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Hay
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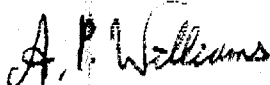
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Nigel Peace, Esq.
Secretary
Committee on the Financial Aspects of Corporate Governance
PO Box 433
Moorgate Place
London
ECP 2BJ

Dear Mr Peace

Attached please find the comments of Hay Management Consultants on the Draft Report of the Cadbury Committee. Please contact me if you have any questions.

Yours sincerely



A P Williams,
Director, Executive Remuneration

c:apw\lrs1

HAY MANAGEMENT CONSULTANTS COMMENTS ON CADBURY COMMITTEE DRAFT REPORT

Hay Management Consultants strongly support the general thrust of the Draft Report, particularly as it relates to Boardroom Remuneration, but believe that in certain respects it does not go far enough, especially in the area of disclosure of Directors' pay. Our recommendations for strengthening are as follows:

1. Membership of the Remuneration Committee of the Board should be relatively stable: it is probably not possible to set rules, but unless the same Non-Executive Directors are members of the Committee for at least three years in succession, they are unlikely to be able to develop either sufficient knowledge of the general considerations affecting Directors' pay (unless they bring it with them) or sufficient knowledge of the issues, history, culture, and personalities within a specific company.
2. Noting that the Finance Director and the Head of Internal Audit, where one exists, should have right of access to the Audit Committee, we believe that the Director of Personnel/Human Resources should have the same right of access on matters concerning Board Remuneration.
3. There can be no logical reason why disclosure of Directors' individual emoluments should be confined to the Chairman and highest paid UK Director: if the logic of disclosure is to provide shareholders with clearer indications of philosophy, policy and practice, it would be much more informative and reasonable for the same information to be given individually for all Executive Directors, with their names and functions specified. This information should include separate figures not only for salary and performance-related elements, but also for pension contributions and the value of other benefits, including share option and restricted stock arrangements, on a generally recognised valuation basis or on a cost to the company basis (whichever is chosen should be specified).
4. Review dates should be specified, and changes at each review date noted.
5. Case law will need to be developed on the way in which the measurement criteria for performance-related pay should be explained, but minimum requirements should be that:
 - Financial performance should be specified in a way that is in principle comprehensible by reference to the Annual Report and quarterly statements.
 - Non-quantitative criteria should be spelt out.
 - Thresholds and minimum, target, and maximum payments should be specified also.
6. The explanation given of stock option and share-related performance schemes should be simple and easy to understand by non-specialists.

Anthony Williams
21.7.92.