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## Press Release

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11th May 2006

Hermes Pensions Management (Hermes) announces that Nick Mustoe, Chief Investment Officer, is leaving at the end of May and taking up a position as CIO at Pictet Asset Management on July 1<sup>st</sup>.

Hermes has appointed a search consultant to find a new CIO but will also distribute some CIO functions to individual heads of core asset classes. This structure will allow greater autonomy and control at this level, in line with changes at other multi-strategy investment firms. A number of senior individuals already head up the core areas including Mike Carter of Fixed Interest, James Walsh of Alternatives, Ingrid Kirby of Index and Investment Services, Angela Orriss of UK Equities, Rupert Clarke in Real Estate and Rod Selkirk in Private Equity. James Walsh as Director of Strategy also has responsibility for asset allocation.

Mark Anson, Chief Executive of Hermes, commented:

"I am sorry to see Nick depart and we wish him well in his new position. I'd like to thank him for the significant contribution he has made to Hermes over the years."

"I am struck by the tremendous strength and depth of the investment culture at Hermes. Nick's departure provides an opportunity to take advantage of the depth of our talent and to create a more devolved structure for the organisation. We believe this has benefits and should provide a more responsive investment structure as the organisation continues to grow and develop.

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**Hermes Pensions Management (Hermes)** - Hermes is a leading pension fund investment manager, independent of any broader financial services organisation. Hermes' market-leading investment strategy has for many years been based on the index/specialist approach

and is increasingly being adopted by other large pension funds. Hermes currently invests over £65.5bn (as at 31/03/06) on behalf of around 240 clients including pension funds, insurance companies, government entities and financial institutions, as well as charities and endowments. However, Hermes' largest client is the BT Pension Scheme (BTPS), who as owner of Hermes, gives its investment management perspective a unique insight and close alignment to the needs of other long-term investors and pension funds. Some of Hermes' other major clients include the pensions funds of Royal Mail, Unilever, Nippon Life (Japan), CalPERS (USA), PGGM (Netherlands), OTPP (Canada) and around 40 UK Local Authorities.

Hermes places great emphasis on exercising stewardship rights in all the companies in which it invests, particularly because it has long-term holdings in index stocks and is therefore necessarily exposed to under-performing assets. As a result, it is at the forefront of the corporate governance movement in the UK. Hermes is the first major investment institution in the world to have established both UK and European shareholder engagement funds - the Focus Funds. Having identified companies underperforming their indices, Hermes' intervention and involvement as long-term shareholders aims to unlock the latent value that exists within the companies in which it invests.