

Oslo, 07.05.2012

To: European Commission
European Parliament

Cc: Mona Thowsen, Publish What You Pay Norway

Ref: Policy proposal from PWYP Norway to the European Commission

Letter of support for extended country-by-country reporting

On behalf of the undersigned trade unions, we are writing to express our support for the extended country-by-country standard for the extractive industries, which has been developed as a policy proposal to the European Commission from Publish What You Pay Norway (PWYP Norway). We support the extended country-by-country reporting because it is necessary to put payments to government in a meaningful context at country level. At the same time, the extended country-by-country reporting fulfil the existing project-by-project proposal to disclose payments to governments down to project level as per the definitions and materiality level suggested in the EU.

During the last couple of years a global demand for increased transparency in the extractive industries has developed. This has led to a new law in the US (Dodd-Frank, 1504 13(q)) and a similar proposal in the EU on transparency on payments and projects from the extractive industries. These developments are appreciated and important, but tax payments alone, do not provide stakeholders and users of financial information with meaningful information. In our opinion it is crucial to get tax and other relevant financial information at a country level (such as all payments to governments, investments, reserves, production data and costs (including hedging revenues and costs)) in a meaningful context and the format suggested by PWYP Norway provides for this while at the same time taking care of payments to governments down to a project-by-project level.

All information needed to be able to put payments to governments in a meaningful context can be derived from the companies' consolidated accounts, which is why we believe this makes extended country-by-country reporting easy to implement at a low cost for the companies, while at the same time providing for that payments in accordance with both US regulation and EU proposal can be carried out at project level. The proposal from PWYP Norway allows companies consolidating their accounts by country to disclose the information by country and only disclosing payment information by project to the extent materiality requirements in EU require so. The proposal from PWYP Norway allows companies consolidating their accounts by projects to disclose the information by project as long as the project level is the same as the country level or below. This way the proposal from PWYP Norway accommodates the two majors ways of consolidating account in extractive industries, and thus limit the costs of reporting to insignificant numbers as the disclosure would closely follow the existing consolidation and auditing procedures of each company. All countries that are part of the upstream segment of extractive industries should be disclosed without exception, while reporting at project level would be limited to the materiality levels set in the EU.

As global members of trade unions;

- We actively promote and encourage companies to work for long-term sustainable value creation, secure industry work places, labour rights, safe work environments, equality and workers social and economic rights.
- We actively promote and work to secure free and independent trade unions in a democratic society to ensure freedom, equality, solidarity and rule of law for all people.
- We have an interest in knowing that the companies we work in operate in a transparent and accountable manner and we promote company accountability.
- The proposal on an Extended Country by Country reporting standard as proposed by PWYP Norway is a mechanism that can potentially have a global and systematic impact on transparency and accountability in the extractive industry, under this related areas. The goal is to establish a better insight and democratic control with companies that operate across jurisdictions, and a better insight and democratic control with the governments these companies operate within.
- The proposal for extended country-by-country reporting in order to increase transparency is particularly important in the extractive industries, which many of us work in, as this is a high-risk industry, with a global competition for raw materials and energy security;

- For us as workers and trade unionists, it is critical to ensure the competitive advantage for the “good companies” that respect worker’s social and economic rights against “bad companies” which practices promote a race towards the bottom.
- In short, such reporting would promote a level playing field among “good companies” and remove the support for “bad companies”.
- In an increasingly globalised world it is critical to establish international rules that enable governments to regulate and tax large global transactions across countries and that can help countries mobilise own capital for development and finance a good public sector and good societies in the affected countries.
- We see that in order to improve economic governance for workers and citizens at large in both developing countries and developed countries we need increased transparency and accountability that can improve market stability, company stability and work stability for workers. An extended country-by-country reporting would provide a better competition amongst stable companies. Unstable companies that build up financial vulnerability in the society through a race to the bottom would be faced with investor control through this proposal.
- In the PWYP Norway report it is documented that the ten of the largest oil, gas and mining companies in the world operate with over 6038 subsidiaries, of which 1/3 are located in tax havens (secrecy jurisdictions). These are jurisdictions that hide information about activities and ownership and which are used to hide capital to the detriment of the home countries where the capita should have been put to use to build good and stable societies.
- We do not think that opaqueness and a race to the bottom should be allowed to set the standards, and that arguments for secrecy overrides the positive benefits of transparency.
- Workers would have better information to judge the companies they work in, in different country contexts. It would empower workers, unions and investors in general to better evaluate the extractive companies, and to better compare the quality and management of companies they would like to work for.
- Citizens of producing countries would be able to use the information from companies to see how much revenue their governments are receiving. This is a necessary first step in holding governments accountable its management of natural resources and reducing the ‘resource curse’. We believe such improvements of corporate governance would strengthen both long-term shareholder value and local societies.

As trade unionists we are of the same opinion as expressed by the CEO of the Norwegian oil & gas company Statoil in a speech in the US recently that this information is neither sensitive nor putting extractive companies following an extended country-by-country reporting in a

disadvantageous position relative to other companies. The reason for this is that the information is already accessible within the extraction industries, where companies can buy access to databases with reserves figures, production figures, price data, giving the ability to compute revenue streams, cost data, investment data, giving the ability to calculate profits and taxes. Thus, all extractive industry companies have this information available to them; it is only the various stakeholders, and investors and the workers in these companies being the most important, which does not have this information. An extended country-by-country reporting disclosing major financial statement items in conjunction with payments to governments at a country level would thus be a highly desirable reporting in addition to payments down to project level, which we as workers believe would actually simplify the communication with the stakeholders if done as part of the notes to the financial statements.

On these grounds we therefore wish to express our full support for an extended country-by-country reporting as outlined by PWYP Norway. We believe extended country-by-country reporting is fully compatible with the existing proposal by the EU for a project-by-project reporting of payments, but that this proposal also puts the payments to governments into a meaningful context at the country level. In our opinion this can be one of the most important single mechanisms, easy achievable, low/no cost, to improve and secure responsible and sustainable extraction of natural resources globally and provide financial transparency in the world economy.

Yours sincerely,



President Leif Sande, representing 58 000 members.



Erna Hagensen

President Erna Hagensen, representing 33 000 members.



Odd Christian Øverland

President Odd Christian Øverland, representing 21 000 members.



Hans O. Felix

President Hans O. Felix, representing 37 000 members.



President John Leirvaag, representing 50 000 members.



FAGFORBUNDET

President Jan Davidsen, representing 315 000 members.