

Ms Elizabeth Murphy
Secretary
US Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

15 September 2009

Dear Ms Murphy

RE: File number S7-13-09 – Proxy Disclosure and Solicitation Enhancements

We are writing further to the SEC File number S7-13-09 regarding the proposed amendments to SEC Rules (the Proposal) which, if passed, would enhance the level of disclosure provided by companies in their annual proxy statement.

By way of background, Hermes Fund Managers Limited is owned by the British Telecom Pension Scheme, the UK's largest. Hermes manages the portfolios of over 200 other clients including many major pension schemes. Hermes Equity Ownership Services (EOS) also advises non-investment clients on governance and corporate engagement matters in respect of about US\$65 billion of equities. These clients include Ireland's National Pensions Reserve Fund, Canada's Public Sector Pension Investment Board, Australia's VicSuper, Lothian Pension Fund, Pensioenfonds PNO Media, and PKA, one of Denmark's largest occupational pension funds.

We are extremely supportive of the SEC's Proposal and assert that the current market conditions in the US evidence the need for increased transparency, clarity and disclosure on key issues including compensation practices, board leadership structures, and the oversight for risk at companies.

Given that we broadly support the SEC's effort at a policy level, we have only a few comments on specific key points, outlined below.

Enhanced Compensation Disclosure

We support the SEC's proposed enhanced compensation disclosure requirements. While the 2006 changes have resulted in improved levels of disclosure, the current rule is still too limited in requiring only disclosure about senior executive-level compensation. A number of studies and international bodies, including the IIF, have found that pay – including at levels far below executives – was a significant contributing factor to the financial crisis. Bonus mechanisms at various financial institutions incentivized undue risk-taking, and these decisions were often made by traders or heads of trading desks who were paid huge sums in annual bonuses, without any adjustment for risk. The short-termism that these bonus structures also led to was very problematic. We urge the Commission to consider more particularized disclosure of income for non-NEOs who head divisions where there would be disclosure of compensation policies affecting significant risk situations.

As such, we are pleased that the SEC has made an attempt to require issuers to disclose compensation policies for employees who may have a wide discretion to undertake risky strategies. We do ask, however, the SEC to clearly require disclosure of the performance measures attached to variable compensation paid to these individuals as well as any relevant



holding and/or vesting periods for equity awards, such that shareholders can understand the behaviours that the pay is meant to incentivize. Providing this information to shareholders will facilitate our ability to be responsible owners. It will also force the board – and compensation committee members in particular – to look at decisions that are being made across the company and make sure that they are accountable to shareholders for these decisions.

We would also support the SEC providing additional clarity around the expectations for compensation disclosure. In particular, while we are pleased that many companies have provided clearer and more fulsome accounts of compensation plans to shareholders since 2006, we still find that there is a lack of detail particularly around performance measures and hurdle rates. We encourage the SEC to clearly state that the following information should be provided to shareholders:

- All compensation plans and how they are linked to the company's long-term strategy;
- All types of awards that may be awarded under the various plans;
- The specific performance measures attached to various awards; and
- The hurdle rates that must be achieved for various levels of payout.

It would also be most helpful if the following information would be required by the SEC in a clear and consistent manner for all officers:

- Total value of all "golden parachutes" for each individual who has such an agreement;
- Whether or not the company provides tax gross-ups; and
- Whether or not the company has clawback provisions.

Enhanced Director and Nominee Disclosure

We support the SEC's proposed amendments regarding director and nominee information. Providing shareholders with improved information will allow us to ensure that we are making more informed decisions about the election of individuals to boards. Too often in the past it has been unclear what value and experience individuals have brought to particular boards; we believe the enhanced requirements will push boards to make more considered choices and be more accountable for their decisions. In the face of improving shareholder rights in the US context, including shifts to majority voting for directors and potentially proxy access, it is imperative that shareholders are provided with more information about nominees and incumbents.

New Disclosure about Company Leadership Structure and the Board's Role in the Risk Management Process

We strongly support the SEC's proposed disclosure requirements regarding the company's leadership structure and the board's role in risk management processes.

The current economic climate has revealed many problems and therefore we believe that it is a sensible time for boards to review their structures. We have, over the past 2-3 years, urged US companies to strongly consider appointing an independent Chair who will be accountable to shareholders. We do not generally think that lead or presiding directors without a robust scope of duties, or those appointed on a rotating basis, are able to provide a sufficient level of accountability to shareholders. Our expectation now, thus, is that upon CEO succession, the roles be split and an independent Chair be appointed to the board, for approval by shareholders at the next AGM.

We have, however, been frustrated in our discussions with many companies who are not inclined to shift away from the standard combined role that is so common across the US. As such, we encourage both the SEC and state legislators to press for this change at all public companies. We therefore commend the SEC's proposals to require a more considered, qualitative analysis, on an annual basis, from companies. We hope – and believe – that if boards are forced to justify their structure to the company's owners in a clear manner, it will become apparent to them that their current structure may be lacking in terms of the accountability of management to the board and may inspire change.

We further commend the SEC's proposed requirements regarding improved disclosure about the board's role in the risk management process at the company. Directors are elected by shareholders and, as such, should be accountable for oversight of all fundamental company activities – and the current crisis crystallizes the need for risk management oversight. It is valuable to shareholders to understand how risk management works in the company, how the board oversees this, who presents to the board, how often, how risk is continually evaluated by both management and boards, and how decisions are taken.

New Disclosure Regarding Compensation Consultants

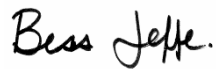
We support the SEC's proposal to require improved disclosure regarding compensation consultants. These consultants play an important role in how board-level decisions are made and in other markets, for example in the UK, compensation consultants regularly accompany compensation committee chairs to meetings with investors in order to better explain how and why certain compensation plans are put forward or decided upon. It is key for these consultants to be independent from management and to avoid even the appearance of a conflict of interest. We believe that the disclosure proposed by the SEC will help safeguard against conflicts of interest and ensure improved accountability by compensation committee members to shareholders.

Reporting of Voting Results on Form 8-K

We applaud the SEC's proposal in this regard. The current system makes it difficult for shareholders to follow up with companies on issues voted upon at AGMs and EGMs. We believe that timely disclosure of voting results will again facilitate the ability of shareholders to be responsible owners as well as promote improved accountability from companies and boards of directors.

In closing, we are pleased to lend our support to the SEC with respect to this proposal. Please do not hesitate to contact me should you have further questions for us.

Yours truly,



Bess Joffe
Associate Director