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Sir David Lees
Chairman and Chief Executive

16th October, 1991

Sir Adrian Cadbury,
Chairman,
Pro Ned Limited,
1 Kingsway,
London,
WC2B 6XF

Dear Adrian

Corporate Governance

I read your statement in the Pro Ned Annual Review with great interest.

One particular corporate governance issue which causes me some concern is why the institutions, apparently without comment, permit certain individuals to hold what I see as "so many" non-executive directorships. In some circumstances, the problem is compounded where, sprinkled within the non-executive directorships, there lies the odd chairmanship or deputy chairmanship.

It seems to me that there is a limit to what one individual can and should take on in terms of non-executive directorships and while one would wish to avoid being prescriptive, it must be obvious to anyone with some knowledge of how a board works, that an individual holding, say, ten directorships, including one or two chairmanships, must have difficulty in devoting the time to the function that is necessary. If, as may happen in the best ordered circles, something then goes wrong and the question is asked, "where were the non-executives?", the answer may well be that they were devoting insufficient time to the business and that must be a negative for those who believe in strong corporate governance in general and in the importance of the role of the non-executive director in particular.

My own view is that it would be desirable if some form of acceptable norm could be established for the number of appointments that an individual might take up. In order to avoid being prescriptive, this would have to be seen to flow from good practice rather than a set of rules and one would be looking to the institutions to give a lead.

Please excuse a letter on a subject which you may not feel to be of great importance, but if we are to be serious about corporate governance, and I believe we should be, then we should not shrink from examining all aspects of it and certainly this is an issue about which I have heard quite a lot of muttering but where little serious attempt has been made to address what I believe is an important point.

Yours ever

David