

October 1, 2009

Hugessen Consulting is a Canadian independent compensation consulting firm that provides executive compensation advisory services exclusively to boards of directors and remuneration committees. We believe that the issues covered by the Walker Report are global in nature and we are therefore grateful for the opportunity to comment on the draft Walker Report.

We submit that the Draft Code of Conduct for Remuneration Consultants in the UK (the “Draft Code”) sets the bar too low for standards intended to deal with perceived conflict of interests: “the aim of this Code is to recommend ways in which these potential conflicts of interest may be **minimized** and thereby to foster shareholder and Remuneration Committee confidence in the integrity and objectivity of Consultants”. It is clear from the principles and good practice guidelines set out in the Draft Code that it contemplates that potential conflicts of interest can be adequately addressed in circumstances where a consulting firm with multiple service offerings acts as executive compensation advisor to the board, while at the same time has the opportunity to earn sizeable and lucrative pension, benefits and outsourcing contracts from management. Given the inherent financial conflict that exists where this remains a possibility, we believe such arrangements are insufficient to address potential conflicts of interest, real or perceived. The crux of the conflict lies in a consultant’s ability to provide independent advice to the Board when the reality, or even the prospect, of lucrative contracts with management could be seen to influence the content or delivery of advice provided to the Board with respect to the pay and performance of management.

Since 2003, a growing number of governance advocates have expressed a view that remuneration committees should assess the independence of their compensation advisors using the same standards that apply to the hiring of external auditors by audit committees. We encourage the amendment of the Draft Code to reflect the view that the remuneration committee should not only minimize inherent conflict but should eliminate it altogether by requiring that compensation consultancy firms that work for the Remuneration Committee be precluded from working on other contracts for management, irrespective of whether the work is carried out or monitored by different individuals within the consultancy firm.

While we recognize that the view that the elimination of real and perceived conflicts requires that remuneration consultants be precluded from working with both management and the boards will undoubtedly appear self-serving coming from a firm that was founded precisely on the basis that this was the only way true independence could be established and maintained, we feel confident that view is supported by widely held and respected best practices in corporate governance. In our experience, the model we support has become the prevalent practice in North America for issuers with good governance practices.

Yours truly,



Ken Hugessen
Founding Partner