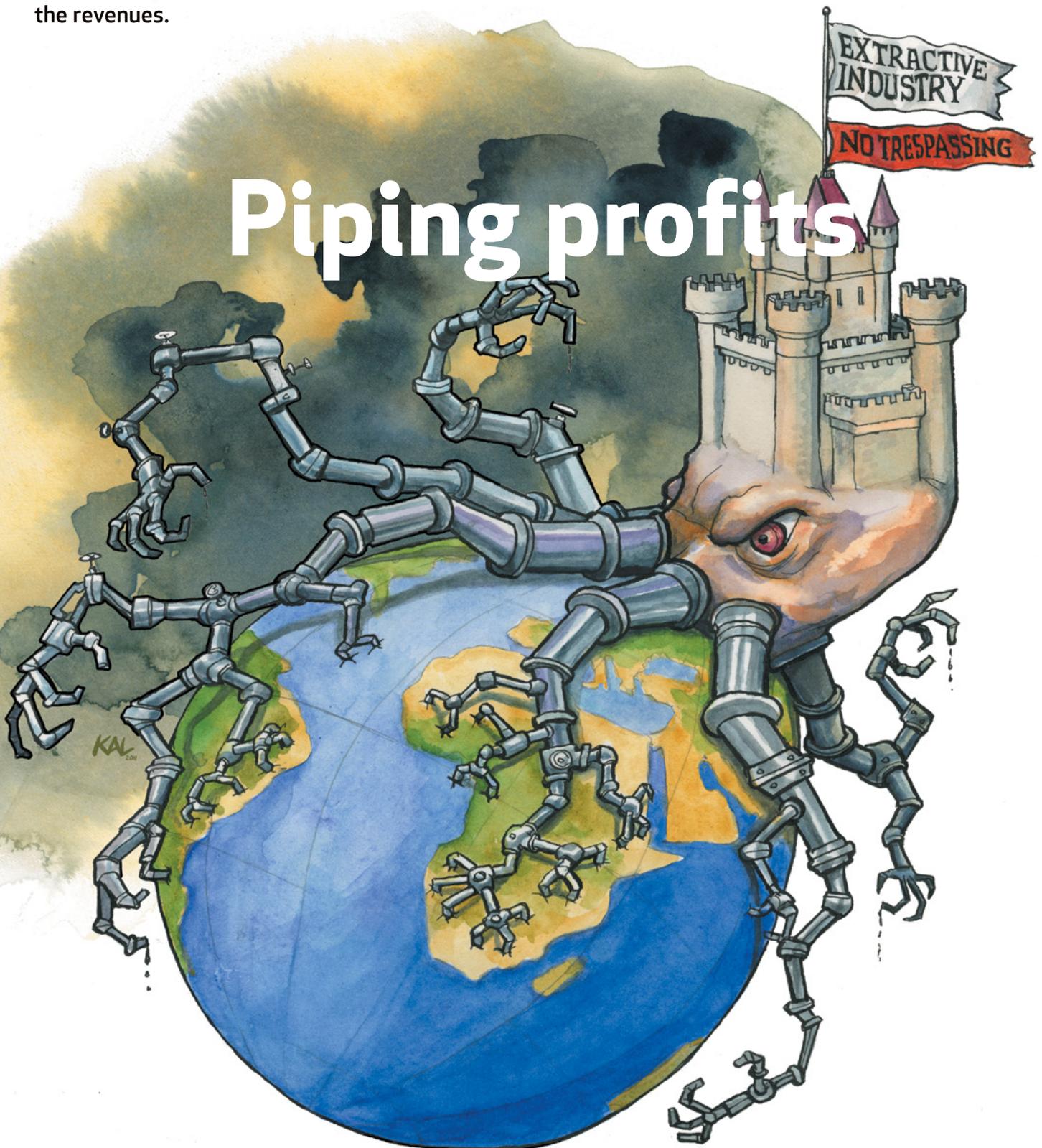
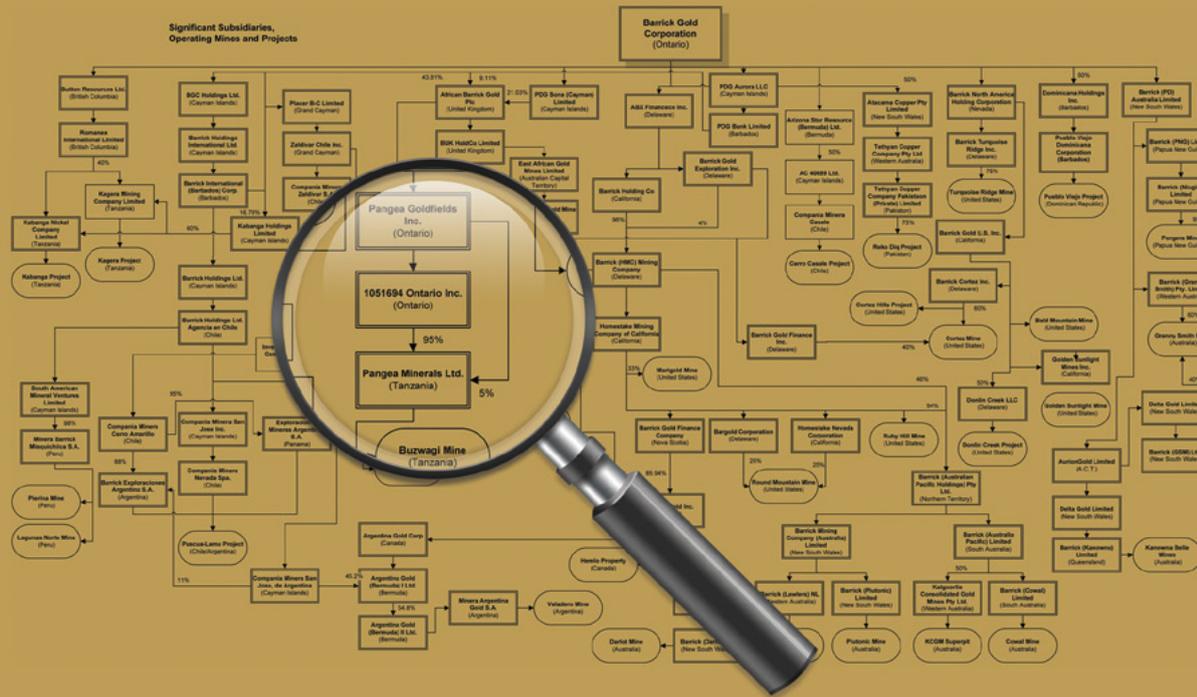


- Ten of the world's most powerful extractive companies own at least 6 038 subsidiary companies. More than 1/3 of these are incorporated in secrecy jurisdictions.
- It is nearly impossible for citizens in poor, resource-rich countries to follow the revenue generated in their countries, and thus hold politicians and companies accountable.
- Only when extractive companies are required to publish key accounting figures, on a country-by-country level, can governments, citizens and investors know if they are collecting their fare share of the revenues.

Piping profits



The pipe-like maze of subsidiaries belonging to the mining company Barrick Gold Corporations is a telling example on how challenging it can be to follow the money from the extractive sector.



In the report “Piping Profits”, Publish What You Pay Norway tries to follow the money from the extractive industry. We look closer at the number of subsidiaries that the extractive companies are using, and to which extent these are placed in so-called secrecy jurisdictions.

THE PROBLEM

A complex global shadow financial system moves, manages and hides trillions of dollars every year, most often to the benefit of multinational companies and to the detriment of rich and poor countries alike. The report “Piping profits” reveals that the world’s ten most powerful oil and mining companies operate through at least 6 038 subsidiary companies, partly or completely owned by the parent company. Of these subsidiaries, over 1/3 are located in tax havens and secrecy jurisdictions where company accounts are not required or available for the public. This makes it nearly impossible to determine the amounts that are flowing into or out of these companies, and for what purposes. The report also shows that journalists and campaigners meet a wall of silence and are constantly turned down by the companies, when they try to follow the money from the extractive industries in their own countries.

THE CONSEQUENCES

The ownership structures of the multinational companies, their use of secrecy jurisdictions and the lack of meaningful information, is a major reason why citizens in resource-rich countries often meet a wall of silence when asking questions about the companies extracting their natural resources. This makes it very difficult to hold politicians and companies accountable. These structures seem to hinder efficient markets, level playing fields and good governance. Even worse: the same structures can potentially encourage corruption and aggressive tax avoidance. This is of critical concern, because natural resources offer perhaps the largest financial potential to improve the economic and social opportunities for hundreds of millions of people living in the least developed and emerging countries. Aid will never, and should never, reach the same volumes, and developing countries should have the right to mobilize their own resources. Yet this report offers a clear indication that a veil of secrecy might shroud those opportunities.

"I always heard it was very complex – and sometimes even dangerous – to obtain financial information about the activity of the extractive industries. Whether it is the extractive industries or the state itself, they close ranks against the common enemy: civil society questions. The story is repeated over and over again: There is no access to timely and reliable information."

- Bolivian campaigner Marco Escalera after spending six weeks attempting to draw out key financial information from extractive companies operating in his country. our reports, "Piping Profits")

Quick Q&A

Why are secrecy jurisdictions a problem?

Secrecy jurisdictions, or the more popular term "tax havens", are jurisdictions that offer low or zero taxes for multinational companies and wealthy individuals. Not only that, they also offer secrecy to individuals or entities searching to escape taxes and regulations of other jurisdictions. As a result, secrecy jurisdictions contribute to illicit tax evasion,

capital flight from poor countries, distortion of markets and curbing of economic growth.

How are subsidiaries linked to this?

The subsidiaries of extractive companies perform a variety of functions. They directly own oil, gas and mining assets, allow joint venture partnerships with other entities to function, perform necessary administrative and corporate operations such as providing pension services to employees and enable tax minimization strategies. But subsidiaries offer another vital function as well. They can provide a channel in order to hide cash and profits from tax authorities in both the resource-rich and the headquarter countries, and make illicit payments to politicians and officials. There is however no evidence that any of the subsidiaries in the investigation in this report act in this way.

Why should I read this report?

The report "Piping Profits" reveals new information about the corporate structure of the ten most powerful extractive companies, and how many of their subsidiaries are located in tax havens. In addition, the report also looks at three Norwegian extractive companies with significant production units overseas. You may also want to check out The Piping Profits Database, a public resource with key information about the companies investigated in the report: <http://pwyp.no/en/pipingprofits>.

A SOLUTION

PWYP Norway urges governments to require companies to publish data on total revenues, costs, profits, taxes, resources extracted and remaining reserves for any given year in every country it operates. This is an extended country-by-country reporting¹, where the companies have to publish their tax payments in their natural context – in key financial numbers. Only with such reporting can governments be certain that they are collecting their fair share of revenues and taxes. It will also enable citizens to see where the revenues from their natural resources flow, and hold their politicians and the companies operating in their countries accountable. Extended country-by-country reporting can also help investors to detect the true value of their holdings. In addition, extended country-by-country reporting can contribute to solve problems of corruption, aggressive tax avoidance and financial secrecy. This could in turn improve the political, economic and social progress made by poor resource-rich nations.

¹Read more about the policy proposal in our report "Extended Country-by-Country Reporting, Vol.2".

Download the full report for free at www.pwyp.no

HELP US CONTINUE OUR WORK

Do you think our work is important?

Do you want to see financial transparency and accountability in the extractive industries?

...

YOUR SUPPORT MAKES OUR WORK POSSIBLE.

...

Help us to continue to make an impact on financial transparency worldwide through our political advocacy work, knowledge production, capacity building and information sharing.

Every donation makes a difference!

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PWYP Norway is the Norwegian chapter of a global network of more than 750 organizations from over 70 resource rich countries. We work to establish financial transparency and accountability in the extractive sector, so that countries can mobilise their own capital to promote a sustainable future, democracy, and human rights

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