HERMES EQUITY OWNERSHIP SERVICES LIMITED

Lloyds Chambers
1 Portsoken Street
London E1 8HZ
United Kingdom

Tel: +44 (0)20 7702 0888
Fax: +44 (0)20 7702 9452
www.hermes.co.uk

Via email:
jstevenson@osc.gov.on.ca
consultation-en-cours@lautorite.qc.ca

Mr J Stevenson
Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1900, Box 55
Toronto, Ontario M5H 3S8
Canada

22 April 2008

Ms A-M Beaudoin
Corporate Secretary
Autorité des marchés financiers
Tour de la Bourse
800, square Victoria
C.P. 246, 22e étage
Montréal, Québec H4Z 1G3
Canada

Dear Mr Stevenson and Ms Beaudoin

RE: Proposed Repeal and Substitution of Form 51-102F6
Statement of Executive Compensation

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 Service (EOS) also advises a number of pension funds from around the globe on governance and corporate engagement matters in respect of about US$140 billion of equities.

As we wrote to you in June 2007, Hermes believes that companies with informed and involved shareholders will outperform in the long-term as oversight by shareholders encourages management to pursue strategies that achieve superior long-term shareholder returns. Consequently, Hermes has for some time taken an active interest in the performance of boards and their observance of corporate governance best practice. The principal issue for long-term shareholders regarding compensation is whether it is adequate to recruit and retain appropriately qualified executives and directors and to incentivize them to deliver long-term shareholder value. Full, accurate and clear disclosure about executive compensation enhances investors' ability to ensure an alignment of interests between executives and shareholders, and to assess the quality of board debate. With this in mind, we take this opportunity to respond to the amended version of the CSA's proposal regarding amendments to executive compensation disclosure (the "**Proposed Amendments**").

To reiterate, we are largely supportive of the Proposed Amendments and feel that they do go a long way towards fulfilling the goals set out by the CSA, namely, to improve the quality and transparency of executive compensation disclosure.

We would like to commend the CSA on two particular clarifications that have been made following the initial consultation period. First, we are pleased that a provision has been added such that even in cases where the target levels for performance-based compensation are not disclosed, companies will have to disclosure how difficult a target may be to achieve. This information will help shareholders evaluate how much stretch is built into these types of plans and thus enable us to understand how variable is being driven by performance.

We also support the amendment to section 6.1 of the form to clarify that benefits triggered by a change of control must be disclosed whether the change of control results in termination of employment or not. As we noted in our previous submission, these payments often represent large sums of money to individuals and, as such, may lead to conflicts of interest and drive questionable behaviour. Thus the payments and the circumstances in which they may arise should be transparent to shareholders.

Finally, we take this opportunity to ask the CSA to re-consider legislating an annual advisory vote for shareholders on compensation. Despite the Canadian Coalition for Good Governance's public statement that legislation on this issue is unnecessary in Canada at this point in time, the support for such a vote has been very significant – in the realm of about 40 per cent – at the bank meetings over this proxy season. Having spoken with some bank representatives, there is a sense that companies prefer not to take the lead voluntarily on this issue but that in principle, they are not opposed to having an advisory vote as long as all companies are subject to it. Given this market reality, we think the time has come for the CSA to revisit this issue.

As we noted in our previous submission, Hermes has experience of voting on compensation committee reports in various markets around the world, and has seen the significant benefits which such votes can bring for the relationships between companies and their shareholders. Since the UK introduced this rule in 2002, it has successfully provided shareholders with a basis for dialogue with remuneration committees and boards of companies where there are concerns regarding compensation. While the concept was first introduced in the UK, there is a growing international consensus in its favour. Such votes are now compulsory in the UK, the Netherlands and Australia. We are now also seeing the first year of this vote in South Africa.

Such votes need not generate controversy and dissonance between companies and their shareholders. In fact, the contrary has been the experience so far. Of the hundreds of times such resolutions have now been considered by shareholders around the world, they have been defeated in only a handful of cases. The significant impact of the right to approve the remuneration report is that there has been a dramatic increase in the level and quality of discussion between remuneration committees and investors.

Our view is that the Canadian market would benefit from such an improvement in dialogue between companies and investors. The dialogue created by the advisory vote is one way in which to build more concrete accountability of board directors to the shareholders on whose behalf they work. We believe that more accountability would be a basis for less prescriptive regulation of companies; certainly the European experience is that there has been much less demand for detailed regulatory rules because there are better mechanisms for ensuring that directors are accountable to, and actively pursuing the interests of, shareholders.

We thank the CSA for its efforts to improve disclosure of compensation practices and for giving us this opportunity to comment on the Proposed Amendments.

Yours sincerely

Bess Joffe.

Bess Joffe
Associate Director – Americas