

# Cadbury plc

## Corporate governance principles

### 1. Introduction

The New York Stock Exchange (the "NYSE") requires that a company quoted on the NYSE should adopt and disclose corporate governance guidelines which address the following:

- Director qualification standards,
- Director responsibilities,
- Director access to senior management and, as necessary and appropriate, independent advisors,
- Director compensation,
- Director orientation and continuing education,
- Management succession, and
- Annual performance evaluation of the Board of Directors (the "Board").

Whilst Cadbury is not obliged to comply with this requirement (it only applies to US companies) the Board has decided to do so as Cadbury is committed to maintaining good standards of corporate governance and ethical behaviour. The Audit Committee will periodically review these principles and propose modifications to the Board for consideration, as appropriate.

### 2. Director qualification standards

#### 2.1 Personal qualities

The non-executive Board members should represent a broad range of experience from a variety of industries and professions. There should also be a diversity of background, gender, ethnicity, age and experience. All directors should have a proven record of integrity and good character, exhibit high standards of ethics and possess independence of mind, objectivity and the ability to challenge and stimulate management.

#### 2.2 Board and Committee independence

The Board represents and acts on behalf of all shareowners of the Company, not on behalf of any special interest group. A majority of the directors will be non-executives who meet the independence criteria of the UKLA Combined Code and the NYSE. The Company's Audit Committee, Nomination Committee and Remuneration Committee are composed entirely of independent non-executive directors, with the exception of the Chairman's membership of the Nomination Committee. Each non-executive will be asked to annually make an affirmative declaration of their independence, and to declare immediately if any relationship or conflict of interest potentially or actually impairs their independence and the Audit Committee will monitor compliance by directors on an ongoing basis. Directors may not participate in the consideration of any matter in which they have a personal, business or professional interest.

## **2.3 Membership of other boards**

The Chairman shall not serve on more than two other public company boards other than in exceptional circumstances, and with the approval of the Board.

A non-executive director may not serve on the boards of more than four other public companies, or five such boards if they are not an executive director on any of those boards.

An executive director may not serve on the board of more than one other public company.

No director shall serve on the board of a significant competitor or one of the Group's nominated peer companies.

## **2.4 Time commitment**

Directors must be able to commit sufficient time and effort to Board matters in order to ensure constructive and independent participation at Board and Committee meetings. Directors are expected to attend all meetings of the Board and of the Committees on which they serve, and to attend the Company's Annual General Meeting, and General Meetings if asked to do so, unless extenuating circumstances prevent this.

## **2.5 Term limits**

There is no term limit for executive directors. Non-executive directors will not, without detailed consideration by the Board, and without the approval of shareholders at the next Annual General Meeting, serve for more than three terms of three years each. At every Annual General Meeting of the Company, any Director who held office at the time of the two preceding Annual General Meetings and who did not retire at either of them, and any director who has been in office, other than as a director holding an executive position, for a continuous period of nine years or more at the date of the meeting shall retire from office. Any director who retires at an Annual General Meeting may offer himself for reappointment by shareowners.

## **2.6 Size and composition of the Board**

The number of directors on the Board shall not be less than two nor more than twenty.

## **3. Director responsibilities**

### **3.1 Principal obligations**

The Board is the ultimate decision making body of the Company, except for those matters reserved to shareowners. The directors' prime responsibilities are to fulfil their statutory and fiduciary duties owed to the Company and its shareowners and enhance the long term value of the Company. Directors must also take account of the interests of other stakeholders where appropriate.

In discharging these responsibilities each director should inform himself of all relevant information reasonably available to such director. In forming his judgment the directors are entitled to rely in good faith on the honesty, integrity and expertise of the Company's senior executives, its outside advisors and auditors.

### **3.2 Decision making guidance**

The Board has a schedule of matters reserved to it for decision and each Board Committee has written terms of reference, all of which are reviewed on an annual basis. The terms of reference of the Company's Audit Committee, Nomination Committee and Remuneration Committee are available on the Group's website.

The Chairman and Company Secretary, in consultation with the other directors, are responsible for establishing an agenda of matters for consideration by the Board, so that all items of interest or importance to the Board are seen by them on at least an annual basis. They will also propose the frequency and length of Board meetings, which shall include provision for an annual review of Company strategy, and for a meeting of the independent non-executive directors alone. If any additional Board meetings are needed, these would normally be called by the Chairman or Chief Executive Officer, but can be summoned by any director.

Directors must be familiar with and act in accordance with the Group's code of ethics ('Our Business Principles').

The Board will review its compliance with all aspects of relevant corporate governance regimes, especially in the UK and US but not necessarily limited to those countries, and agree on any necessary or desirable actions to correct any shortcomings identified.

The chair of each Board Committee shall in consultation with management annually establish agendas of the matters for consideration and action by that Committee. All directors are entitled to receive copies of all minutes of all Committee meetings.

Information and data required for the Board's understanding of the business and successful operation is distributed in writing to the Board before the meeting whenever feasible. Ideally, such information and data is distributed one week before a meeting to ensure that directors have time to prepare for the meeting.

If the Board or a Committee must meet at short notice, or if a matter for discussion is considered to be too confidential or sensitive to be put in writing, the requirement to circulate papers in advance of the meeting is waived.

### **3.3 Board interaction with third parties**

The Chairman speaks for the Board and senior management speak for the Company. Communications about the Company or Group with shareowners, analysts, the press, media or other interested parties are handled by senior management in most cases. Shareowners and other stakeholders may communicate directly with the Chairman or Senior Independent Non-Executive Director if they deem it to be necessary or appropriate to do so.

#### **4. Director access to senior management and as necessary and appropriate, independent advisors**

All directors have access to senior management and other employees whenever they believe it is necessary or desirable to carry out their duties and responsibilities. Senior Management will attend meetings of the Board and its Committees at the request of the Chairman to increase the Board's understanding of the Company's operations.

Each Director and each Board Committee is authorised to obtain outside legal or other independent professional advice. Each Board Committee is authorised to secure the attendance at its meetings of advisors with relevant experience and expertise if it considers this necessary (the fees for any advisors shall be paid by the Company). Subject to the Articles of Association of the Company and any guidelines the Company issues, each Director shall be reimbursed for professional fees or expenses they incur in taking advice from the Company's financial and legal advisors in relation to the performance of their duties.

#### **5. Director compensation**

A non-executive director (with the exception of the Chairman) may not receive any compensation or benefit from the Company or any of its subsidiaries other than directors' fees. Non-executives are encouraged, but not obliged to, elect to receive part or all of their fees in shares, purchased quarterly on their behalf.

The remuneration policy for executive directors is based on a number of core principles outlined in the attached appendix. Each executive director is expected to hold shares to the value of at least four times their basic salary.

The directors are entitled to have the Company purchase reasonable directors' and officers' liability insurance on their behalf and to indemnify them to the fullest extent permitted by law.

#### **6. Director induction and continuing education**

The Company provides a comprehensive induction programme for all directors when they join the Board, including 'Our Business Principles', background material on the Group, briefings with senior management and visits to some of the Group's key sites. This induction programme is usually completed over a period of six months after the director joins the Board.

From time to time, all directors receive presentations on the Group's strategy and business plans, performance, corporate governance matters and other areas relevant to their understanding and role. The Board will visit Company facilities on a regular basis as part of this education process.

The Company will pay the costs of any director attending an accredited director education programme.

Directors are also required to educate themselves with respect to industry practices, general management, strategic planning and international business issues.

## **7. Management succession**

A comprehensive presentation on management development and the identification of high potential or experienced managerial candidates to succeed present senior management and executive directors shall be discussed annually by the Board. The Nomination Committee shall review director succession planning on an annual basis.

## **8. Annual performance evaluation of the Board**

The Board has a formal annual self or independent evaluation. The specific areas covered by the evaluation will vary from time to time but will always include a consideration of corporate governance, strategic planning, Board structure and role. The Board reviews the results of the evaluation and identifies steps and actions necessary to enhance its performance and ability to manage the Company.

Approved by the Standing Committee of the Board on 30 April 2008

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Chairman

## Appendix

### Remuneration policy principles

Our remuneration policy for executives, including Executive Directors, is based on the following core principles:

- Basic salary is targeted generally between median and upper quartile of the Company's comparator group and at upper quartile for consistently strong or outstanding individual performance. This, combined with performance related variable elements, is designed to result in upper quartile total remuneration against delivery of superior business results and returns to shareowners;
- A portfolio of incentives and rewards balance the achievement of short and long-term business objectives;
- The performance conditions for our incentive plans (including the BSRP, LTIP and discretionary share options) are based on the measurable delivery of strong financial performance at constant currency (and on superior shareowner returns for the LTIP) and are widely understood by shareowners;
- Total remuneration potential is designed to be competitive in the relevant market, thereby enabling us to attract and retain high calibre executives;
- The total remuneration programme includes significant opportunities to acquire Cadbury shares, consistent with building a strong ownership culture;
- Executive Directors are expected to meet a share ownership requirement set at four times base salary, which is at the top end of such requirements in the FTSE 100. For new appointments, the Director is given a period of three to five years in which to satisfy this requirement. The share ownership policy applies to all senior executives in the business with a range from one to three times salary, depending on their level of seniority.