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JOHN C. SHAW C.B.E.
DEPUTY GOVERNOR



BANK OF SCOTLAND
THE MOUND
EDINBURGH EH1 1YZ

TELEPHONE: DIRECT LINE: 031-243 5511
VIA SWITCHBOARD: 031-442 7777
FAX: 031-243 5546
TELEX: 72275

23 July 1991.

Sir Adrian Cadbury,
Chairman,
Committee on Corporate Governance,
P.O. 433,
Moorgate Place,
LONDON,
EC2P 2BJ.

See Adrian.

Not having done so previously I am belatedly writing to say how pleased I was to learn that you had agreed to chair this important Committee and I look forward to following its work, which I am sure will reflect the philosophy behind many of your perceptive contributions to the work of the David Hume Institute/Joseph Rowntree Foundation Steering Committee. You know from our joint participation in that, of my own personal interest in the main issues which your Committee will be addressing.

The motivation for writing to you just now is simply to make a point which is so obvious that I imagine it has already been made to you by many others. It relates to the recent public fuss about the remuneration of company chairmen. I am astonished at the extent to which the various companies which have attracted adverse comment and their chairmen have been content to suffer a self inflicted wound because there is nothing in the present legislation to prevent published accounts distinguishing clearly that element of the total remuneration of the chairman and/or highest paid individual director, which is related to the financial performance reported by the company.

To the extent to which that profit related amount is derived from the performance of the company in a prior year, the accounts are probably inaccurate in the sense that provision will probably have been made for the bonus in striking the reported profit of the prior year and it should have been included at that stage in the reported emoluments of the individual.

No doubt as a result of the recent public fuss, company managements will be more careful both in ensuring that the correct figure related to the year being reported on is disclosed for the individual and when appropriate, various components of the total figure are also made clear. This seems to be a very simple "improvement in communication between Boards, shareholders and other stakeholders" which does not require any change either in legislation or in accounting standards.

This /

Sir Adrian Cadbury (cont'd)

23 July 1991.

This really requires no acknowledgement. I do hope to be able to put together some thoughts on the broader issues of corporate governance to your Committee in due course, developing ideas towards a "supervising" board - which, of course relates directly to audit committees etc.

Yours ever
Jack
