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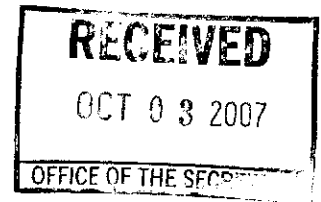
Norges Bank Investment Management

ABP
Investments

PGGM

HERMES
HERMES INVESTMENT MANAGEMENT LIMITED

The Honorable Christopher Cox
Chairman
The U.S. Securities and Exchange Commission
100 F. Street, N.E.
Washington, D.C. 20549-1090
USA



September 28, 2007

Re: "Shareholder Proposals Relating to the Election of Directors" (File Number S7-17-07) and "Shareholder Proposals" (File Number S7-16-07)

Dear Chairman Cox,

We thank you for our earlier dialogue on the proxy access issue and the opportunity to bring forward our comments to the above-mentioned releases to you and the other members of the Commission.

As institutional investors, the undersigned European institutional asset managers, Hermes Investment Management Limited ("Hermes"), Norges Bank Investment Management ("NBIM"), Stichting Pensioenfond ABP ("ABP") and Stichting Pensioenfond PGGM ("PGGM"), collectively have over \$ 915 billion under management, of which over \$ 260 billion is invested in US securities markets.

We are long-term owners in the U.S. market, both indexed and actively managed. As such we have an interest in a well-functioning market, and support the Commission in its long-standing work to ensure the best possible regulatory environment. We find, however, that there are still problems in exercising basic shareholder rights in many U.S. listed companies, because shareholders often have limited influence over the election of their board members. As described below we are worried about the consequences of this lack of good governance. We would therefore like to raise some

issues on the proposed amendments that purport to open up the process for more shareholder-driven governance improvements.

General comments on proxy access and accountability

The intensified discussion over the last year on so-called proxy access, and the SEC's recent work on the issue, are promising as they address the need for strengthening shareholders' ability to elect their common representatives on company boards, and thus increase the accountability of boards towards the owners of the company collectively. We would see such increased accountability as a major improvement of corporate governance in the U.S. A lack of accountability, still faced in many corporations today, constitutes a source of risk.

Shareholder influence in the composition of boards helps to build a proper system of checks and balances between managers (agents) and the board representing the principal. We recognise that the adoption of majority voting in an increasing number of companies, and the removal of classified board structures in an increasing numbers of companies, are significant trends that enhance accountability. However, the ability to nominate alternative candidates for consideration, at reasonable cost, is a feature that is usually lacking, and that in some circumstances can be crucial in improving accountability. Progress on the accountability of corporate boards will positively affect the attraction of U.S. equity for international investors.

Shareholders' right to propose board candidates

In our opinion shareholders should be granted a right to propose board candidates other than those proposed by the incumbent board, and this right should be accompanied by practicable procedures that ensure that the proposal reaches all shareholders in time to be considered for the vote at a general meeting. Many jurisdictions worldwide have incorporated similar measures with positive effects. The excessively costly option of launching a proxy fight does not offer a practical alternative, and, in any case, often distracts from the main issues.

Shareholders' right to propose governance measures

In our opinion, owners of a company should be granted the opportunity to propose measures they see as improvements in the governance of that corporation. We see discussions about governance at the company as a strength and not as a problem. Furthermore, we believe that progress towards greater accountability of the board, so that shareholders can be assured that the board works as their trustees, will over time result in lower need for activity around non-binding shareholder proposals.

Against this background, we appreciate that the SEC in one of its two releases proposes to institute a right for shareholders to propose governance changes related to director elections. Letting such proposals come forward will give shareholders a better opportunity to show support for what they see as needed reforms.

We strongly advise the SEC not to close the door for shareholder proposals to amend or adopt bylaws that deal with proxy access as considered in one of the two proposals

from the Commission. This would be a step backwards, away from stronger accountability.

Additionally, we would be worried should the SEC propose rules that would put an end to non-binding resolutions, as suggested by questions raised by the Commission. History has shown such resolutions to be a prelude to important and valuable corporate governance improvements in the U.S., and the experience is that shareholders act constructively and in the interest of corporate value creation when voting.

Requirement of 5% holding

Shareholder proposals on corporate governance – also on director elections – are more of a benefit than a drawback to the governance of the corporation. Against this background we cannot see the reason for a threshold as high as a five-percent holding as a qualification for presenting shareholder proposals on proxy access.

As an illustration of how restrictive this 5% threshold would be, our four funds – individually some of the largest diversified funds globally – even collectively would rarely be in a position to propose a shareholder resolution on director election under the proposed rule.

The effect of such a high holding requirement would most likely be almost no shareholder proposals, especially in companies with the most dispersed ownership. The one-year holding requirement and the extensive disclosure requirements proposed elevate this problem further. A wide ownership base is a strong quality of the U.S. stock market and something that especially characterises large companies. We feel that large companies and companies with dispersed ownership should be exposed to at least the same level of corporate governance activity from its owners as smaller companies and companies with more concentrated ownership.

With today's information technology we do not really see that a slightly higher number of proposals would represent significant costs for the company or the shareholders. We would be open-minded as to what should be the voting threshold requirements for bylaw changes to be *approved*. But we cannot see that the SEC makes any strong arguments for constructing an exceptionally high threshold for bylaw *proposals* on election processes specifically. For these reasons we favor a much lower threshold. We would be interested in discussing with the Commission which criteria should be applied for setting an appropriate threshold.

Requirements related to long term holdings

We prefer that all shareholder rights accrue proportionally to the holding and immediately upon purchase of the stock. This principle is in general upheld in the U.S. market as regards rights such as dividend and voting, and should also apply for proposals for the general meeting¹. We therefore do not agree with the proposed one-year holding requirement for shareholders who want to raise an election proposal.

¹ Agreeably, current shareholder proposal rules have a one-year requirement, which because of the low holding requirement of \$2,000 have little practical significance.

This aspect becomes acute as soon as the holding threshold is increased from today's largely symbolic requirement for making proposals. Furthermore, on a practical level, we fear that any consolidation of holdings over a one-year horizon may constitute severe administrative and compliance difficulties for some investors who might under other circumstances be interested in sponsoring a proposal.

Disclosure requirements

We see no substantiated need for the excessive disclosure requirements proposed for sponsors of proxy access proposals. The production of a proxy access proposal does not constitute an attempt to exert control over the company, but merely an effort to promote governance principles. We are convinced that only proposals that promote transparent, generally accepted and best-practice oriented election procedures would have any chance of obtaining the requisite shareholder vote. Shareholders will easily familiarize themselves with such proposals, and will have no need for the data required by Schedule 13G and the proposed amendments to assess the issue. The production of the proposed disclosure would be extremely impractical and expensive. We suspect that most institutional investors will view the required level of detailed record keeping and reporting as incompatible with routine investor-company dialogue. The likely effect of the proposed disclosure requirement, if approved, is that there will be practically no use of the formal access to make such proposals.

A national market standard

Although a market-wide right to propose improved election procedures at individual companies, with the amendments discussed above, would mean progress on the accountability issue, we ask whether it would not be even better for the SEC to promote a universal nomination and election process that would grant investors reasonable rights to propose board candidates. By doing so, the SEC would take responsibility for a high-quality, balanced reform that would increase transparency and reduce costs for investors in following up their ownership rights. Institutions like us typically hold hundreds of U.S. stocks. Therefore, an increased diversity in election rules would add to the cost and complexity of making good use of our rights. With the SEC instead opting for universal election rules, shareholders will have less need for pushing secondary solutions, and governance structures in corporate America will emerge simpler and stronger.

We commend the SEC for discussing new ways to utilize electronic communication tools for increased dialogue between companies and investors, but we emphasize that this cannot substitute more substantial reforms.

* * *

In conclusion, we would welcome a general opportunity for shareholders to propose governance changes, such as proxy access, in the absence of market-wide rules granting such rights. However, we do not agree with the proposals related to the holding requirements in terms of minimum volume or minimum time of ownership, or the required disclosure. We call on the Commission to reconsider the requirements, so that the intended opportunity to raise important proposals shall have real effects in

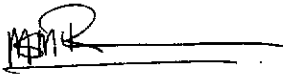
strengthening the U.S. equity market. We clearly recommend the SEC not to pursue its alternative proposal that bars investors from proposing proxy access.

In the past, all four of us have had good discussions with SEC members over this issue, and we would be pleased to continue this dialogue.

Respectfully,

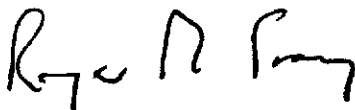


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