



To:  
European Commission  
European Parliament

Cc:  
Mona Thowsen, Publish What You Pay Norway

Ref: Policy proposal from PWYP Norway to the European Commission

Oslo, 28th of March 2012

## Letter of support for extended country-by-country reporting

On behalf of the undersigned investors, 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).

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 both current proposals have its challenges and weaknesses. In particular, project-by-project reporting has met great resistance from the companies targeted. Further, tax payments alone, does not provide investors and other stakeholders with meaningful information. In our opinion it is crucial to get tax and other relevant financial information (such as all payments to governments, investments, reserves, production data and costs (including hedging revenues and costs)) in a meaningful context and in a country-by-country format like the one suggested by PWYP Norway. All this information 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. The proposal from PWYP Norway allows companies consolidating their accounts by country to disclose the information by country and only disclosing tax 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 country level or below. This way the proposal from PWYP Norway accommodates the two major 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 financial investors, we actively promote and encourage companies to work for long-term sustainable value creation. The proposal for extended country-by-country reporting is important in order to increase transparency in a high risk industry. Such reporting would provide investors with better information to judge companies exposure in different country contexts. It would empower individual shareholders and the securities market in general to better evaluate the risk/reward profile of its investments in extractive companies, and to better compare the quality and management of companies.

Not only would investors benefit from a country-by-country reporting. Citizens of producing countries would also be able to use the information from companies to see how much revenue their governments are receiving. This is an essential step towards holding governments accountable its management of natural resources and reducing the 'resource curse'. In addition such reporting would promote a level playing field. We believe such improvements of corporate governance would strengthen both long-term shareholder value and local societies.

Extended country-by-country reporting can potentially have a global and systematic impact. It will make the information from companies to investors more accurate and as such improve market stability. It will provide standardized and accurate statistical data on a global scale. Improved transparency will help rebuild investors trust in the market.

It has been argued that this information is sensitive, but we as investors 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. In addition much of this 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. But in our opinion it is important that this information is publicly available to all stakeholders.

On these grounds we therefore wish to express our support for an extended country-by-country reporting as outlined by PWYP Norway. In our opinion this can be one of the most important single mechanism, easy achievable, to improve and secure responsible and sustainable extraction of natural resources globally.

Yours sincerely,

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

Jeanett Bergan, Head of Responsible Investments, KLP Kapitalforvaltning AS