Insight INVESTMENT

10 February 2010

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Lord Myners
Financial Services Secretary to the Treasury
HM Treasury
1 Horse Guards Road
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Dear Lord Myners

I am writing to you in response to your letter dated 28 January 2010 in which you enquired about our engagement with banks in relation to their bonus decisions.

I would like, first, to state that we agree with your argument that remuneration policies ought to be aligned with the interest of shareholders and clients and that shareholders need to engage effectively with the companies they own. Historically Insight has had a strong reputation for shareholder engagement and socially responsible investment. This has traditionally been a feature of asset management businesses owned by insurance companies which provided a large and stable asset base from which to engage in these activities.

You may be aware, however, that in a deal agreed in July 2009, Insight Investment was sold by the Lloyds Banking Group to Bank of New York Mellon. As part of that deal, all equity assets under Insight's management, with the exception of a small specialist equity operation, have been transferred to Scottish Widows Investment Partnership (the in-house manager for Lloyds Banking Group assets). Consequently, our direct holdings of shares in banks (and our influence) is now negligible.

We remain large owners of the bonds of many financial institutions and, therefore, share your aims but we clearly lack the influence of an owner with a voting share. We, nevertheless, do incorporate governance risk indicators (covering board accountability, and remuneration, amongst other considerations) into our credit investment process.

Yours sincerely

Naupha

Abdallah Nauphal
Chief Executive