

Lord Myners
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

16 FEB 2010

12 February 2010

Dear Lord Myners

Thank you for your letter dated 28 January 2010. We welcome this opportunity to engage with you about these important matters.

In our fundamental active equity strategy corporate governance is a key theme and we meet with the companies that we hold positions in on a regular basis. With respect to the actions we have taken to engage with the banks in relation to their bonus decisions, we think of remuneration practices as an important element of corporate governance. Therefore, those companies' remuneration principles and compensation structure are included in the discussions at those meetings.

We believe that our interest as investors on behalf of our clients is best served by companies being profitable and to this end the payment of appropriate remuneration is clearly important. Our approach is founded on the belief that good pay practices should align management's interests with long-term shareholder value creation and that the disclosure of compensation criteria should be required. Moreover, compensation practices should allow a company to attract and retain proven talent.

In considering the practises of our investee companies, we consider factors relating to what we view as poor pay practices, including re-pricing or replacing of underwater stock options or stock appreciation rights without prior shareholder approval; special bonuses that are not performance based; practices that could incentivise excessive risk-taking; excessive tax reimbursements related to executive perquisites or other payments; and multi-year guaranteed payments.

In the UK we also look to the NAPF guidelines in this area. We will take account of the various practices which these guidelines highlight as potentially causing concern, such as the use of inappropriate benchmarks in setting pay, insufficient disclosure on compensation criteria, grants of options at a discount to market value, and notice periods in excess of one year.

We trust that this responds to your inquiry.

Yours faithfully



Sheila Patel & Andrew Wilson