

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

2 March 2011

**Re: Disclosure of Payments by Resource Extraction Issuers (File #: S7-42-10)**

Dear Ms Murphy:

We are writing in response to the request for comment from the SEC on its Release No 34-63795; Files No. S7-42-10 related to the proposed rules for Disclosure of Payments by Resource Extraction Issuers as set forth in Section 1504 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

By way of background, Hermes is one of the largest asset managers in the City of London. As part of our Equity Ownership Service ("EOS"), we also respond to consultations on behalf of many clients from around the world, all of them long-term owners of companies who therefore are keen to ensure that regulation works effectively in the interests of long-term investment and prosperity. Hermes EOS responds to this consultation on behalf of many clients, including, the BT Pension Scheme, the Lothian Pension Fund, the National Pension Reserve Fund of Ireland, Australia's VicSuper, PNO Media Stichting Pensioenfondsen of the Netherlands and Highland Good Steward (only those clients which have expressly given their support to this response are listed here)

Hermes EOS is acutely aware of the potential impacts that environmental, social, and governance ("ESG") factors can have on long-term shareholder value. We actively advocate improved corporate reporting on relevant ESG factors across industries that pose material risks. The extractives sector faces specific and significant such risks and it is to the detriment of shareholders that these are often poorly reported. We are broadly supportive of the work already done by the Extractives Industry Transparency Initiative (EITI) and feel that the mandatory disclosure requirements of Section 1504 are fully supportive of and complimentary to the aims of the EITI. Specifically we believe that the disclosure standardization imposed through the implementation of Section 1504 would be of particular benefit to long-term investors by providing a model for data disclosure as well as help to address some of the key challenges faced by EITI implementation.

While we are aware of certain criticisms about the potential cost burden of compliance with the intended disclosure regime under Section 1504, such as the implementation of project level reporting, we disagree with the notion that these costs would outweigh the public's and investors' interests in the disclosure of this required information. Though we recognize that the implementation of any rules under Section 1504 will likely entail additional costs to companies we anticipate that these would be marginal in scale. In our experience, many issuers already have extensive systems in place to handle their current reporting



requirements and we would expect that any adjustments which may be needed as a result of Section 1504 could be done in a timely and cost effective manner. In addition, we anticipate such disclosure enhancements may also result in additional broad-based benefits in the extractives industry such as lower capital costs and risks premiums as a result of the improved stability and lessened degree of uncertainty promoted by greater transparency.

In relation to Question 55 in the proposal, Hermes EOS feels strongly that the Commission should not allow exemptions to companies where the laws of the host country prohibit disclosure. It is precisely in these countries, which prevent transparency and disclosure of information, where the greatest investment risk lies. Such an exemption would create an incentive for countries to create such laws, thereby undermining the purpose and intent of the statute to provide information to investors and promote international transparency.

We are supportive of the enhanced disclosure and reporting requirements called for under Section 1504 of the Dodd-Frank Act as we feel it will provide investors with greater transparency regarding how companies operating in the extractives sector are addressing certain risks which may impact long-term shareholder value. We are fully supportive of the U.S. Congress's efforts to take steps towards setting a new international transparency standard with the passage of Section 1504 and note that it is not likely to be the only capital market globally to do so in the near future. Many other nations such as Canada, the UK, and the European Union have taken steps to establish laws and regulations similar to the Section 1504 disclosure standard. We feel that the implementation of Section 1504 in a manner consistent with Congress's intent to establish a new international transparency standard will create a model for foreign authorities to look to when crafting their own legislation and will serve to advance a more level global playing field for investors and companies alike.

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 "Darren Brady", written in a cursive style.

**Darren Brady**  
**Manager, Americas**