

11 February 2010

Lord Myners  
Financial Services Secretary to the Treasury  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 3HQ

Dear Lord Myners

Your letter dated 28 January 2010 has reference.

I fully agree with you that it is incumbent upon the leadership of major investment institutions to support the development of sustainable remuneration policies in the companies in which we invest our clients' money. Thank you for your leadership in this regard.

We are, first and foremost, responsible to the clients who have entrusted those assets to us. In representing our clients' interests, in relation to the investments made on their behalf, we recognise the responsibilities that go with ownership.

Our philosophy pertaining to corporate governance is that we will only pursue corporate activity that enhances shareholder value. Our primary goal is to manage our clients' investment according to our mandate. As a large active shareholder we do not pursue "corporate activism" simply for the sake of activism, we see it as an important tool in exercising our fiduciary responsibilities. As such we avoid becoming involved in managing companies, but act decisively where we consider it necessary to safeguard or unlock value as shareholders on behalf of clients. Often, the best course of action for our clients may well entail disposal of an investment rather than embarking on a course of action which is ideologically correct but has a low probability of success, thereby denying an underperforming business access to the capital of our clients.

Our corporate engagement process involves:

- Diligent monitoring of company management and results.
- Extensive voting action in respect of the investments we manage. For the UK equities under our management, we employ a specialist firm, RiskMetrics Group, to carry out proxy voting on behalf of Investec Asset Management and its clients. This is normally done in line with the NAPF voting guidelines. If directed by our clients or when we feel particularly strongly about a specific issue, we attend the annual meeting to express our view or participate directly in the voting process.
- Engaging in setting boundaries on governance, including remuneration.
- Engaging company boards and management regarding business strategy.

At Investec Asset Management we consider remuneration as one of a number of issues facing the banking sector today, but by no means the only one. Along with policy makers and boards of directors, investors also bear some responsibility for what happened to the banking sector. We required extremely, often unsustainably high returns on equity from the management teams of these institutions. This led to over leveraging and a desperate "war for talent", which resulted in compensation practices which should never have been tolerated. All stakeholders have a



responsibility to ensure that the banking sector returns to a sound footing, including professional investors.

For a variety of reasons we did not have large stakes in individual UK banks relative to our overall portfolio. Our engagement was therefore collective along the lines explained above. We agree with you that shareholders should protest against asymmetrical remuneration policies. I may also add, that not all banks were over leveraged or without sound long term remunerations structures.

Looking ahead we will continue to invest in industries and companies where management compensation is appropriately aligned with shareholder interests. When voting on remuneration reports and appraising the decisions of the remuneration committees of all companies in which we invest, not only banks, we will stick to our, well tested, engagement policy guidelines. Above all, we have to apply sensible judgement. Our clients expect nothing less from the stewards of their capital.

Yours sincerely

**Hendrik du Toit**  
**CHIEF EXECUTIVE OFFICER**