

Dear Sir/Madam,

We are writing to you to confirm our support for the proposed development of accounting standards for share-based payments.

We have long been concerned by the corporate attitude that options are 'free' when quite clearly there is a transfer of value occurring, from shareholders to executives. Naturally this misconception has led to significant option grants, particularly in the US where the numbers can be astronomical.

We believe that the proposed accounting standards will reveal the nature and 'cost' of these awards and will therefore encourage Remuneration Committees to exercise greater restraint with respect to the magnitude of awards. We anticipate that the proposals will have the additional benefit of reducing the use of option plans in favour of share-based schemes that are more aligned with the interests of long term shareholders.

Yours sincerely

David Snell
Corporate Governance Analyst

David Snell
Hermes Pensions Management Ltd
Lloyds Chambers, 1 Portsoken St, London, E1 8HZ
Tel (Direct): 020 7680 2378
Fax (Direct): 020 7680 2463
E-Mail: D.snell@hermes.co.uk