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Christine Climenhage
Via email: Christine.Climenhage@international.gc.ca

16 November 2006

Dear Ms Climenhage:

Hermes is one of the largest pension fund managers in the United Kingdom and is the principal manager of the BT Pension Scheme and the Royal Mail Pension Plan. We also respond on behalf of the British Coal Staff Superannuation Scheme and the BBC. These are four of the five largest pension funds in the UK. Hermes has approximately \$105 billion under management, of which around \$11.5 billion is invested in North American companies.

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.

We have reviewed the Discussion Paper released in June 2006 regarding the National Roundtables on Corporate Responsibility and the Canadian Extractive Sector in Developing Countries (the "**Discussion Paper**"). We appreciate the Department of Foreign Affairs and International Trade's support for this initiative and the opportunity to provide our comments to the National Roundtable Advisory Group.

We view corporate social responsibility issues as a risk which companies must actively manage. In general, we recommend that companies address these issues with a contextualized approach which fits their particular business. It is Hermes' view that it is for the board of each company to define what corporate social responsibility signifies for them. This decision should be taken within the context of the company's strategic objectives and its overriding obligation to shareholders to create value over the long term. Hermes' thus takes a commercial approach. We believe it is in the interests of all companies to conduct their business in a socially responsible manner because this is the best way to ensure that business survives and thrives over the long term. The incentive to adopt responsible practices is therefore one of "enlightened self interest". This is *Principle 9* of the *Hermes Principles* which can be found on our website (www.hermes.co.uk).

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Adopting such an approach is for many companies an essential part of maintaining a "licence to operate" in a particular area; that is, the ability to maintain the goodwill of the community in which it is located so that future development plans are not frustrated. This is of particular importance for the extractive sector which operates on in the international arena. It is also a key part of good risk management. A sound system of internal control will take into account all potential risks, including social, ethical and environmental risks.

As stated above, we appreciate the opportunity to respond to the Discussion Paper and would be pleased to provide you with any further information you may require.

Yours truly,

A handwritten signature in black ink that reads "Bess Joffe". The signature is written in a cursive, flowing style.

Bess Joffe
Manager