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3rd October, 1991

Your ref. Our ref.

AHS/DH

Sir Adrian Cadbury,
Chairman,
PRO NED,
1 Kingsway,
London WC2B 6XF.

Dear Sir Adrian,

As you will recall I sat next to you at the dinner on corporate governance last night. Apart from the pleasant social aspects of such evenings and the benefits that it gives people like myself, in thinking about the issues and hearing what other people's views are about these issues, it is extremely difficult to give cogent and structured inputs into the debate - hence I do not know whether you gained any additional useful insights.

I gave the issues and problems some further thought on the drive home and for what they are worth will give you some further, more structured, thoughts on the issues.

In many respects, the issues of corporate governance are very much akin to the problems of personal morality or social behaviour; indeed, corporate governance is all about corporate morality. I would suggest that as with personal morality you cannot effectively legislate or make prescriptions to eliminate poor corporate governance. You can, however, create an environment where some of the less acceptable abuses are minimised or reduced.

If you look from the inside of the corporation to the outside world I think that a series of guidelines, involving independent outside Directors, Audit Committees and Remuneration Committees, are all helpful. Basically, I am a firm believer that the vast majority of corporations generally behave correctly; it is, as is often the case, the poor behaviour of the minority which spoils it for the majority.

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Incorporated in England

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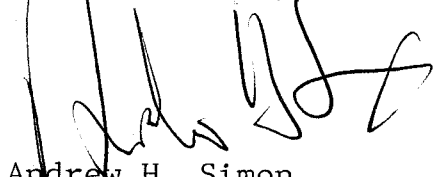
Sir Adrian Cadbury

If you look at the other side of the coin, which is those interest groups which look from the outside into the corporation, i.e. basically the owners of the corporation, I think there is a very substantial onus on the owners to adopt the adage that ownership implies responsibility. Even though we have a bluechip portfolio of institutional holders of our stock, insufficient institutional shareholders adequately acknowledge the responsibilities of ownership of the corporation. I think that here the analogy is that of the old landlord who considers the responsibilities towards the community at large and not just his own self interest. In order to make the institutional shareholders take a more responsible approach, one should possibly also lay down some appropriate guidelines whether during a takeover situation or more importantly at other times. If this is the case the institutions need to have more people who actually understand business rather than just Portfolio Managers. Here, as you rightly infer, there is a pool of talent that could be called on by the institutions.

The brevity of the analysis clearly makes it somewhat facile. However, if there is to be a greater degree of emphasis on corporate governance, the pressures have to be equally applied both from the inside and from the outside.

With kind regards,

Yours sincerely,



Andrew H. Simon
Chairman