

MICHAEL JACKAMAN  
CHAIRMAN  
DIRECT FAX 071-323 1741

*a Sir Adrian*  
CAD-02161



ALLIED-LYONS

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8th July, 1992.

Sir Adrian Cadbury  
Chairman  
Committee on the Financial Aspects of  
Corporate Governance  
P O Box 433  
Moorgate Place  
London EC2P 2BJ

*Adn'd.*  
*M*

Dear Sir Adrian

At a recent Board meeting, the Allied-Lyons Board considered a digest containing a summary of the main recommendations of the Cadbury Committee, including the proposed Code of Practice.

The Board acknowledged the excellent work and achievements of the Committee, and approved a recommendation that I should write to you to confirm our general support for the proposals.

The Board of Allied-Lyons meets regularly, has defined powers and retains full and effective control.

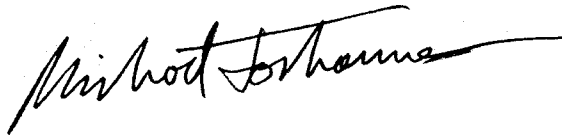
As a Board, we already have in place a Remuneration Committee and an Audit Committee both chaired by a non-executive director; the roles of Chairman and Chief Executive are separated; and we have a strong contingent of non-executive directors thoroughly involved in monitoring the business as a whole. Service agreements for executive directors do not exceed 3 years' duration.

Your Committee's proposal for a Nominations Committee is interesting. Although our current procedures for the appointment of non-executive directors are informal, final appointments are endorsed by the Board as a whole. The result is not dissimilar from your Committee's intentions; but we readily accept that a Committee of the Board be specifically charged with this duty.

Since our Board and related arrangements already comply very largely with the Committee's recommendations, subject to reviewing the nature of the Code, we shall no doubt propose implementation in due course.

Nevertheless we would prefer that the Code were voluntary rather than enforced in some way by statute, since it is our general belief that, as in most matters, people and personalities are more important than process.

Yours sincerely

A handwritten signature in cursive script, reading "Michael J. Thomas". The signature is written in dark ink and is positioned below the typed name "Yours sincerely".