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OFFICE OF THE SECRETARY

7 April 2006

Nancy M. Morris, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-9303

RE: File Number S7-03-06 Executive Compensation and Related Party Disclosure

Dear Ms Morris:

I am writing to comment on the proposed executive compensation disclosure rules on behalf of F&C Asset Management, the second largest active manager in the United Kingdom. Our firm manages approximately $230 billion[1] and has substantial holdings in US companies. In addition to the scrutiny afforded by analysts and investment managers in this area, F&C employs a team of 14 people within its investment group to add further consideration of corporate governance. We actively encourage companies in which we invest to strive for internationally accepted good governance practices.

Strong corporate governance enhances the value of corporations over the long term and contributes to robust and healthy markets - and executive compensation is an important driver of proper governance. Independent directors should establish sensible, effective compensation incentives for top executives. All too often, however, directors appear not to have appropriately distanced themselves from management in order to negotiate pay packages effectively. Investors have witnessed spiraling executive pay, lavish awards of equity unconnected to firm performance, unreasonable perquisites and pay-for-failure in the form of excessive severance agreements. Greater transparency about all of the complex elements of executive compensation provides key data for investors to use in evaluating our director representatives and the performance of our companies and their executive leaders.

F&C thanks the Commission for its comprehensive proposed regulations to enhance disclosure of executive compensation. We believe these rules send a strong signal to boards about meeting companies' and investors' evolving needs. F&C joined with other European institutional investors to submit a letter of wide-ranging comment on the proposed rules. We are also aware of a letter submitted to the Commission from the Council of Institutional Investors on behalf of its members. However, we wanted to take this opportunity to send an individual letter to highlight several key areas of significant interest to our company.

[1] As of 31 December 2005.

- Enhanced tabular presentation and narrative discussion of various forms of compensation that more thoroughly describe total compensation
- Disclosure of retirement and other post-employment benefits
- Enhanced disclosure of severance and change-in-control payments
- Move toward a principles-based discussion in the Compensation Discussion & Analysis section with requirements to better describe the links between pay and performance
- Expanded approach to perquisites including the lower $10,000 reporting threshold
- Requirement for plain English

Despite the many positive elements of the proposed regulation, we believe that creating a truly meaningful disclosure regime on executive pay requires several additional elements. We urge the commission to seriously consider expanding its proposal in the following ways to create a balanced process that protects shareholders' interests.

Disclosure of Performance Metrics:

F&C believes that outstanding performance should be rewarded with outstanding pay. However, we do not have the data necessary to understand exactly how executive awards are tied to company performance. For this, companies require stronger regulatory guidance to disclose the actual targets that are used to evaluate executive performance and determine compensation awards. These data are crucial for investors to judge if targets are appropriately stretching and to evaluate if pay is properly aligned with the company's strategic plan.

We recognize that some short-term targets are commercially sensitive. However, the Commission's proposed "safe harbor" to protect commercially sensitive information is too broadly drawn and will allow companies to avoid the disclosure of meaningful performance targets. We believe boards should be able to disclose forward-looking, long-term performance targets without compromising the company or its investors. Where they cannot, they should identify and justify their reasoning. In addition, as all past performance of a company is well documented to the financial markets, companies should have no difficulty disclosing performance targets and compensation awards retrospectively. Therefore, we urge the Commission to require compensation committees to disclose long-term pay-for-performance targets, and to require that any short-term targets be disclosed retrospectively. Requiring such data would be the most meaningful addition to the current proposal.

Such disclosure standards do not break new ground. The current UK disclosure regime dictates enhanced transparency in this crucial area with no discernible competitive drawbacks for UK companies. In fact, providing investors with detailed information on performance targets allows for a more factual, robust dialogue between investors and independent directors about a company's strategic direction and its method for incentivizing executives to achieve stated goals.

Claw-Back Provisions:
As companies seek to tie company performance to executive compensation more tightly, it is important for investors to understand each company's provisions for reclaiming performance-related pay in the event that it was awarded incorrectly. The regulation should require all companies to develop and disclose their particular standards for recouping unearned performance pay in case of major financial restatements and other comparable adverse events. It is much more effective for companies to develop these policies outside of a situation involving key individuals, and so that executives know the policy prior to its deployment.

Compensation Discussion and Analysis (CDA):
We appreciate the Commission's efforts to add more regulatory authority to the compensation committee report by shifting to a CDA that is "filed" rather than "furnished." We also appreciate its effort to move to a more principles-based approach as well as the plain English requirement.

We have a few concerns in this area. Foremost, we believe that compensation reporting must remain firmly in the hands of the compensation committee rather than the CEO and CFO. In addition, we anticipate that "filed" status may lead to the unintended outcome of watered-down reporting rather than a robust discussion of the committee's philosophy, policies, strategy, outcome and challenges. It could lead instead to overly cautious reporting that relies heavily on boilerplate language developed by lawyers. Such a result, where one company's CDA is indistinguishable from another, undermines entirely the spirit of this rule-making. We agree with the comments made by the Council of Institutional Investors that enhanced guidance and meaningful enforcement by the Commission will be absolutely essential to ensuring the success of the CDA.

Putting Compensation Report to a Shareholder Vote:
In our view, the best way to assure a meaningful CDA, appropriately set and disclosed performance metrics and properly aligned executive compensation is to require that companies put the compensation report to an advisory shareholder vote. This would give investors proper oversight for executive pay and reduce the need for the Commission to police reporting. It would encourage companies to disclose data fully, argue their cases to shareholders persuasively and meet with large investors to discuss both their forward-looking strategies and current outcomes related to pay. A standing agenda item for an advisory vote on executive pay at all annual meetings would also provide investors with a straightforward method for communicating their views on executive compensation to the companies they own – and likely reduce the number of shareholder proposals on executive compensation.

As you know, the UK has used such a system since 2003. Both investors and companies have found it particularly beneficial in encouraging detailed disclosure of compensation and productive dialogues. By requiring companies to put compensation provisions to an advisory vote, the Commission would more easily accomplish many of its stated goals of enhancing transparency and ensuring that investors' interests are safeguarded. As the company must already write a detailed report, putting it to a shareholder vote would not be overly burdensome, provided that the company believes that its compensation is well aligned with its performance. The burden falls only on those companies where the report faces the possibility of shareholder rejection - exactly those cases where directors need to increase communication with shareholders and possibly revamp their approach to compensation. We acknowledge that conducting additional consultation with investors on executive pay plans does produce an administrative cost, but in our experience it is time and shareholder resource well-spent in relation to the potential long-term damage to shareholder value of problematic pay packages.

We thank you very much for your consideration of our comments on the current proposal. We also extend our sincere thanks to the Commission for its willingness to improve its regulation of the complicated and important area of executive compensation.

Sincerely,

Elizabeth E. McGeveran

Elizabeth E. McGeveran
Vice President, Governance & Socially Responsible Investment