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Mr Christopher Cox
SEC Chairman
100 F Street NE
Washington, DC
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16 June 2006

Dear Mr Cox,

We are writing in regard to the recent wave of investigations launched by the SEC and the US Justice Department into the timing of option grants at over 50 companies. Given the extent of the investigations and the potential ramifications for shareholders, Hermes believes that the SEC's proposed rule on executive compensation disclosure should address this issue.

Hermes is one of the largest pension fund managers in the United Kingdom and is the principal manager of the BT Pension Scheme and the Royal Mail Pension Plan. We also represent the ownership interests of the British Coal Staff Superannuation Scheme. These are three of the five largest pension funds in the UK. Hermes has approximately \$105 billion under management, of which around \$11.5 billion is invested in North American companies.

We understand that the requirement under Sarbanes-Oxley for companies to disclose any changes in beneficial ownership of shares by any insiders within two days largely prevents backdating of options. However, executives and outside directors still retain the discretion to determine the timing of option grants, which means that grants may still be favourably timed. This is highly problematic and seriously undermines the traditional justification for equity-based compensation, which is to align the interests of shareholders and executives.

We believe that the solution to this problem is transparency and clear rules which are set out in advance.

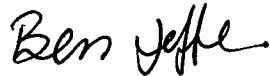
In our view, the terms of the plan under which options are granted should prescribe when grants are to be made – this may be on an annual, bi-annual or quarterly basis – and this information should be disclosed to shareholders annually in the DEF 14A. We point out that it is common practice for UK firms to have the timing of grants as a term in the plan. The mechanism for determining the strike price of options should also be prescribed in the terms of the plan and this should also be disclosed on an

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annual basis to shareholders. The DEF 14A should also disclose to shareholders who on the board and/or executive team is responsible for recommending and then approving grants to executives.

Further to your comments as reported in today's Wall Street Journal, that "[i]t is altogether possible...that there will be additional disclosure requirements," we want to stress that additional disclosure requirements, while necessary, are not, in our view, sufficient. We believe, as stated above, that the discretion currently enjoyed by boards, compensation committees, and executives should be curbed.

Yours truly,

A handwritten signature in black ink that reads "Ben Joffe". The signature is written in a cursive, slightly slanted style.

Bess Joffe