

Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090.

28 April 2011

Dear Ms Murphy,

Re: Listing Standards For Compensation Committees (File #: S7-13-11)

We are writing in response to the request for comment from the SEC on its Releases Nos 33-9199 and 34-64149; File No. S7-13-11 related to the proposed rules for Listing Standards For Compensation Committees.

By way of background, Hermes is one of the largest asset managers in the City of London. As part of our Equity Ownership Service (Hermes EOS), we also respond to consultations on behalf of many clients from around Europe and the world, including the National Pension Reserve Fund of Ireland, VicSuper, Pensioenfonds PNO Media, Canada's Public Sector Pension Investment Board and the Lothian Pension Fund (only those clients which have expressly given their support to this response are listed here).

We are supportive of the proposed enhanced disclosure and compensation committee independence requirements, particularly since US executive compensation continues to be an area of concern for Hermes EOS. While requirements for additional disclosure have led, over recent years, to improved transparency regarding the link between pay and performance, experience shows that variable compensation still fails, in many cases, to align executive interests with those of shareholders and safeguard against excessive risk-taking. In our view, one key responsibility of the compensation committee is to ensure that both this link between pay and performance and this safeguard against excessive risk-taking are robust and regularly assessed. This said, we do not consider that exchanges should be required only to list issuers that have a formal compensation committee, but we rather find it essential that exchanges require both new and existing issuers to establish that executive remuneration oversight be undertaken only by independent directors with the relevant collective expertise.

We are equally supportive of the proposed regulation on compensation consultants. We believe that external consultants are playing an increasingly influential role in setting corporate remuneration practices and swaying compensation committees' decisions. Based on this, we believe it is crucial that their involvement with the company is free of conflict to ensure that their input is in shareholders' best interests and we also believe that issuers should consistently include this as part of their mainstream reporting.



We would note that in our view the first of the independence criteria identified in Exchange Act Section 10C(b) – all of which we regard as competitively neutral – is the most important. Our experience with compensation consultants around the world is that the greatest threat to their independence in advising the compensation committee is the existence and scale of other work carried out for the issuer, particularly – as is usual – where that work is allocated by executives on whose compensation they are providing advice. We would therefore welcome an extension to the proposed disclosures on compensation consultants to include (i) a requirement that the compensation committee disclose how it assures itself of the consultants' independence, and (ii) disclosure on who appoints the consultant to any other roles in relation to the issuer, and the fees for such roles. In our extensive experience, compensation consultants are only in practice independent advisors to compensation committees where the only additional roles they have in relation to a given issuer are at the request – or at least with the approval – of the compensation committee.

While we are aware of certain potential costs companies may incur through the proposed independence requirements and disclosure enhancements, we believe that many issuers already have extensive systems in place to comply with these best practices. We therefore believe that such potential costs should be minimal and thus we encourage that a robust and thoroughly disclosed assessment of the independence of compensation committee members and compensation consultants should be made available for shareholder review on an annual basis. Such assessment should clearly outline any conflicts of interests and the steps the company is taking to address them as well as any possible consequences for failing to do so.

As ever, we thank the SEC for the opportunity to comment on the proposed amendments. Please do not hesitate to contact us should you have further questions. We would be delighted to discuss these issues with you further.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Manuel Isaza', with a stylized flourish at the end.

Manuel Isaza
Hermes EOS - Americas