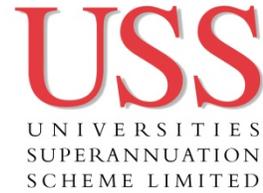




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ENGAGEMENT NOTE

18 June 2014

HERMES, USS, RAILPEN and NAPF WELCOME REMUNERATION AMENDMENTS TO UK CORPORATE GOVERNANCE CODE BY FRC

In November 2013, Hermes, USS, RPMI Railpen and NAPF published the Remuneration Principles for Building and Reinforcing Long-term Business Success, setting out high-level guidance to companies about our expectations of their remuneration structures and practices.

“We welcome the amendments to the UK Corporate Governance Code on remuneration proposed by the FRC in its consultation of 24th April. In particular, the removal of the requirement for pay to be at a level sufficient to “attract, retain and motivate” directors, which we believe has been a driver of ratcheting up levels of pay and a focus on the short-term needs of management as opposed to the interests of a company’s long-term investors. Therefore, we welcome the introduction of the requirement for pay to be designed “to promote the long-term success of the company”, which much better reflects the need for remuneration policies to be geared towards promoting long-term, sustainable performance and the behaviours and culture that support it.

Furthermore, we welcome the FRC’s proposals regarding the introduction of clawback and malus provisions into remuneration policies, which we view as useful tools for remuneration committees to take greater ownership of, and be more accountable for, pay outcomes. We support remuneration committees that take a holistic approach to performance rather than applying simplistic, mechanistic formulae to determine awards to executives; the amendments to this Code Provision should make this more of a reality for more companies”.

-ENDS-

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Notes to Editors:

Hermes Fund Managers

Hermes is focused on delivering superior, sustainable, risk adjusted returns for our clients – responsibly.

We believe in **Excellence, Responsibility** and **Innovation**

- **Excellence:** We aspire to excellence in everything we do. This manifests itself most visibly in our investment performance. We will only offer products to our clients where we believe there is a strong investment thesis and where we can deliver sustainable alpha.
- **Responsibility:** We believe it is our responsibility to lead discussion and debate about the fiduciary responsibilities of fund managers to our clients, their stakeholders and, ultimately, society at large. We have always sought positive engagement with the firms in which we invest.
- **Innovation:** We have the entrepreneurial culture to identify forward-looking products that meet those needs, along with the resources and speed-to-market mentality to develop them rapidly.

Our structure provides wholesale, institutional and pension fund clients globally the benefit of access to a broad range of specialist, high conviction investment teams operating within an established and robust operating platform.

Hermes' investment solutions include:

- **Fixed Income:** Inflation-Linked, Government Bonds, Investment Grade, High Yield
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Hermes manages assets on behalf of more than 200 clients* across these investment areas with £26.9 billion* assets under management. In Hermes Equity Ownership Services, we have one of the largest engagement resources in the industry, advising on more than £103 billion* of assets.

*Please note the total AuM figure includes £3.5bn of assets managed or under an advisory agreement by Hermes GPE LLP ("HGPE"), a joint venture between Hermes Fund Managers ("HFM") and GPE Partner Limited. HGPE is an independent entity and not part of the Hermes group. £0.5bn of total group AuM figure represents HFM mandates under advice. Source: Hermes as at 31 March 2014.