

Sue Smith

From: Iain.Richards@avivainvestors.com
Sent: 05 October 2009 13:27
To: Walker Review
Subject: Walker Review Response - July 2009 consultative document

Dear Sir David,

Aviva Investors is the global asset management business of Aviva plc, managing assets in excess of £222 billion (as at 30 June 2009) across a range of funds and asset classes. The business operates under a single brand with 1,430 employees in 20 locations across North America, United Kingdom, Continental Europe, and Asia Pacific.

We are writing to welcome the work that has been done by the Walker Review on the Corporate Governance of UK Banking Industry and to express both our broad support of the review's proposals and of the submission being made by the Association of British Insurers (ABI) in response to them. In addition to that, there are a few issues that we would like to touch on specifically, by way of emphasis, which I have touched upon below.

As a general point, we would urge caution about the degree of prescription that is implied in some recommendation (e.g. in relation to the FSA's use of advisers, time commitments or some aspects of the remuneration proposals). Part of the strength of the UK's approach to corporate governance has been its practical flexibility, underpinned by a focus on encouraging appropriate disclosure and, where appropriate, shareholder voting rights. Despite scope there is for fine tuning, this broad, flexible approach continues to have merit. Care is needed to ensure that overly prescriptive proposals do not detract from that, unless clearly warranted.

We are strongly supportive of the UK concept of the unitary board and collective responsibilities of each of a company's directors. With that in mind, we have some reservations about the proposed annual re-election of Chairmen and other proposals being raised for annual re-election of the chairmen of board committees as an alternative. Our preference, if reforms were to be pursued in this area, would be for best practice to call for all directors to stand for re-election annually. Such an approach would support the unitary board concept and avoid creating overly engineered and potentially cumbersome requirements.

Turning to the recommendations (16 to 20) on the Financial Reporting Council and the "Statement of Principles – the Responsibilities of Institutional Shareholders and Agents", we broadly support of the approach being proposed. However, we would consider a "comply or explain" model that focused on the 'house' policy and approach to be the right focus for this, as it would have broad applicability given its inherent flexibility and the minimal costs that should arise from providing that degree of transparency. In keeping with that, any proposal on disclosure of voting activities should also focus on voting under the 'house' policy and approach (i.e. where the investor effectively has discretion). A focused approach of this kind should offer clarity and, consistent with the FSA's Senior Management Arrangements, Systems and Controls requirements (e.g. SYSC 4.1.4), avoid creating an unduly complex or burdensome regime.

In relation to Recommendation 21, while the intention behind the proposal for a Memorandum of Understanding is understandable, there is a risk that this could have unintended consequences and become a deterrent or perceived barrier to collaborative engagement. This could be a particularly problem where cross-border collaboration was necessary, something that is increasingly common given the changing ownership of UK plc. Care does need to be taken in the development of guidance in this area to ensure that the output is appropriate, flexible and effective.

Subject to maintaining reasonable flexibility, achieving an appropriate balance in the role of the Remuneration Committee and structuring disclosures for 'high-end' executives such that it contextualizes them in relation to the business activities and risk adjusted performance, we are broadly supportive of the recommendations around BOFI remuneration.

We would be happy to discuss these points or other points further if that would be helpful.

Kind regards,
Iain

06/10/2009

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