

From Sir Simon Hornby
Chairman



30 July 1991

Ack'd. 9/8/91. GAA.

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Sir Adrian Cadbury
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Dear Adrian,

You wrote to me on 21 June about giving evidence to your committee. I am sorry that I have taken so long to reply to it, listing the headings which I feel we would like to discuss with you if you consider it would be helpful. However, I do know that you will be having a lot of evidence and will understand if you feel you have not got time to talk to me and Kevin Hawkins, the Corporate Affairs Director of W H Smith.

I list below the headings which we would like to discuss. These are not listed in any order of priority:

- 1 The responsibilities of the shareholder as owner. How is the shareholder as owner best kept informed. Should there be a differentiation between information given to large institutional shareholders and small individual shareholders.
- 2 The independence of the auditor. The role of the audit committee. Disclosure of information. Materiality.
- 3 The stockbroker's analyst. The power of the analyst in pushing the stockbroker's salesman to churn shares in order to earn commission.
- 4 The annual report and interim report. What information should be given.

There are of course other matters of corporate governance which could be discussed but I note from your letter that you have been specifically asked to look at the financial aspects and therefore I have omitted other headings which broaden the subject.

*Yours ever
Simon*