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Press Release

6 June 2007

Hermes joins major ESG initiative in Australia

Hermes Pensions Management is joining seven other major institutional investors in Australia as founder shareholders of Regnan, a specialist governance research and engagement service provider. Regnan will enable institutional investors to consider all aspects of investee companies' environmental, social and governance (ESG) performance.

Other launch shareholders include some of the largest institutional investors in Australia including ARIA, BT, HESTA, Vanguard, VFMC and VicSuper. These shareholders hold Aus \$50 billion in Australian equities which is equivalent to c12% of institutional investment in the Australian Stock Market (5% in total). Their overall assets are in excess of Aus \$300 billion.

Regnan has a proven collaborative engagement model which has been developed over five years as BT's Governance Advisory Service (GAS). As well as engaging directly with companies, Regnan will draw on the research capabilities of Monash University's Sustainable Enterprises for its ESG research, which has been analysing ESG risks at Australian companies and providing input to the GAS team for several years. The research will form the basis of many of Regnan's engagements with companies.

Interest in ESG among Australian institutional investors has continued to increase following the launch of the United Nations Principles of Responsible Investment in 2006.

Paul Lee, Director of Hermes, said:

"We are delighted to be participating in this important initiative which should result in a step-change in creating value in the Australian investment landscape. Regnan's research and engagement capabilities should enable the alignment of institutional investment practices with long-term investment performance."

Ends

Further information, please contact:

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Notes to editors attached

Hermes Pensions Management Ltd.

Press briefing note

Issued Quarter Two 2007

Hermes is a leading pension fund investment manager, independent of any broader financial services organisation. With assets of over £70 billion* Hermes is the third largest UK pension fund manager**. 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 currently invests assets on behalf of around 240 clients including pension funds, insurance companies, government entities and financial institutions, as well as charities and endowments. Some of Hermes' other major clients include the pension funds of Royal Mail, Unilever, British Coal, Nippon Life (Japan), CalPERS (USA), PGGM (Netherlands) and 39 UK Local Authorities.

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.

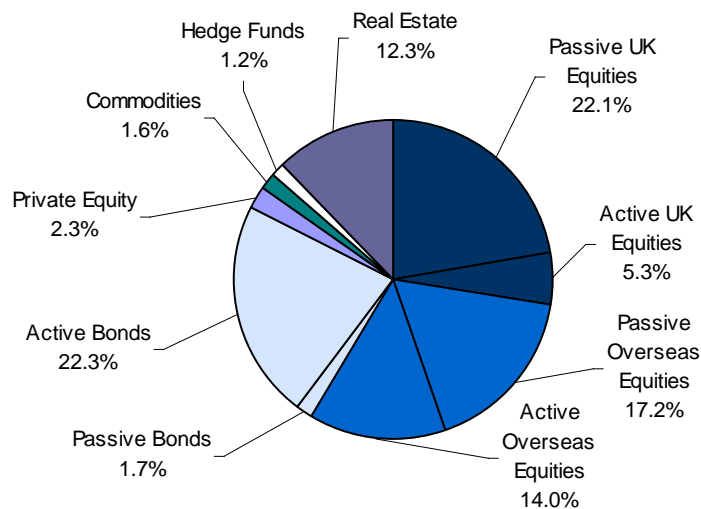
We offer a full investment solution or just component parts, including alternative strategies such as commodities, hedge funds, our engagement focus funds, real estate or private equity. Additionally, we help pension funds meet the highest standards of responsible long term ownership through our innovative Equity Ownership Service (EOS).

* As at 31st March 2007

** Source FTFM Survey June 2006

Assets Under Management

as at 31 March 2007



Through its exposure to index stocks, Hermes has established a broad knowledge of business sectors which enables it to make high profile investments in direct private equity, as well as private equity funds. Hermes has widened its range of alternative asset products with the launch of the Hermes Absolute Return Fund (HARF), a new hedge fund investment strategy designed specifically for pension funds, and the Hermes Commodity Index Fund, which will give pension schemes exposure to commodity prices via futures. In addition, Hermes operates an integrated portfolio management and research-based approach to real estate investment, ensuring that only high quality properties, which are well located and highly competitive in their local market places, are targeted for acquisition. As well as offering segregated investment, it also offers pooled real estate investment through the Hermes Property Unit Trust.

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.

Hermes has developed its governance service even further by offering the Hermes Equity Ownership Service (EOS). EOS offers pension funds the highest level of equity stewardship by providing a single integrated stewardship overlay across a scheme's equity holdings, regardless of who is the underlying fund manager. It is particularly appropriate for schemes with large equity holdings, and those who recognise the value of good stewardship in adding value to their equity investments.

Hermes has a long history of innovative long-term fund management. Originally known as PosTel, the in-house manager of the Royal Mail (previously the Post Office) and British Telecommunications superannuation pension funds, Hermes was created in 1995 when it became wholly owned by the BT pension scheme. A continuing aim to generate value for the Royal Mail and BT pension schemes remains central to Hermes' activities; however, its expertise has attracted several other major investors from all areas of the economy.