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15th Dec.

To: Sarah Andrews: Corporate Governance Committee:
Stock Exchange 071 410 6822.

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From: Adrian Cadbury.

Dear Sarah,

Thank you very much for getting the minutes circulating out so promptly and for making the arrangements over the working Group's revised wording.

I rewrote the Foreword, which is attached, and I suggest that you circulate it to Committee members.

I had follow-up calls from Mark Sheldon, Nigel Macdonald and Sir Sydney.

I will be here at PRO NED this morning, so any message will reach me here, if necessary. I will be back at Rising Sun House Friday a.m., but I have to go to Sweden 20th & 21st Dec. to advise on governance work they are doing here. Happy Christmas! Adrian.

COMMITTEE
ON
THE FINANCIAL ASPECTS
OF CORPORATE GOVERNANCE

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FOREWORD

The Committee welcomes the guidelines published by the Working Group on Internal Control and Financial Reporting and appreciates the work involved in giving effect to the intentions of paragraph 4.5 of the Code of Best Practice, in terms which makes it clear to boards of directors of listed companies what is expected of them.

The aim of paragraph 4.5 of the Code is to ensure both that there is an appropriate control system in place and that it is being applied effectively. Failures in systems of internal financial control were one of the causes of the setting up of the Committee. The Committee believes that the Working Group's guidelines are consistent with the spirit of Para 4.5., including the reporting requirements as to responsibility and the description of key procedures designed to provide effective internal financial control.

Directors may also wish to state their opinion on the effectiveness of their system of internal control. Such statements will be helpful as a means of working towards full implementation of this section of the Code.

In the meantime, compliance with the guidance issued by the Working Group will be regarded as constituting compliance with paragraph 4.5 of the Code. The Committee's successor body will put in hand a review of the working of the Code when it takes over in June 1995 and, in doing so, will have the benefit of practical experience of the way in which the guidance on internal control and financial reporting is being implemented.

Adrian Cadbury

13/12/94.