



GUINNESS MAHON & CO. LIMITED

STEWART DOUGLAS-MANN  
MANAGING DIRECTOR, CORPORATE FINANCE

SDM/1606.1/PLS

Sir Adrian Cadbury,  
Chairman,  
Committee on the Financial Aspects of Corporate Governance,  
P.O. Box 433,  
Moorgate Place,  
London, EC2P 2BJ.

16th June 1992

*Dear Sir Adrian*

I have very recently had a discussion with the Chairman of a listed client company about corporate governance and my experience may be of some relevance to your Committee. Our discussion focused on the correct interpretation of the recommendation in para 4.9 of the draft Report. In this connection, you will recall that this addresses the issue of the independence of non-executive directors. Had you been party to my discussion, you would have appreciated that the present wording is causing confusion and for that reason is, in my view, unsatisfactory.

My suggestion is that the following wording would provide better guidance on the issue of what constitutes true independence:-

**"We recommend, therefore, that the majority of non-executives on a board should be independent and free of any business or financial connection with the company apart from their fees as directors and any shareholding. In this latter connection, independence is difficult to demonstrate where the shareholding is significant either in relation to the individual's wealth or the capitalisation of the company."**

I hope that the foregoing will be given consideration by your Committee in finalising its Report.

I look forward to seeing you at Henley.

*Yours*

*Stewart*

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