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CFACG

CORRESPONDENCE

1992 - 94.

Our ref: HGA/JN

15 January 1992

Sir Adrian Cadbury
Rising Sun House
Baker's Lane
Knowle
Solihull
West Midlands
B93 8PT

Dear Sir Adrian

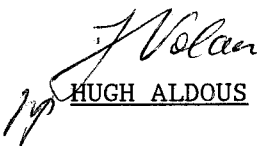
Thank you for your letter of 13th January.

I very much look forward to meeting you some time in March and have made a note in my diary to call you then to see how you are getting on.

Regarding the annual review, I wonder if I could trouble you further for a photograph of yourself? If you have one, it would be very much appreciated.

Kind regards.

Yours sincerely


HUGH ALDOUS

11 March 1992

Mr Hugh Aldous
Robson Rhodes
186 City Road
London EC1V 2NU

When we corresponded in January I had hoped that we could meet this month to discuss the work of the Committee on Financial Aspects of Corporate Governance. Unfortunately my wife is now seriously ill and it is difficult for me to get to meetings in London. I am, however, working on the draft report and I hope that it may see the light of day in May.

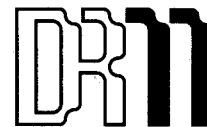
There will then be ample time for comments before we produce the final version. My aim would be to find a time during that period when I could have your views on our proposals.

With best wishes,

ROBSON RHODES

Chartered Accountants

internationally



Our Ref: HGA/MBK/026

18 March 1992

Sir Adrian Cadbury
Rising Sun House
Baker's Lane
Knowle
Solihull
West Midlands B93 8PT

Dear Adrian

I would very much like to get together with you, and my secretary Briege will be delighted to hear from your secretary so they can arrange a time to suit us both.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Hugh Aldous', with a long horizontal flourish extending to the right.

HUGH ALDOUS

186 City Road
London EC1V 2NU
Telephone 071-251 1644
Fax 071-250 0801

Offices at:
Birmingham, Bristol,
Cambridge, Crawley,
Hemel Hempstead, Leeds,
Leicester, Maidstone,
Manchester, Rochester.

Principal Office:
186 City Road
London EC1V 2NU,
at which a list of Partners
may be inspected.

Authorised by the
Institute of
Chartered Accountants
in England and Wales
to carry on
investment business.

Internationally:
Dunwoody
Robson
McGladrey &
Pullen

BARRINGTON HOUSE
59-67 GRESHAM STREET
LONDON EC2V 7JA
TELEPHONE: 071 606 7080

12 May 1994

Sir Adrian Cadbury
Rising Sun House
Baker's Lane
Knowle
Solihull
W Midlands B93 8PT.

Dear Adrian

I would like you to know, before it is publicly announced, that I am planning to retire as a Partner at the end of July.

I will, however, remain based here in active association with the firm as a consultant and will continue with my outside appointments and interests.*

With warmest good wishes

Yours truly

Mark

Mark Sheldon

** sic. cadbury - unless you
ask it is true - what now?*

MS

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

10th January, 1992

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

Dear Mark,

RIGHT OF INDIVIDUAL DIRECTORS TO REPAYMENT OF EXPENSES INCURRED IN OBTAINING
OUTSIDE ADVICE

Sir Adrian Cadbury promised to let you see the legal advice which PRO NED received on this subject. The relevant papers have now been received via the good offices of Jonathan Charkham, and I enclose a copy herewith.

May I also draw your attention to the following draft recommendations which are included in the 'skeleton draft report' which I shall be circulating very shortly for discussion at our meeting on 20-21 January:

"Non-executive directors have the same right of access to information from company management as the other directors and boards should have an agreed procedure whereby non-executive directors can be reimbursed for outside professional advice necessarily sought in the performance of their duties."

"The audit committee should be able to obtain outside legal and other professional advice."

I have placed the subject of the right of directors to receive repayment on the agenda for 20-21 January. I would propose to circulate as the basis for discussion your letter of 11 November, together with any further comment you would like to make in the light of the PRONED papers.

Sir Adrian and I are most grateful for your assistance.

Yours sincerely,

Nigel

Nigel Peace
Secretary

cc Sir Adrian

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

*Shirley - copy
for retention*

OUR REF MHS/facg

YOUR REF

11 November 1991

Nigel Peace, Esq.
Secretary
Committee on The Financial Aspects of Corporate Governance
PO Box 433
Moorgate Place
London EC2P 2BJ. [BY FAX 071-628 1874 AND CONFIRMATORY COPY]

Dear Nigel,

RIGHT OF INDIVIDUAL DIRECTORS TO REPAYMENT OF EXPENSES
INCURRED IN OBTAINING OUTSIDE ADVICE

I am sorry not to have replied earlier to your letter of 25th October, but I was committed to a programme of meetings and visits for the whole of last week.

There is no very relevant English judicial authority which we have been able to find. One is therefore thrown back on to first principles.

Directors act in a fiduciary capacity and, absent some special provisions governing the terms of his appointment (in the Articles or elsewhere), a director can no doubt recover, under the general law, expenses properly incurred by him in discharging his duties qua director. Article 83 of Table A is probably intended both to restate and widen* the general law position by entitling the director to recover travelling, hotel and other expenses in connection with attending meetings of directors, etc., "or otherwise in connection with the discharge of their duties."

So it all comes down to whether the director incurred the expense in the proper discharge of his duties.

.../Contd. ...

* Under the general law, travelling expenses incurred in getting to board meetings were held not reclaimable [Young v. The Naval, Military and Civil Service Co-operative Society of South Africa Ltd. - 1905 1KB 687].

MHS/638

NIGEL PEACE, Esq.
11 November 1991

Page 2

The directors are normally expected to act collectively. Table A Art. 70 provides that their general power to manage the business of the company is collective, as are various other powers, rights and responsibilities of directors throughout Table A.

Again, normally, the supposition is that the directors will perform their functions as such at meetings - for which Table A provides a framework.

My own view, reached with some regret, is that in the absence of an express authority from the board, a director would only be able to incur expenditure off his own bat in quite exceptional circumstances. I have in mind a case where prompt individual action by the director appeared necessary to preserve the company's assets; for example, in an emergency or because of reasonably-formed suspicion of fraud or malfeasance by his fellow directors.

I am pretty sure that the courts would share the caution of those referred to by Jonathan Charkham who fear that too broad a view might send directors scurrying off to lawyers at the drop of a hat. They would be likely to take the view that "the proper pursuance of their duties" (to quote Jonathan's words) should be narrowly construed.

Of course it would be open to the board of directors to pass a resolution permitting individual directors, either singly or collectively, to seek outside legal or other appropriate professional advice in such circumstances and subject to such pre-conditions as the board laid down - not easy to frame these, though. Frankly, I think the chances of persuading many companies to adopt this course would be remote in the absence of a diktat by the Stock Exchange.

Whilst I, personally, would support our Committee endorsing a move to this end, I fear we might have great difficulty in preparing a formula that the Committee as a whole could agree on.

One thing I think we might consider, either on its own or in conjunction with proposals to allow access to outside advice, is whether an independent director (or a committee of independent

..../Contd.

NIGEL PEACE, Esq.
11 November 1991

LINKLATERS & PAINES
LONDON

Page 3

directors) should have a right of direct access, should he/they wish it, to the company's own legal or other advisers in the same way as to senior executives. Assuming responsible outside lawyers, etc., such access should be able to deal with the greater part by far of those situations, not involving questions of bad faith, where the independent directors have misgivings about a proposed course of action.

Yours sincerely

A handwritten signature in cursive script, appearing to read 'MHS', with a long horizontal stroke extending to the right.

Mark H Sheldon

MHS/638

COMMITTEE
ON
THE FINANCIAL ASPECTS
OF CORPORATE GOVERNANCE

25th October, 1991

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

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

Dear Mark,

I am writing at Sir Adrian Cadbury's suggestion to ask for your view as a lawyer on the rights of directors to seek outside advice in the course of discharging their duties.

In his note to the Committee of 21st September, proposing conclusions on Non-Executive Directors in the light of discussion at the Committee's September meeting, Sir Adrian wrote:

"The second issue that arose from the meeting was the contentious question of the rights of the directors to seek outside advice in the course of discharging their duties. I said that I would circulate PRO NED's opinion which was carefully worded after taking legal advice. It is contained in the appointment booklet which the Secretary is sending you. In essence, PRO NED's position is that a non-executive director should have access to separate legal or financial advice, at the company's expense, subject to consulting in advance either the Chairman or another non-executive director. If the Committee agreed, we could add after the sixth indent above:-

- Non-executive directors should have the same right of access to information from company management as the other directors and should have the right to be reimbursed for any outside professional advice which is necessarily sought in the performance of their duties."

You may recall that the issue had been debated in the context of steps to ensure the independence of Non-Executives.

I attach a further copy of the PRO NED appointment booklet to which Sir Adrian refers. I also attach a letter from Sir David Plastow which sets out the rules which Vickers have drawn up on the subject. The rules allow Non-Executive Directors to incur legal costs at the company's expense but they are subject to a lengthy condition which I am unable to interpret. You may also be interested to see Sir Denys Henderson's comment.

Lastly, Sir Adrian received a letter from Jonathan Charkham saying that he believed that directors did have a common law right to seek legal advice, provided that the matter concerned was in proper pursuance of their duties, but that no one had ever wanted to give this advice quite so baldly for fear it might send directors scurrying off to lawyers at the drop of a hat!

I would be most grateful for your advice on this issue, and in particular for your view on how the Committee's conclusion might be expressed.

Yours sincerely,

Nigel Peace

Nigel Peace
Secretary

SIR DAVID PLASTOW
Chairman and Chief Executive



VICKERS P.L.C.
Millbank Tower
Millbank
London SW1P 4RA
Telephone 071-828 7777

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

25th September, 1991

Dear Adrian,

Thank you for your letter of the 24th September, and in my own small way I have been campaigning that Non Executive Directors should have the freedom to claim re-imbusement from the Company for independent legal and professional advice. I am delighted that the issue has caught the attention of your Committee.

It is, as you say, not straightforward, but I enclose a copy of a Board Minute here, which was drafted with the help of our outside legal advisers, and I hope this will be of interest to you.

Whilst I was Deputy Chairman of Denys Henderson's Listed Companies Advisory Committee, I pressed my case and I had broad support from most of the Committee. My cause foundered on the basis of it being "all too difficult". However, Denys himself was particularly sympathetic and I am sending him a copy of this letter.

Yours sincerely,

David

27th July 1989.

9669. Non-Executive Directors' Legal Costs

IT WAS RESOLVED that the Senior Non-Executive Director be authorised, where in his judgement it is appropriate in the interests of the Company to do so, to commit the Company to pay or contribute to legal costs incurred by a Non-Executive

Director in connection with matters arising from holding the office of Director, upon condition that, in the case of costs arising from any allegation of negligence, default, breach of duty or breach of trust in relation to the Company, the commitment is conditional upon the Director in question being acquitted or obtaining judgement in his favour or being granted relief by the court under Section 144(3) or 727 of the Companies Act 1985.

Senior Non-Executive Director means the Non-Executive Chairman or Deputy Chairman or, otherwise, the Non-Executive Director who has the longest period of service with the Company.



Sir Denys Henderson

Chairman

ICI Group Headquarters

9 Millbank
London SW1P 3JF
Telephone 071-834 4444
Telex 21324 ICIHQ G
Fax 071-834 2042

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

26 September 1991

Dear Adrian

David Plastow has very kindly sent me a copy of his letter to you of 25 September, when he comments on the possibility of non-executive directors being able to claim reimbursement from their company for independent legal and professional advice. This is simply to say that I, personally, am supportive of David's views on this important topic and that, as he says, the great majority of the Listed Companies Advisory Committee felt similarly. I hope that your Committee will be able to give due weight to this suggestion.

Yours truly

Philip

Copy to: Sir David Plastow

Please reply to: **Professor Gerald Vinten, Editor**
Managerial Auditing Journal

82 Speed House
Barbican, London
England EC2Y 8AU
Telephone: 071-588 0675
Fax: ~~071-588-2756~~

13th May 1992

Dear Sir Adrian,

I would be extremely grateful to receive any documentation issued to date on your committee on corporate governance, and to receive the draft consultative report, which I understand is due out soon. My journal would certainly like to report on this important issue. Our world-wide audience will find this an exciting development.

Yours sincerely,

Gerald Vinten

5/2

Dear Adrian

I gather from Dominic that your report is due in March and that you are having to do most of the work yourself. Good luck! You! May I say that March will be a politically fraught month. Your report might well get a good deal of notice if published then, but I wonder if it will not be "savage" by both parties, for perhaps different reasons.

Ray will be at one another's throats by then. It is of course nothing to do with me, but I do wonder if it could be better used as a lever if published soon after the Election (probably April), meaning the election,

When the new government will be looking for
"good things to do".

This I think will be true of either party.
If of the "Electors" is "having" them we will be
in a confused state, but somehow I don't think
it will be like that.

My guess is one side or the other (probably
Conservative) with about 10/15 majority.

Please do not think I am trying to tell you
what to do, but I would like to see the report
make a real impact, it is so badly
needed.

Peggy & I do hope that Bill is better.

Our love to you both

H -
Harold

SALT HILL
BRIDLE WAY
GRANTCHESTER
CAMBRIDGE
CB3 9NY
0223 840335
FAX 0223 845939

13thMay, 1992

Sir Adrian Cadbury,
Rising Sun House,
Baker's Lane,
Knowle,
Solihull,
West Midlands B93 8PT.

Dear Adrian

Many thanks for your letter on the NIESR dinner. We were all sorry that you had to cancel and missed you very much. You will be pleased to hear that the evening went off well. Discussion was free and forceful and we on the NIESR side felt it had been very worthwhile and we should continue down that track.

Please do not feel badly about having had to cancel. Brian Corby knew the background to Jill's illness and we all felt great sympathy for you both. It's wonderful news that all has gone so well.

Like many people, I await your report with great interest, and the end of this month will be with us very soon. At least that will allow you to enjoy the summer with rather less pressure.

Yours sincerely,

Ken

Kenneth Berrill

HUGH PARKER
2 REDSTONE LANE
MARBLEHEAD, MASSACHUSETTS 01945
TEL. (617) 639-0615

The Editor
Financial Times
One Southwark Bridge
London SE1 9HL

June 12, 1992

Dear Sir,

The comments on the Cadbury Commission Report by Sir Owen Green (Personal View, June 9) and Sir Ronald Grierson (Letters, June 10) make a number of points about corporate boards of directors that, in their essence, boil down to one fundamental question: what exactly is the proper role of the UK public company board in today's shifting business environment? Regrettably neither sheds much new light on this important issue.

Sir Owen challenges specific proposals on a number of largely semantic or legalistic points: the legal concept of "ownership, the issue of executive versus non-executive directors, who is responsible for "running the company", the distinction between board responsibility and board accountability, the role and composition of audit committees, and so on. All of these are legitimate points that deserve continuing examination and debate which presumably the Cadbury Report was at least in part intended to stimulate and inform.

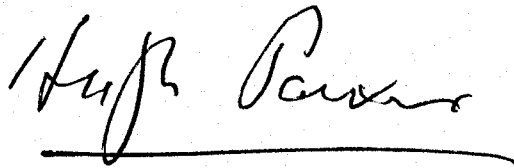
Sir Ronald opens his attack more dismissively by commending Sir Owen's piece as "an effective demolition job on the absurdities of the Cadbury Report". Having read both with care I would say that this frivolous remark is grossly unfair to both Sir Owen and Sir Adrian, each of whom was at least making a serious effort to illuminate a complex but important subject.

But the burden of Sir Ronald's argument (all these jousting knights round the boardroom table - just like the good old days!) is that UK boards should not try to "drive their companies forward" by getting involved in determining strategy and policy; these should be left to the managers. Boards of UK companies should "confine themselves in practice to ensuring that management does not run amok". That's what they do in the US and on the continent, Sir Ronald says, and therefore by implication that's the way it should be in the UK too.

Well, maybe. Sir Ronald refers approvingly to his experience of serving on the boards of three of America's biggest corporations who, he says, would have found "the notion that their members were driving anything in any sense quite odd". While this might be true of some US companies it is by no means true of all.

Sir Ronald should know that here in the US the traditionally uninvolved and hands-off style of corporate governance which he seems to admire so much is increasingly seen to be out of date and inadequate. The growing number of corporate scandals - like the squalid fracas at RJR Nabisco described in "Barbarians at the Gate" in which he himself was a participant - are beginning to discredit that kind of board. New paradigms for corporate governance are being evolved in the US and in the UK - possibly in Europe too - but they will not necessarily be the same.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Hugh Parsons", is written above a solid horizontal line that serves as a signature underline.

a. Sir Adrian

COMMITTEE
ON
THE FINANCIAL ASPECTS
OF CORPORATE GOVERNANCE

21st August, 1992

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

Anthony V. Hilton, Esq.,
Managing Director,
Evening Standard,
Northcliffe House,
2, Derry Street,
Kensington,
LONDON, W8 5EE.

Dear Mr Hilton,

Thank you for your letter of 17th August.

The bulk of the consultation responses were not received until the end of July or the first ten days or so of this month. We are still in the process of working through them and are not yet able to give an overall reaction.

If you would be interested, however, Sir Adrian Cadbury and I would be very pleased to meet you in September for a general discussion. We would not be in a position to let you know how the Committee will react to the submissions which have come in, but we would be able to give you a feel for the main issues which have been raised.

If you would like a meeting may I ask you to give me a ring after my return from holiday on 7th September?

Yours sincerely,

Nigel Peace

Nigel Peace
Secretary



Evening Standard

Northcliffe House, 2 Derry Street, Kensington, London W8 5EE 071-938 6000

17 August 1992

Nigel Peace Esq
Secretary - Committee on The
Financial Aspects of Corporate Governance
PO Box 433
Moorgate Place
London EC2P 2BJ

Dear Nigel

Since our conversation earlier this year, following publication of the report on Corporate Governance Committee, the matter has slipped from public view.

I have therefore drafted the questions shown on the attached sheet. If you feel you could answer these 'on the record' then I would like to use the material for articles to update readers of the current position and remind them that things are happening.

I do hope you will be able to help.

Yours sincerely

Anthony V Hilton
MANAGING DIRECTOR

QUESTIONS FOR NIGEL PEACE ESQ

1. Are you satisfied with reaction to your report and the level of comment and public debate?
2. Are things progressing fast enough for your liking?
3. What are emerging as the contentious issues?
4. Will the main thrust of your proposals be substantially altered in the light of comments received, or are the key proposals still intact?
5. What has been the reaction of Whitehall/the City/the Law? Are there marked areas of difference?
6. What is scheduled to happen now, and when? Are we soon likely to see progress towards setting up the new structures and machinery your report advocated? What form will this progress take?
7. Any other points you wish to make?

COMMITTEE
ON
THE FINANCIAL ASPECTS
OF CORPORATE GOVERNANCE

in Adria
Secretaria

22nd January, 1992

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

George Copeman, Esq.,
Chairman,
Wider Share Ownership Council,
Juxon House,
94, St. Paul's Churchyard,
LONDON, EC4M 8EH.

Dear Mr Copeman,

Sir Adrian Cadbury has asked me to thank you very much for your letter of 10th January, which we have both read with interest. The Committee will need to keep in mind the interests of the 'private' shareholder as well as those of institutional shareholders and your letter is a valuable reminder to this end.

Yours sincerely,

Nigel Peace

Nigel Peace
Secretary

WIDER SHARE OWNERSHIP COUNCIL

JUXON HOUSE, 94 ST. PAUL'S CHURCHYARD, LONDON, EC4M 8EH Telephone: 071-248 9155 Telex: 887521

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

10th January 1992

Dear Sir Adrian,

WIDER SHARE OWNERSHIP AND THE FINANCIAL ASPECTS OF CORPORATE GOVERNANCE

As you may know, the WSOC will shortly be merged with Sir Peter Thompson's new share ownership movement. I shall be on the board of the new body. Enclosed is my draft valedictory speech to the WSOC, in which I draw attention to how the pensions industry has defied the will of Parliament over employee share ownership.

This, alas, is in line with the unenviable record of the pensions industry for failing to put its own house in order.

Look at these examples:

1. It has failed to secure reasonable pension rights for employees who change jobs, yet a free enterprise economy needs a mobile workforce.
2. As the majority shareholder in the listed companies, it has failed to provide a long-term supervisory relationship between share owners and top management.
3. It has even failed to provide adequate safeguards against the trustees of pension funds removing the assets on which future employee pensions depend.
4. It has failed to provide reasonable representation of employees amongst the trustees of their own pension funds.
5. It has failed (in the UK but not the US) to ensure that all sections of employees are covered, on a similar terms basis.
6. It has failed to keep employees regularly informed of their entitlements.

/2.

The pensions industry should be a bulwark of popular capitalism. Instead, it seems to be its undoing. It has great potential for financing popular capitalism, for it enjoys enormous tax privileges. Parliament should, in my view, look again at how the pensions industry's tax privileges could be more closely linked to its potential role in corporate governance.

Enclosed is a copy of my recent Digest No 272 on Employee Share Ownership published by the Institute of Chartered Accountants which presents:

- (a) on Page 2 and in Appendix I, the reasons why, in my view, the pensions industry is wrong to defy the will of Parliament, and
- (b) in Appendix II a proposal for making one of the tax privileges of the pensions industry conditional on it taking a more positive, long term interest in corporate governance.

I look forward to the opportunity of discussing these matters with you and your colleagues.

*Yours sincerely,
George Copeman*

George Copeman
Chairman

WIDER SHARE OWNERSHIP COUNCIL

JUXON HOUSE, 94 ST. PAUL'S CHURCHYARD, LONDON, EC4M 8EH Telephone: 071-248 9155 Telex: 887521

THE WIDER SHARE OWNERSHIP COUNCIL AND CORPORATE GOVERNANCE

by George Copeman

Chairman, WSOC

(Speech 13.1.92)

It is sad to have a closing down meeting but at least it is an opportunity to say thank you to members of the Wider Share Ownership Council for their support over 33 years. Also a special thank you to office bearers, committee members and staff. I specially mention our founding chairman, Maurice Macmillan, his successor Edgar Palamountain, our publicity committee chairman Tony Richards, our late secretary general Ivo Nicholls, our present director Peter Davis and our secretary Mrs Maureen Warlow. It has been rewarding to work with such people. Also in the last few years to work with our president Sir John Harvey Jones who carries us into merger with Share Ownership Movement, of which he will also be president, Sir Peter Thompson is chairman and I am on the board. Geoffrey Maddrell is Chief Executive.

The WSOC played a major part in getting stamp duty on share transactions down from 2 per cent to a potential zero in the near future. But as Edgar always acknowledged, our greatest successes have been with employee share ownership. Sixteen of the last 20 Budgets have contained favourable legislation. Indeed 13 of the last 14 have done so.

President: Sir John Harvey-Jones, MBE

Chairman: George Copeman, PhD

Deputy Chairmen: The Rt Hon Lord Lever of Manchester Richard Wainwright, MA, FCA The Rt Hon Sir Edward du Cann, KBE

Hon Treasurers: D S Adams, FCA K F Dibben, BComm, FCA, FCT, CRIM Director P B Davis, MBE

Alas, however, the pensions industry has recently let us down. This is surprising, for they should be our partners. They represent employees' mixed fund investments for retirement, whereas employee share ownership provides a risk-bearing stake in the place of work, with the chance to make capital gain if the business succeeds. It is motivational.

When the WSOC was founded in 1958, Mr Ross Goobey of the Prudential was beginning to preach the cult of the equity. Parallel to the rise of 2 1/4 million employee shareholders since then, there has been a much larger movement of employee pension money into equities. By the time the CBI Task Force on Wider Share Ownership had reported in the autumn of 1990, some 52 per cent of public listed company shares were owned by pension funds and insurance companies acting mainly for pension schemes. But somehow the pensions industry never accepted the mantle of responsibility as majority shareholders of listed companies.

Look, for example, at their reaction to the WSOC's long campaign for linking executive share option grants to all-employee share ownership plans. On the night of the 1984 Budget, when executive share options received tax relief, John Moore, the Financial Secretary to the Treasury, personally conveyed his apologies to me for not establishing the link we had asked for. He said that he expected more executive schemes would lead automatically to more all-employee schemes.

It has not worked out like this. There are now three times as many companies with executive schemes as all-employee schemes. We have tried many new ideas on the

Treasury and Inland Revenue, to establish a linkage. Most were said to be difficult to work. Then in October 1989 I submitted a proposal for a 20 per cent discount on executive share options, similar to the discount for savings related share options. However, the executive discount would only be available if the company also had an all-employee share scheme.

This idea found some favour, but there were people who thought that a 20 per cent discount for executives was too much of a good thing. This was a period when there was a lot of public criticism of high executive salaries. So by October 1990 the proposal had been changed to read that executives who established an all-employee share scheme in their company could receive options at market price, while those who did not, would have to pay a 20 per cent premium above market price. This would nevertheless be a good deal, for even 2 per cent annual inflation over the 10 year life of an option could justify a 20 per cent premium. I spelt this out in a letter to the Financial Times, published 27.10.90.

So the ABI and NAPF had a choice. A discount or a premium. When the 1991 Budget was revealed, containing proposals for a 15 per cent discount on executive share options, conditional on the company also having an all-employee share plan, they could have protested and made their protests realistic by persuading a few Members of Parliament to table a Committee Stage amendment to the Finance Bill. But they did not. Then, before the summer holidays, the ABI published guidelines that have effectively frustrated Parliament's intention to encourage more companies to set up all-employee share schemes.

An opportunity has been missed, but it is not too late. I understand this matter is still under review, between the two wings of the pensions industry. It would be a mark of respect for the long years of work of the WSOC if, without waiting to be badgered by the new and more powerful share ownership movement, new and more realistic guidelines could be issued which recognised that capital rewards for both management and all employees can be designed to be of great benefit to shareholders also.