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Review Secretariat
Walker Review

Email: feedback@walkerreview.org

01 October 2009

Dear Sirs.

We are writing in response to your invitation to submit comments on the recently published Walker Review.

1. Old Mutual plc

Old Mutual plc is one of the companies specifically named as a bank or other financial institution ("BOFI") to which the Review is proposed to apply.

Old Mutual plc is a FTSE 100 company, operating in a number of jurisdictions as an international long-term savings group. Our primary objective as a business is to preserve and grow the money that our customers entrust to us, either directly or through their advisers. We provide product solutions and services in life assurance, asset management, general insurance and/ or banking in 38 countries. We are regarded by the FSA as a Major Retail Group within the Insurance sector and apply the principles within relevant governance codes, including the Combined Code on Corporate Governance and the King Code of Governance for South Africa (and King III from March 2010) within the respective jurisdictions[1] in which we operate.

2. Overall comments

The recommendations contained in the Walker Review appear to us to be generally a sensible and reasonable evolution of good practice in corporate governance, risk management and remuneration practices and stewardship by institutional shareholders and fund managers.

However, we wonder whether the proposed uniform approach to the various very different organisations that fall within the proposed definition of a BOFI is necessarily the right one and whether a distinction needs to be drawn between the largest banks, which pose potential systemic risk, and other financial services organisations whose activities are not of comparable significance.

3. Boards

In order to discharge their obligations effectively, directors need to commit sufficient time to understand the business and gain insight to challenge executive management's decisions and proposed strategies appropriately.

We believe that it should be for each BOFI to determine the appropriate time commitment for its non-executive directors as part of their contractual agreements with the company's own Chairman having regard to the size, nature and complexity of its businesses and the issues faced from time to time. This time commitment may well increase significantly during certain periods of corporate activity and therefore we do not believe specifying a minimum time is helpful.

The interplay between the recommendations in the Walker Review and the FSA's recent policy statement on the approved persons regime needs careful consideration. There is a risk that, by markedly increasing the expectations around non-executive directors, they more readily fall into the category of people who are perceived by the FSA to exercise significant influence over regulated entities, thereby requiring them to be approved by the FSA. The implications of these proposals should be considered with the FSA.

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[1] in the event of a lack of convergence in the jurisdictions in which we operate, we apply the higher of local governance code requirements or the principles set out within the Combined Code.

Old Mutual plc is a public company limited by shares. Incorporated in England and Wales
under registered number 3591559. Registered office as above.

We fully support the focus on the long-term performance of the business; however, we are concerned that requiring annual re-election of the Chairman could undermine this focus.

We believe that the BOFI should have flexibility to determine the most appropriate evaluation process for its Board and standing committees and the frequency thereof, rather than this being prescribed. The case for external evaluation adding value commensurate with its cost has not been made.

4. Role of institutional shareholders

We support the view that institutional shareholders and fund managers should establish productive and informed relationships with boards of BOFIs in the interests of safeguarding shareholders' interests. We are, however, not convinced that committing to the Principles of Stewardship will achieve the desired objectives and are concerned whether these may be detrimental, in particular where a fund manager or institutional investor is adopting a passive investment strategy.

5. Governance of risk

We accept that the boards of BOFIs have a responsibility to ensure that significant risks are identified and that risk exposures are monitored and managed within an agreed appetite. Establishing a risk committee, as a standing committee of the board, chaired by an independent non-executive director, would allow risk oversight to be undertaken by a focused committee, allowing a fuller and more extensive discussion of the effectiveness of the risk management framework and practices, as well as key risk exposures and the Group's overall risk profile.

We believe that in large complex organisations, support from a management-level risk committee is fundamental to the effective performance of a Board risk committee.

.6. Remuneration

Good governance includes the principle that executives and senior management should be appropriately rewarded for achieving corporate objectives and targets. Achievement of these objectives and targets needs to be considered in the context of the agreed risk appetite and the need to support the long-term sustainability of a business. We recognise that the proposed increase in the remit of the remuneration committee would support the Board's role and responsibility to challenge effectively executive management's balancing of the risk-reward relationship (taking into account the agreed risk appetite). Centralisation of remuneration policy in large diversified international groups may, however, not be practical and may lead to conflicts (e.g. with decisions taken by boards of separately-listed subsidiaries).

While we believe that remuneration schemes should be structured taking risk and reward and short-term and long-term perspectives into consideration, we are not convinced the case has been made for a widespread application to other financial institutions of remuneration schemes that may be appropriate for banks (which have different remuneration structures).

Specifically, in relation to executives whose remuneration exceeds the median for executive board members:

- Deferral and clawbacks may lead to inflation in basic reward structures, as any uncertainty about ultimate vesting will lead to these elements of pay being discounted in employees' perception. This may result in an increase in basic pay/ salary costs related to key executive roles. In addition, application and administration of deferrals and clawbacks over three to five year periods may prove challenging and incur further additional costs for businesses.

- We do not believe it is necessarily feasible or desirable to implement a shareholding requirement for senior executives below Board level in large international financial services groups. In addition, vesting

of existing share awards is governed by existing share plan rules and cannot be varied arbitrarily or unilaterally.

7. Areas not covered by the Walker Review

We note that the Walker Review does not address the following matters, which we consider may warrant further consideration:

- Relationships between executive directors and the possible need for disclosure and accountabilities to be spelt out with greater clarity. It is arguable that some of the problems that arose with the banks resulted from failings in this area as much as from lack of challenge by non-executive directors or the risk function.

- The expected role of non-executive directors in the recruitment of executive directors and other senior executives other than the Chief Executive.

8. Conclusion

As indicated in our introductory remarks, we are supportive of the Walker Review and hope that you will find our comments constructive. Should you wish to discuss any of our comments in more detail, please contact our Group Company Secretary, Martin Murray, at the above address.

Yours faithfully,

P A J Broadley
Group Finance Director
Old Mutual plc