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Via Email to:

Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street NE
Washington DC 20549-1090

Re: File Number PCAOB-2017-01

18 August 2017

Dear Mr Fields,

By way of background, Hermes Investment Management is an asset manager with approximately \$38.5 billion of assets under management. Our stewardship team, Hermes EOS, provides stewardship services, including corporate engagement and voting recommendations for around 40 international pension funds with assets of approximately \$330.4 billion. We engage with companies on our clients' behalf on matters that may affect their long-term value. We also engage on matters of public policy that may affect the long-term value of our clients' assets, in particular the public equity assets that they own.

Hermes EOS is writing to support the proposed rule changes in relation to the audit report and in particular the critical audit matters. We believe that the current auditor report contains little that is useful to shareholders or indeed other stakeholders in US public companies.

The proposed inclusion of critical audit matters will help investors in their analysis of the company and its management. It will also help us assess the quality of the audit and the audit firm. This in turn will help investment decision making. We also believe that the changes should help improve the quality of the debate and discussion between the external audit firm and the audit committee which in turn may help the board in its oversight of management.

Our experience in the UK, where similar rules have been enacted, is that they have been a positive change which has helped in our engagement with boards and management.

We see the additional costs, which are borne by shareholders in any case, as minimal as the work to present the critical audit matters to the board should already be carried out by the audit firm. It is merely therefore a question of inconsequential disclosure costs. We would add that our sense is that shareholders are happy to bear any increased cost for the benefits of the improved disclosure and interactions that we have discussed earlier.

We also believe that the disclosure of auditor tenure is a useful piece of additional information to help shareholders judge the independence or otherwise of the audit

firm. Again, our experience in Europe where long tenure is being challenged by regulation has shown that as far as we can judge audit quality is not being affected by the replacement of long-tenured audit firms. Such long tenure concerns us as we do not see how it cannot but affect auditor independence.

We are happy to discuss any of the issues in this letter or the wider issues surrounding audit quality.

Yours sincerely

A handwritten signature in blue ink that reads "Tim Goodman". The signature is written in a cursive style with a long horizontal stroke at the beginning.

Tim Goodman
Director – Engagement
Hermes EOS

