

Replied 24/7/91 →
CAD-01049

BARRINGTON HOUSE
59-67 GRESHAM STREET
LONDON EC2V 7JA
TELEPHONE: 071-606 7080
FAX: 071-606 5113
TELEX: 884349/888167
DX BOX NUMBER 10

LINKLATERS & PAINES
LONDON

OUR REF MHS

YOUR REF

19th July 1991

Sir Adrian Cadbury
Chairman
Committee on Corporate Governance
PO Box 433
Moorgate Place
London EC2P 2BJ.

Sir Adrian

COMMITTEE ON CORPORATE GOVERNANCE

I greatly enjoyed the first meeting of the Committee under your chairmanship.

A thought that has occurred to me more than once since the meeting, and it is a fairly persistent thought, is that if the Committee's views are to gain acceptance as representing the conclusions of a broadly-based cross-section of business, we ought to consider adding to our number another tough chairman and/or chief executive of high standing - possibly even two! One of the potential strengths of the Financial Reporting Council (apart from its statutory underpinning) is the number and standing of the corporate executives who sit on it.

We are a directly-working body (unlike the FRC, which operates via its "subsidiaries") and something the size of the FRC would be quite inappropriate. But I should have thought that the gain in corporate credibility, from adding one or two more top-notchers from industry, would outweigh the undoubted drawbacks arising from increased size.

This is only my view and it may be that it will strike a chord neither with you nor with other members of the Committee - but I thought you would not mind my mentioning it, since the thought keeps coming back to me.

*With best regards
Yours sincerely*

Mark

Mark Sheldon

MHS/351.98

24 July 1991

Mark Sheldon Esq
Linklaters & Paines
Barrington House
59-67 Gresham Street
London EC2V 7JA

Thank you very much for your letter and for the support which you are giving to the Committee. I was much encouraged by the way in which everyone contributed to the discussion at our first meeting and by the clear view which emerged that we had a worthwhile task to do.

Nigel Peace and I have had a number of individual meetings with those who are most actively involved in promoting new initiatives in the Committee's field. I feel sure from those meetings that action is needed particularly over the question of the respective responsibilities of auditors and directors. There is considerable pressure on auditors to go along with less than satisfactory methods of presenting a company's figures. I believe that we will have to look at ways of restoring their independence and thereby restoring confidence in their professional judgement.

I take your point about the possible addition of another tough chairman or chief executive and this is in line with the advice we received from Sir Owen Green. Quite apart from the question of the size of the Committee, there are two other considerations to be taken into account. One is that Ian Butler and Sir Dermot de Trafford are both chairmen, Hugh Collyer is a well known and powerful finance director and I am still a chairman and director although no longer responsible for a major company. We do therefore have a reasonable representation from the business side. The second point is that Ian and Dermot represent the two relevant organisations and to introduce another chairman alongside them might be misunderstood. Having said that, I am open to suggestions and if you have a name to put forward, I could canvass the other members of the Committee.

I do appreciate the thought you have given to the matter and I am grateful for your letter.

COMMITTEE
ON
THE FINANCIAL ASPECTS
OF CORPORATE GOVERNANCE

PO Box 433
Moorgate Place
London EC2P 2BJ
Tel: 071-628 7060 ext 2565
Fax: 071-628 1874

24 July 1991

Mark Sheldon Esq
Linklaters & Paines
Barrington House
59-67 Gresham Street
London EC2V 7JA

Dear Mark (if I may),

Thank you very much for your letter and for the support which you are giving to the Committee. I was much encouraged by the way in which everyone contributed to the discussion at our first meeting and by the clear view which emerged that we had a worthwhile task to do.

Nigel Peace and I have had a number of individual meetings with those who are most actively involved in promoting new initiatives in the Committee's field. I feel sure from those meetings that action is needed particularly over the question of the respective responsibilities of auditors and directors. There is considerable pressure on auditors to go along with less than satisfactory methods of presenting a company's figures. I believe that we will have to look at ways of restoring their independence and thereby restoring confidence in their professional judgement.

I take your point about the possible addition of another tough chairman or chief executive and this is in line with the advice we received from Sir Owen Green. Quite apart from the question of the size of the Committee, there are two other considerations to be taken into account. One is that Ian Butler and Sir Dermot de Trafford are both chairmen, Hugh Collum is a well known and powerful finance director and I am still a chairman and director although no longer responsible for a major company. We do therefore have a reasonable representation from the business side. The second point is that Ian and Dermot represent the two relevant organisations and to introduce another chairman alongside them might be misunderstood. Having said that, I am open to suggestions and if you have a name to put forward, I could canvass the other members of the Committee.

I do appreciate the thought you have given to the matter and I am grateful for your letter.

With best wishes

Yours sincerely, *Adnan*

BARRINGTON HOUSE
59-67 GRESHAM STREET
LONDON EC2V 7JA
TELEPHONE: 071-606 7080
FAX: 071-606 5113
TELEX: 884349/888167
DX BOX NUMBER 10

LINKLATERS & PAINES
LONDON

OUR REF MHS/facg

YOUR REF

31st July 1991

Sir Adrian Cadbury
Chairman
Committee on The Financial Aspects
of Corporate Governance
PO Box 433
Moorgate Place
London EC2P 2BJ.

Dear Adrian (if I may so respond)

Thank you very much for your letter of 24th July.

I recognise the difficulties in my suggestion but it may just be worthwhile carrying the discussion a little further.

I think what I am looking for is a Chief Executive (or someone pretty high on the general management ladder) rather than a Finance Director or someone who is a Chairman but not a Chief Executive. I think we should be looking for someone in his fifties - if I may say so, Ian, Sir Dermot and yourself join me in having entered the seventh decade.

I am afraid that I am not as well up in the world of Chief Executives as I should be, but I suppose that somebody of the character of Christopher Hogg, David Plastow, David Sainsbury or Rick Greenbury would be the type of person one might be thinking of. I hasten to add that, although I have met all of them at various times and in various contexts, I know none of them particularly well and would not be the right person to make an approach - even were it thought that an approach should be made.

The fact that the two relevant organisations each have a "nominee" on the Committee does not seem to me, with respect, entirely to dispose of the arguments for appointing another strong, independent, non-financial executive - principally one up to his neck in the cut and thrust of competitive life.

In the last analysis it is with people in that sort of position that we need to carry weight.

*With best regards
Yours sincerely
Alan*