

March 2009

Dear Sir/Madam,

As long term responsible owners we would like to assist you in engaging more effectively with institutional investors and others on the subject of remuneration.

2009 will be a challenging year ahead for the economy and many companies. Our sense is that now, more than ever, you will want to minimise shareholder concerns and ensure your remuneration arrangements are encouraging desired behaviours by:

- Ensuring that performance targets for long and short term remuneration are aligned to the strategic direction of the company.
- Ensuring that the reasoning behind any base salary increases in excess of inflation for 2009 are fully explained,
- Avoiding investors interpreting base salary increases as compensation for non-payout of incentive schemes by fully explaining the reasoning behind them,
- Being careful not to introduce ad hoc schemes to compensate for reduced remuneration payable from existing schemes,
- Ensuring that underperformance is not rewarded through contracts of employment or discretionary payments,
- Ensuring no reward where performance has resulted from business practices that expose shareholders and customers to undue risk,
- Providing clear evidence of the basis upon which bonuses have been earned (if at all),
- Avoiding investors interpreting any bonus increases as compensation for static or below-inflation increases in base salaries by providing supporting arguments for bonus increases,
- Fully explaining why you are changing performance targets (if you are doing this), including why the previous targets are no longer appropriate,
- Clearly defining non-financial performance measures (if used), and

- Reassuring investors that claw back provisions are in place to manage instances in which prior performance related rewards have been erroneously earned.

We feel sure that attending to the points above will allay the concerns of the majority of investors (and other parties) on the issue of remuneration. This will enable you to engage more constructively and effectively with shareholders in a difficult environment.

If we can be of any more assistance or if you would additional perspectives on how institutional investors are likely to perceive your remuneration arrangements please feel free to contact us.

Yours sincerely



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