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Derek Higgs
Non-Executive Directors Review
Department of Trade and Industry
Room 2142
1 Victoria Street
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Dear Mr Higgs,

Non Executive Director's Review

Further to your letter to me dated 8th of August 2002 in my capacity as a Non-Executive Director of Property Fund Management PLC, I have not heard from MORI. Nevertheless I do have some strong views based on my experiences as a Non Executive Director of quoted companies, which I now set down before you.

1. Regulation

I would be very wary of further regulating the role and activity of Non Executives for regulations sake. The current requirements of the combined code with Cadbury and Turnbull are sufficient. Any further regulation would run the risk that Non-Executives become so embroiled in ensuring they comply with the necessary legislation that they do not have the time to concentrate on the business itself.

2. Financial Compensation

I believe the current system of payment of Non-Executives is completely wrong. Non-Executives are expected to receive a relatively modest fee given the risks involved to their reputation but are not supposed to be able to benefit from share options; indeed, owning and trading of the Companies shares is almost frowned upon for Non-Executives. This breaks down the fundamental relationship between the performance of the company and the Non-Executive Director's remuneration. My own view is that the Non-Executive's fee should be larger but should be mainly in the form of shares vested to the individual to be held for a period of time. This would more directly align the focus of the Non-Executive Director with that of the shareholders. Thus, instead of receiving say a £25,000 fee for being a Non-Executive Director of a FTSE 350 Company the fees would be say £50,000-£75,000 per annum but over 50% should be paid in shares that had to be held for a minimum period of say 2-3 years.

3. Non-Executive Directors Input

I believe that the trend for having a large number of Non-Executive Directorships is flawed and that recent high profile examples, of which we are all well aware, highlight this. The reality is that if the Non-Executive Director only goes to the Parent Company Board meetings on a maximum once a month basis it is very easy to be conned by the Executives. In my experience the most useful thing that Non-Executives could do is to ensure that they attend subsidiary / operational meetings below the

Main Board level, where they could really get a feel for how the business is doing. At this operational level there is no way the Executives could hide the reality of what is going on in the business. If you are going to regulate anything I would be inclined to recommend a maximum number of Non-Executive Directorships of quoted companies to say three or maximum four and that the Non-Executive Directors should be looking to spend a minimum of two days per month on the business.

In my capacity, I have found that attending subsidiary operational meetings has been invaluable and gives one an earlier insight to successes or problems within a business.

Summary

Your efforts should be focused on the time input that Non-Executives put into companies - by increasing this with a different remuneration structure more closely allied to the shareholders overall, you could protect shareholders interests in the best way.

I do hope this is helpful.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'RJS TICE', enclosed within a large, loopy oval shape.

RICHARD JS TICE
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