

SMITH & WILLIAMSON SECURITIES

London Representative for

NOTZ, STUCKI & CIE S.A.

Sir Adrian

Copy for

retention

N

CAD-01113

No. 1 RIDING HOUSE STREET
LONDON W1A 3AS
telephone: 071-580 1379, 071-637 5377
telex: 262085 NSP G
fax group 3: 071-323 2816

NOTZ, STUCKI & CIE S.A.
98 Rue de St Jean, PO Box 479
1211 Geneva 11
telephone: (022) 731 52 50
telex: 412670A NSC CH
fax: (022) 738 72 87

Replied

G. J. H.

Sir Adrian Cadbury
Rising Sun House
Baker's Lane
Knowle
Solihull
West Midlands B93 8PT

29 October 1991

Dear Adrian,

I have been carrying round your letter re your new committee for many weeks without responding to your request for my views. Whenever I think about it my mind goes blank. (So what is new do I hear you say?)

My perspective is fairly narrow, as apart from Clayhithe I am a non-executive director of purely financial companies, mostly involved with investment management. However, even these can produce their quota of company in-fighting and questions of principle.

It took me some time to become aware that many of my fellow non-execs were not wholly independent and this must be a much greater problem in industrial companies and banks. I don't see how you avoid it as the chairman must have a major say in board appointments and it is only human to have someone who fits in rather than someone who drives the chairman mad. However with increasing responsibilities and legal liabilities non-execs should be careful about going on a board if they feel they can't speak out freely.

As a side issue recent legislation has imposed fairly drastic penalties on directors of companies which go into receivership. Amongst small companies probably below the lofty level at which you operate it is a fact of life that receivership is a risk if all goes wrong at the same time. A canny non-exec will now leave such a company in good time just when it ought to have all his time and attention.

Apart from one's legal responsibilities as a company director I see my role as a non exec falling into several areas. One is to

Investment Managers: E.A. Macpherson, J.G. Ludwig, J.A. Hockin

Registered in England at the above address No 976145 Authorised institution under Banking Act 1987

Member of IMRO

help the chairman consider the succession in the top management and also his own successor. Another is to try and ask the questions about the business that management wont ask or have overlooked. Another is to contribute whatever one knows about the industry. Another is to help with outside contacts.

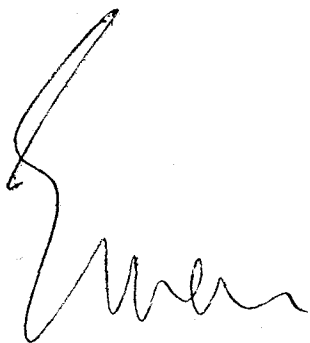
I don't know much about Audit Committees as investment companies have fairly straight forward accounts but I am on remuneration committees where the question of bonuses and options are of real concern to non-execs.

There is another dilemma: that of remuneration of non-execs. At times he (or she) will spend a lot of time on the companies business. How should he be remunerated for this extra work? If his remuneration is too big he will no longer be independent. A non-exec should never be constrained from resigning on a point of principle by fear of losing his fees, an easy statement to make but not so easy to carry out in practice.

Another aside is my belief that every director of a company should own some shares, however small in number, in that company. I simply do not understand how he can represent the shareholders if he does not hold shares. Present day rates of remuneration and tax do not make this a hardship.

I hope these rather obvious points are of some use, but I doubt it.

Yours

A handwritten signature in black ink, appearing to read 'Ewan Macpherson'. The signature is written in a cursive style with a large initial 'E'.

Ewan Macpherson.