AVIVA INVESTORS

10th February 2010

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

Dear Lord Myners,

Thank you for your letter of 28 January 2010 and your questions about the approach we have been taking on bank pay.

As a house we have sought to be clear and proactive in communicating our views and approach to the companies we invest in, both in terms of our general policy and, more specifically, in relation to our expectations. At the beginning of last year, for example, we wrote to the chairmen of UK listed companies (including the banks) setting out our views and expectations on remuneration in a communiqué that was also sent to remuneration consultants and share scheme lawyers. We have followed through on this, both in our engagement with banks and other companies, as well as in exercising the voting rights for which we are responsible on behalf of clients.

On banks specifically, we have met with the 6 main UK banks (including HBOS in 2008) 42 times over the last two years on governance, capital and other risk issues, individually as well as collectively through the Association of British Insurers. Of those, 18 meetings have dealt with remuneration issues and in 9 instances were followed by voting action, dissenting on the banks' pay practices and proposals, at annual general meetings. More broadly over the crisis, including Northern Rock and Bradford & Bingley, we have taken voting action on the banks' remuneration practices and proposals 16 times since the start of 2007.

We intend to maintain our approach in the current round of meetings with and consultations by the banks and will be looking to the authorities and UKFI to play their part in that dialogue. However, given the lack of any substantive information so far from banks on their current plans, we are not able to give you much of an insight as yet.

Unsurprisingly, we are clearly mindful in this regard of the importance of long-term sustainable performance, sound capital management and the problem of moral hazard. Not least, the position of the banks in light of the developing regulatory environment and Basel proposals are important considerations. We are also keenly aware of the continuing levels of leverage in the sector and the prospect of further write downs over the coming year, alongside the levels of debt maturity that the sector faces over the next three years.

Aviva Investors Global Services Limited No. 1 Poultry, London EC2R 8EJ
Tel +44 (0)20 7809 6000 Fax +44 (0)20 7809 7940 Email information.uk@avivainvestors.com www.avivainvestors.com

We will therefore be looking to see banks pursue a prudent, balanced and restrained approach that properly reflects new best practice guidelines and their long-run performance in relation to their capital position, exposures and shareholder value, as well as the need to remain competitive.

I hope that this is helpful in responding to your questions.

Yours sincerely

Paul Abberley
Chief Executive, Aviva Investors London