

COMMITTEE
ON
THE FINANCIAL ASPECTS
OF CORPORATE GOVERNANCE

22nd November, 1991

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Arthur Russell, Esq.,
Under-Secretary,
Department of Trade & Industry,
Companies Division,
Room 525,
10-18, Victoria Street,
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Dear Arthur,

I am writing to seek the Department's advice on a detailed point which came up at an early meeting of the Committee, and which I do not feel we have yet got properly to grips with.

Towards the end of our meeting on 11th September, it was suggested that we should recommend a reduction in the point at which directors' service contracts should become subject to shareholders' approval, from five years to three. The majority of the Committee appeared to support the proposal, which is in line with PRO NED's position, but as we were running out of time at that point there was no real discussion (paragraph 30 of the minutes).

I raised the point again at the meeting on 17th October, and also drew attention to the attached letter from Simon Blunt, a small shareholder, proposing that all service contracts for existing (as opposed to new) directors should always be subject to prior shareholder approval. The Committee did not give a definitive steer, but agreed that the points should be examined further, and a further report made (paragraph 9 of the minutes).

I would be very grateful for any advice the Department can offer.

*Yours sincerely,
Nigel Peace*

Nigel Peace
Secretary

cc. Sir Adrian Cadbury