



THE TIMES

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Sir
Cory retention

From the Editor

28 October 1991

PERSONAL

Sir Adrian Cadbury
Chairman
The Committee on Financial Aspects of Corporate Governance
Rising Sun House
Bakers Lane
Knowle
Solihull
West Midlands

Dear Sir Adrian,

I understand you are investigating the role of non-executive directors on boards. Before I undertook my present duties, I served at various times as a non-executive board member at British Rail (for 10 years), London Regional Transport, English Heritage, 2 publishing companies and 2 independent schools. I became fascinated by the role of outsiders in organisations, especially those that otherwise seemed hermetically sealed. I thought I would send you my reflections in this form since they are personal (rather than journalistic).

1. Non-executive directors are non-executive, not 'part-time', and there should be no confusion about this. Their loyalty should be to the board and its chairman, with no 'dotted line' to the executive team or through the executive team to the board.
2. Non-executive status should not be granted to former employees, either as a reward or as a consolation for being kicked out. Such board members tend to fight old battles - or merely support their former colleagues. They can be worse than useless.
3. Non-executive directors should not be actual or potential suppliers of goods or services to the organisation. I was often appalled at the implicit conflicts of interest and covert cartels that arose from not observing this protocol.
4. Non-executive directors must essentially be loyal to the chairman, and thus be appointed with his agreement, at least in the first instance. The whole point of non-executive boards is to provide some counter-weight to the executive team. If non-executives are under the thumb of that team they become useless. Clearly things may change (as at BAe) but even in

public corporations where Ministers appoint board members, appointments made without the initial support of the chairman are likely to be unhappy ones.

5. It is vital that non-executive directors be allocated at least one area of interest within the organisation to monitor, even if it is tangential to the main activity. The essence of non-executive contribution is a fresh, outside and often lay view. But some means must be found to ensure that every non-executive director visits company buildings and meets people regularly. Non-executives with no knowledge at all of the geography and sociology of the organisation are useless. They must be conversant with the culture in order to second guess the leadership.

6. To maintain at least some regular contact with an organisation, no conscientious non-executive should have more than four such posts in addition to his or her regular job, and certainly not more than one chairmanship. 'How on earth does he know, he's never been near us,' is a perennial response of executives to a non-executive remark. Nothing does more to undermine confidence in a board or in non-executive status than the impression that certain people 'collect' such appointments.

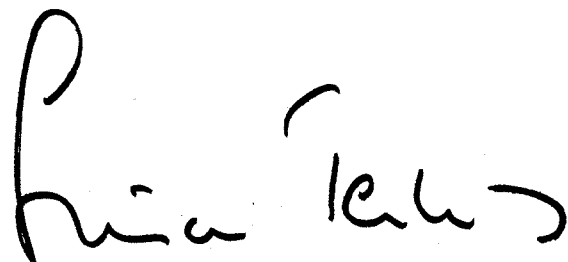
7. At least one non-executive on every board should be a regular 'pain in the neck'. A non-executive who is never a pain in the neck should be asked to resign. The worst sin of all is to sit silent.

8. That said, all generalisations about non-executives are, in my experience, disproved by exceptions. Which is why all token or generic non-executives tend 'not to work out', save as pure window dressing: for instance 'a woman', or 'an engineer', or 'an accountant'. Where they are active, such appointees act as delegates for a lobby or interest, not as representatives - on which subject Burke was right.

I do hope these thoughts are of some use to you in your deliberations.

With best wishes,

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Simon Jenkins'. The signature is written in a cursive, slightly slanted style with a large initial 'S'.

Simon Jenkins