

Our ref MGL/KF

Sir Adrian Cadbury
Cadbury Limited
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4 September 1991

Dear Adrian,

You asked me to record, in a "rough and ready manner", my hopes and aspirations ~~as~~ for the outcome of the Corporate Governance report.

I apologise for not having done this before I went on holiday but as usual trying to clear one's desk is a full time job.

My comments are very brief indeed although I believe that they state simply what I would like to see achieved.

1. I would like to see the adoption of PRONED's recommended code of practice "in toto". I hope this is not too difficult bearing in mind the sponsors for PRONED.
2. I would like to see the word independence stressed in connection with non-executive directors, i.e. they should not be friends of the chief executive, ex chief executives, brothers, sisters, aunts or uncles of the chief executive. They should be genuinely independent non-executive directors and from their number an audit committee should be established. This committee should be responsible for discussing the process of the audit with the external auditors; they should recommend or may be even approve the remuneration of the auditors and the committee should with the co-operation of two shareholders' representatives recommend a change or continuation of the audit firm for endorsement at the Annual General Meeting.

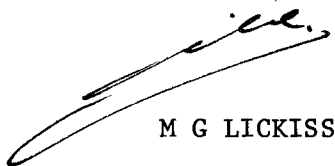
The audit committee should not include any executive directors.

3. The role and responsibilities of the chairman and chief executive should be separate. Any company which elects not to follow this course of action should make a statement annually in its directors' report stating why it is felt to be inappropriate in that particular company.
4. The directors should be responsible for an annual statement as to their level of satisfaction with the internal management controls.
5. The auditors should report annually on the adequacy, or otherwise, of the internal management controls and in addition on the adequacy of future funding, i.e. based on cashflow projections as prepared by management.
6. The directors should state categorically whether in their opinion and to the best of their knowledge and belief the accounts comply in all respects.
7. If fraud of a significant or material nature is discovered by management or the auditors this should be reported in the first instance to the audit committee. If no action is taken by them it should be referred to the DTI unless there is another regulatory body in existence and reference should be made to these facts in the audit report.
8. All of the foregoing, of course, apply vis-a-vis quoted companies but private companies should be encouraged as far as is practicable in their own particular circumstances to take note of, and to apply, this code of best practice in their own corporate governance.

The views I have expressed are personal. They are not put forward on behalf of my firm or the Institute.

I wish you well in your endeavours but if I can be of any assistance please do not hesitate to contact me.

Kind regards.



M G LICKISS