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Nancy M Morris, Secretary
Securities & Exchange Commission
100 F Street NE
Washington, DC
20549-1090

15 September, 2006

Dear Ms Morris,

Release No 34-54122; File No S7-11-06

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 respond on behalf of the British Coal Staff Superannuation Scheme. These are three of the five largest pension funds in the UK. As well, we respond on behalf of the BBC. Hermes has approximately \$105 billion under management and a further \$17.5 billion under advice, of which around \$11.5 billion is invested in North American companies.

Hermes believes that companies with informed and involved shareholders will outperform in the long-term as oversight by shareholders encourages management to pursue strategies that achieve superior long-term shareholder returns. Consequently, Hermes has for some time taken an active interest in the performance of boards and their observance of corporate governance best practice.

Further to this, we respond to the Securities and Exchange Commission's ("**SEC**") Concept Release concerning management's reports on internal control over financial reporting. In general, we are pleased with the SEC's recognition that further guidance is required. Public interest concerns demand that disclosure be as fulsome as possible and that management perform the best evaluations they can.

In providing further guidance, we recommend that the SEC adopt a principles-based approach rather than creating rules which can easily become a tick-box exercise for managers to complete.

As well, we advocate flexibility, particularly with respect to evaluation frameworks. As significant long-term shareholders in companies, we would very much like the SEC to strike an appropriate balance between ensuring management is performing stringent evaluations and ensuring that companies have the flexibility to adopt

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frameworks that work for their specific contexts. We see no need to impose a one-size-fits-all approach as this may lead to unnecessary costs to issuers and, in turn, to shareholders. A flexible approach would be particularly beneficial to smaller companies.

With respect to foreign private issuers, we also see an opportunity to lower compliance costs ultimately borne by shareholders: we urge the SEC not to duplicate disclosure and evaluation requirements that such issuers already meet in their home jurisdictions.

In order to avoid excessive costs and to address some past problems (i.e. "too much work was done to test and document low-risk areas"), we advise the SEC to provide general examples in the guidance as to what areas are necessary to cover and what areas are not.

We are pleased that the SEC has been responsive to concerns set forth by market participants in this instance and are appreciative of the opportunity to provide our input to the process.

Yours truly,

A handwritten signature in black ink that reads "Bess Joffe". The signature is written in a cursive, flowing style.

Bess Joffe
Manager