

REPLIED 16/7/91

CAD-03245

J. R. A. SCOTT-OLDFIELD

24 BUCKINGHAM GATE
LONDON S. W. 1

01-828 1123

Sir Adrian Cadbury
Director
The Bank of England

27th June 1991

Dear Adrian,

Good to talk to you today and it is awfully kind of you to agree to take a glance at the very brief attached note. If you did have a free lunch or a few minutes, I would greatly value talking to you about it.

Warm personal regards,

Jan

Note for Discussion:

CORPORATE GOVERNANCE

1. Good Corporate Governance helps ensure the wellbeing and protection of
 - o Shareholders
 - exercising the Board's fiduciary responsibility
 - o Employees
 - ethical management internally
 - o Suppliers / Consumers
 - ethical management externally
 - o Community
 - corporate citizenship

2. The tests for what is good and how this is achieved are:
 - o Is every Director wholly committed to the concept of the accountability of the Board as a whole, primarily to shareholders but also to other consistencies?
 - o Is every member of the Board free - and does he feel free - to question and challenge corporate leadership on any matter? In the absence of leadership fostering and bestowing it, this freedom will not exist, at least for Executive Directors
 - o Are the agendas, papers and forums for Board meetings constructed with relevance, timeliness and appropriate information; so that they offer policy options rather than single path recommendations?
 - o Does the Board consist of individuals of relevant quality, which must include diversity of experience, background and age, as well as functional skills and knowledge of the business?
 - o Do the Non-Executive Directors form sufficient critical mass so that their views cannot be ignored?
 - o How effective are Board Committees?

3. Good Corporate Governance is not about ensuring the attainment of quantifiable performance goals but is about ensuring high performance against qualitative yardsticks.

27.6.91