



Lloyds Chambers  
1 Portsoken Street  
London E1 8HZ  
United Kingdom

Tel: +44 (0)20 7702 0888

Fax: +44 (0)20 7702 9452

[www.hermes.co.uk](http://www.hermes.co.uk)

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

3<sup>rd</sup> February 2006

**RE: Internet Availability of Proxy Materials**

Dear Ms Morris,

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. Hermes has approximately \$105 billion under management, 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.

We strongly believe that shareholders' right to vote at both annual meetings and special meetings is paramount to their ability to oversee both boards of directors and management and that this oversight in turn adds value to companies.

We have reviewed the proposed rule regarding the internet availability of proxy materials (the "**Proposed Rule**") and are generally supportive of it in its current form. We share the belief asserted that in today's society, making documents available electronically makes sense for both issuers and shareholders provided, of course, that shareholders be entitled to opt into the proposed regime.

Cont'd/

We note that it would be desirable for the Proposed Rule to ensure that the Notice of Internet Availability of Proxy Materials (the “**Notice**”) that would be mailed to shareholders also contain a self-addressed, stamped envelope for replies from shareholders who do wish to receive paper copies of the materials. In this way, costs that are currently borne by issuers would not be shifted to shareholders.

In terms of the question about whether the Notice should be sent to individuals or households, we assert that it should be sent to individuals. Various members of the same household may have different internet access and/or ability and thus the decision as to whether or not to receive printed proxy materials should be an individual one.

We also suggest that all relevant information held by the issuer should be furnished in the Notice. By so doing, issuers will allow individuals to make fully informed choices when opting for the type of materials they would like to receive. This would also serve to strengthen the relationship between issuers and shareholders by encouraging comprehensive communication.

With respect to a question raised on page 19 of the Proposed Rule which asked whether or not shareholders who request printed proxy materials should be charged by either an issuer or another soliciting person, we emphatically reply no. If adopted, the Proposed Rule should only serve to provide shareholders with more options and should not in any way serve to deter them from receiving information to which they are legally entitled in either format.

Online copies of proxy materials should be in PDF format. This is far easier than HTML to read and ensures that the material provided online would be identical to the print copy.

We think that issuers should send the Notice annually to their shareholders; people’s access to internet can change over time as can their preferences.

Finally, we agree that any proxy materials regarding business combinations should continue to be mailed to shareholders in paper format. These materials are often quite lengthy and complicated and thus it could be onerous for shareholders to read them online or print them at their own expense.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Paul Munn', written in a cursive style.

Paul Munn  
Commercial Director – Governance & Engagement