospital for Joint Diseases. Dr. Abramson said there is no reason for those who used Vioxx in the past to panic; he said there is no evidence that elevated risk of heart attack persists after the drug is stopped taking the drug.

Personal-injury lawyers already have begun circling Merck. Trial lawyer Wayne Cohen said the decision has opened the company up to tremendous legal jeopardy.

Besides possibly knowing about the harmful effects and not acting quickly enough, the company is also vulnerable to huge settlements because the injuries — cardiovascular problems and stroke — are debilitating and costly, said Mr. Cohen, the president of the D.C. branch of the Association of Trial Lawyers of America.

"One hundred million people have used Vioxx, and therefore the potential for claimants is monumental," he said. "You also have users of Vioxx that are not injured now but may need to get monitored."

A law firm in Oklahoma City, Pederman & Sherwood, said it had filed the first lawsuit subsequent to Merck's recall of the drug. Within hours of the recall announcement, lawyer Barry Stotnick of New York announced plans to file an unspecified number of federal lawsuits on behalf of Vioxx users.

"It's a disaster for Merck, coming at the worst time," said health care analyst Hemant Shah of HKS & Co. in Warren, N.J.