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## Press Release

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**4 December 2007**

### **HERMES ANNOUNCES MAJOR INVESTMENT IN ITS ASSET MANAGEMENT BUSINESS AND CONFIRMS NEW CEO APPOINTMENT**

Following the completion of a comprehensive strategic review of its business, Hermes announces that it is embarking on a £50 million investment programme in existing and new investment capabilities and support infrastructure. The investment is part of the strategy to develop Hermes' specialist alpha asset management activities to create a multi boutique Investment Management business.

Hermes also confirms today the formal appointment of Rupert Clarke as CEO of Hermes. For the last four months Rupert Clarke has been running Hermes as acting CEO, at the same time as continuing his role as CEO of Hermes Real Estate. An executive search process has commenced to identify a new CEO of Hermes Real Estate.

Key features of the investment programme and strategy are;

- Major investment in the systems, risk and operational support platform
- Significant expansion of third-party marketing, distribution and client servicing
- Additional investment being made available to seed new investment products
- Targeted acquisition of new investment teams and individuals to complement existing capabilities
- Restructuring of compensation packages to offer participation in the growth in enterprise value and profitability of the business, alongside the established rewards for delivering out-performance.

As part of the delivery of the strategy, Hermes has created a specialist pension fund management team within the Group to focus on servicing BTPS's strategic needs. This will allow the Hermes asset management business to accelerate the development of its third party capabilities in parallel with the delivery of existing services for BTPS. The pension fund management team is to be led by Nigel Labram who is currently head of Strategy and Alternatives.

Commenting on the announcement, Richard Bernays, chairman of Hermes said;

"The executive team have done a magnificent job in developing this strategy, led by Rupert Clarke. I am confident that Hermes will continue to deliver excellent service to BTPS alongside building an exciting third party specialist asset management business."

Rupert Clarke, the new Hermes CEO said;

“Hermes has some unique advantages and a very special place in the UK investment industry. Working with my fellow executives and with the full support of the Hermes Board and the BTPS Trustees, this represents an excellent opportunity to grow a market leading Investment Management business.”

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Further information:

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**Notes to Editors:**

Hermes is a leading pension fund investment manager, independent of any broader financial services organisation, with £52.4bn under management\*. Being 100% owned by the BT Pension Scheme (BTPS) – the UK’s largest, we are uniquely placed to understand the issues faced by pension funds and other long term investors.

Hermes invests assets on behalf of 240 clients\* including pension funds, insurance companies, government entities and financial institutions, as well as charities and endowments.

Recognised as a pioneer of core / satellite investment and its evolution into beta and alpha separation, we are at the forefront of delivering long term investment solutions. As the investment advisor and manager of the BTPS, our approach is reflected in the strong returns we have delivered.

We offer investment solutions, including alternative strategies such as commodities, hedge funds, our engagement focus funds, real estate and private equity. Additionally, we help pension funds meet the highest standards of responsible long term ownership through our innovative Equity Ownership Service provided by Hermes Equity Ownership Services Limited.

\* As at 30 Sept 2007