International Accounting Standard 14
Segment Reporting

2005 Update

Submission to the International Accounting Standards Board

"We believe all multinational companies face risks at a national level which have to be understood if appropriate investment decisions are to be made"

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www.globalwitness.org

Save the Children UK were principal partners to Global Witness in making this submission.

www.savethechildren.org.uk

Global Witness and Save the Children were joined by the following in undertaking this work:

www.careinternational.org.uk

www.cafod.org.uk

www.transparency.org.uk

www.soros.org

These organisations are founding members of Publish What You Pay, an international coalition of over 280 NGOs aiming to increase revenue transparency in the extractive industries:

www.publishwhatyoupay.org

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Submission to the International Accounting Standards Board by:

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In preparing this report we have engaged the services of Richard Murphy, an independent chartered accountant. He has practiced as an accountant in the UK for more than 20 years. He now writes extensively, is a visiting fellow at the Centre for Global Political Economy at the University of Sussex and advises governments, local authorities and NGOs on taxation, finance and accounting issues. He is a member of the research committee of the Association of Chartered Certified Accountants.

Updating International Accounting Standard 14 on Segment Reporting

We are convinced that the scope of International Accounting Standard 14 (IAS 14) on segment reporting needs to be expanded to deal with issues of real concern for all investors and stakeholders of companies reporting using International Financial Reporting Standards (IFRSs).

What we seek to show in this paper is that country-by-country reporting on commercial performance and taxes and other benefits paid to governments is essential decision useful information for investors in Transnational Corporations (TNCs) and the stakeholders of those enterprises. What we conclude is that all multinational companies face risks at a national level which have to be understood if appropriate investment decisions are to be made. We believe that the disclosure required to allow this risk to be appraised can be provided by extension of existing segment or other reporting on the following:

1. employment related issues;
2. material subsidiaries;
3. interest paid;
4. gross and net assets employed;
5. deferred tax liabilities.

In addition new or extended segment disclosure would be needed on:

1. turnover;
2. third party costs;
3. profit before tax;
4. the tax charge;
5. tax paid;
6. tax liabilities.

In many cases these disclosures would probably be an extension of existing disclosures with additional information, largely to provide national data added. As a result, much of what we ask for is already reflected in existing best practice, except that at present geographic disclosure is regionally rather than nationally based.

We believe that if adopted the recommendations made in this report will benefit:

1. shareholders;
2. other providers of capital to a company;
3. management of the entities concerned;
4. employees and other directly engaged stakeholders;
5. governments;
6. the local populations of countries in which TNCs trade;
7. those with social concern.

We suspect that few other changes in corporate reporting could have such an impact. That is why we have taken the unusual step of making this submission. In doing so we have built upon our previous report on the need for an IFRS for the Extractive Industries.

We are also making this submission in the knowledge that the IASB has provisionally decided to move towards disclosure more akin to that required in the USA by 'SFAS 131 Disclosure about Segments of an Enterprise and Related Information'. Good reasons for that move have been given by the IASB, and it is not the purpose of this paper to dismiss those reasons. It is instead our purpose to argue that such information is not the only decision useful information available, and that the analyst group whose arguments in favour of that basis of reporting have been noted by the IASB are not the only group whose requirements for information need to be taken into account. The information we propose should be disclosed would, we believe (based on comments we have received) be of great interest to at least some in that community. It therefore complements the disclosure the IASB might wish to propose to take account of the requirements of SFAS 131. Additionally, it extends existing disclosure in to meet the needs of user groups whose concerns are now of great importance to all major global corporations. Because the recommendations simply extend existing disclosure in most cases their technical feasibility is already proven. In combination we believe this is the merit of the suggestions we have to make.

Country-by-Country Data

Segmental reporting of financial data on a country-by-country basis by TNCs is rare at present. It is not required by most financial reporting standards. It is only commonly declared:

1. for the country of incorporation or listing (which are usually, but not always the same);
2. when a company undertakes most of its trade in a country different from that in which it is incorporated or listed.

In those cases the territory concerned is treated as a reporting segment in its own right. But these two exceptions apart, it is not common practice.

Despite this many, if not most, TNCs actually structure their operations on a country-by-country basis even if they also have other significant internal reporting lines, such as by product sector, as well. They do this because, as a matter of fact, having separate subsidiary companies, or groups, in most, if not all, the countries in which they work usually makes compliance with local law in the following areas much easier:

- company law;
- contract law;
- employment law;
- taxation law, whether it be on company profits, sales, employment or anything else.

In addition, there are clear benefits in having a local subsidiary in each country in which a company operates to limit risk. These benefits include:

- limiting exposure to loss in each country to the limit of the assets engaged there, and nowhere else;
- reducing political risk in the event of nationalisation or other such action to those assets actually owned by subsidiaries operating in the country and nowhere else;
- delineating insured risks between nation states.

There are also commercial advantages to such a structure:

- it helps in the measurement of local performance;
- local management is more easily motivated;
- a commitment to the territory is demonstrated, which can be exploited for commercial advantage;
- local partnership arrangements can be more easily accommodated in the ownership structure if that is necessary.

The result is that most TNCs have a substantial number of individual company subsidiaries, each of which will:

1. report their own results in accordance with local law as well as in accordance with the TNCs own accounting policies;
2. report and settle their own taxation liabilities;
3. have their own distinct management structures.

The outcome is that almost all TNCs have data on key issues relating to their performance available on a national basis.

It is our belief that if companies organise on this basis because it minimises their risk, then there is good reason why they should also report on this basis. The reason is clear: to do so will minimise risk for the users of their financial statements, whoever they might be. And since risk minimisation is critical to much decision making, we believe that country-by-country segment reporting is decision-useful information that must be required to be disclosed by any IFRS on segment reporting.

Reasons for Country-by-Country Reporting

The users of the accounts of companies reporting using IFRSs can be divided into three broad groups.

The first group are professional providers of capital, whether that is in the form of equity share capital or loans. This group are distinguished from the other users of financial statements considered in this report by the fact that they tend to have direct access to the companies in which they invest, and can therefore make direct requests for the information that they need to assess the performance of any company in which they hold, or might hold, an investment.

The second group are those providers of capital who act independently and who make their own investment decisions. This group are usually shareholders and do not provide loan capital.

The third broad group of users are all other stakeholders of the company, whether they are also investors or not. This group use the financial statements of a company but have no legal right to receive them in most cases.

From the point of view of financial reporting, the differences between these user groups are significant. This is because whilst for professional investment managers the audited financial statements of a company impart little additional information to them over that supplied on a regular, in depth basis by the companies themselves, for ordinary shareholders and other stakeholders in the company the annual audited financial statements of the company are by far the most important information they have about its operations in each year. Since IFRSs only have to relate to the reporting a company makes in its annual audited financial statements the comments we make in this submission inevitably focus mainly on the needs of the independent shareholder and other stakeholders of a company. We accept that the information we suggest is needed is not as important to professional investment analysts.

One reason why we believe that the information we suggest in this report should be covered by an IFRS on segment reporting is that this would create a more level playing field between these three groups and this might be of particular benefit to those in developing countries who hold stakes in these companies for the specific reason that they are of significance to their own economies.

The ordinary shareholder

We believe that independent providers of capital to a company want information that will let them decide if they want to engage with it. In many cases, put simply, they need to decide if they wish to hold shares in it, or not. Most published financial data is historic. It does, as a result, have inherent limitations when used to support this decision. What the decision maker wants therefore is data that provides assurance that:

- the business has been well managed (the profit and loss account);
- the business has met its obligations when they fall due (the cash flow statement);
- the business has wisely invested the resources entrusted to its care (the balance sheet);
- these situations are likely to persist (the Operating and Financial Review and other published data).

This last point is in many ways the most important. It is now well known that past results are not necessarily a certain indicator of future performance. In addition, it is generally acknowledged that companies are not valued simply on the basis of what they have done, but on the expectation of what they might do. As such, when a person decides to be engaged in the capital of a company they do so either because:

- they want a future income stream from it, or
- they hope others will believe the value of that income stream is rising over time and will, therefore purchase their investment from them at some time in the future for more than they paid for it.

In our opinion it is precisely because individual investors want to assess the likely value of a future income stream that those who wish to acquire shares or other securities in any company need to know about its trading performance and taxation paid on a country-by-country basis.

The reason is that many companies are exposed to risk on a national basis. That risk might be geographic e.g. has been seen in the case of recent hurricane damage within the extractive industries, or political e.g. resulting from instability or financial e.g. due to volatile taxation systems. Whatever the risk, it is different in each country in which the TNC operates. The assessment of risk is critical to the assessment of future investment performance. Therefore, information that makes it easier to assess the risk a company faces, improves the well-being of the independent provider of capital to a company because it gives them more information on which to base their decision as to whether to engage or not, and so reduces their risk and increases their likely rate of return from their investment. As such this information has high value in any decision making process.

The particular risks that require assessment include:

1. where, and through what entities, earnings are being made;
2. how much of the trade in any country is dependent upon the group, and what proportion is with third parties;
3. how likely it is that the income stream from a country will continue given the political or other risks peculiar to that territory;
4. whether tax and dues are being paid including an assessment of:
    a. if they are not being paid why that is so, and
    b. how stable that situation is likely to be in the longer term;
5. what reputational risk the company faces from trading in the territories in which it is engaged;
6. how likely that reputational risk is given the performance profile that the other data disclosed shows for that territory.

All of these risks need to be appraised with regard to their possible impact on the future cash flows from which any rewards to the provider of capital might be paid. Only by compulsory segment reporting on a national basis can this risk be reduced for those investors in and stakeholders of a TNC whose only source of information is its annual report. Unless such disclosure takes place then, particularly in the case of those investors and stakeholders who do not have access to the management of the company, there is risk that perceptions of the activities of the TNC might be seriously incorrect which might in turn mean that:

- market valuations might be distorted;
- the cost of capital will be increased because of this systemic risk;
- markets will operate less efficiently than they should.

Other stakeholders

Other users of the financial statements frequently have more complicated relationships with companies than do the providers of their capital, largely because their relationships with it are usually of much longer duration and are much harder to terminate or avoid. Such stakeholders include:

- company management;
- company employees;
- company suppliers;
- governments;
- regulatory agencies;
- civil society of the territories in which the entity operates.

For these groups the decisions they wish to take are various and range over the following issues (considering just one for each group):

a. What is the local performance of the entity?
b. How secure is an employment?
c. Will I be paid?
d. What taxes are due?
e. Is the law being complied with?
f. What externalities is this company imposing on society?

Of course, the list could be extended considerably. But what characterises each of these issues is that many are more complicated than the decision about whether to own part of the capital of the company. The reason is straightforward. Capital markets are fairly efficient. As a result, once a decision to engage or disengage in the capital of the company is made then it can be implemented almost immediately, and be reversed almost as quickly. That is not, in varying degrees, true for these other participants. It is this fact that makes us look at the interests of these groups separately from the providers of capital.

These stakeholders will probably have one of the following characteristics:

1. a long term commitment to the company from which they cannot easily disengage;
2. close physical proximity to it;
3. a responsibility for some aspect of its performance;
4. a dependence upon the TNC for the achievement of their own goals.

As a result they will want to know that the TNC is being managed as effectively as possible. This will mean that they will probably want to know:

1. which multinational companies are engaged in a country;
2. how well their local companies are doing;
3. how dependent local trade is on relationships with external owners of multinational enterprises;
4. whether taxes and other income streams are being paid as required to their governments;
5. if compliance with local regulation is taking place;
6. whether corruption might be taking place.

This list happens to also show that the coincidence in the needs of stakeholders and independent is high. They might use information for different reasons, but the information they need is often very similar.

In both cases it is also true that the key difference between the required data and that currently available is that it is specific to a country of operation. It is already possible to assess the global risks many companies face in many cases, especially when business based segments focussed on particular markets are being considered. That is, and will remain, an important issue, especially for investment professionals. But it is clear that it is not enough. Only segment data by country can provide the information really needed by a wide range of stakeholders, including many providers of capital, to make effective decisions.

It is stressed that we see this data is benefiting all three groups with an interest in financial reporting. That said, whilst this information is important for decision making by the providers of capital, its significance for the other groups to whom we refer is almost certainly higher. For them this data is critical economic information that enhances the chance that effective decisions can be made about their own future well being and that of the communities in which they live, their countries, and the companies that it wishes to engage with. If information is the life blood of effective markets then information of the type outlined here is vital if companies are to effectively engage with the communities in which they operate.

For that reason the information we suggest be published for each country must be readily available within each country in which a multinational company operates and locally within it. As such we believe that any company subject to an IFRS on segment reporting should be required to publish nationally based segment data for every country in which it operates on its local website and in easily available printed publications in that territory and in all major local languages. In that way all local stakeholders will obtain access to information that they need to assess the operation of a major entity within their country. This is the only way in which it can be ensured that this data will be available to those who really need it.

What should be reported?

We believe that the following should be reported by country:

1. turnover in total;
2. third party turnover;
3. third party costs excluding those of employment;
4. interest paid;
5. profit before tax;
6. tax charge on profits split between current and deferred tax;
7. other taxes or equivalent charges due to the government of the territory in respect of local operations;
8. the actual payments made to the government of the country and its agencies for tax and equivalent charges in the period;
9. the liabilities owing locally for tax and equivalent charges at the beginning and end of each period as shown on the balance sheet at each such date;
10. deferred taxation liabilities for the country at the start and close of the period;
11. gross and net assets employed;
12. the number of employees engaged, their gross remuneration and related costs;
13. the names of all subsidiaries working within the territory;
14. comparative data where appropriate in each case.

It will be noted that much of this information is an extension or enhancement of information already published.

Why two figures for turnover are important

It is unusual for data on internal trading to be supplied in consolidated accounts. Despite this, we believe it important that if country-by-country is to be reported, two figures for turnover should be provided. The first is that for total local turnover, i.e. sales made within and from the country in total. The second is that for third party turnover. Comparison of the two will, of course, mean that inter-group turnover data is available by deduction. The reasons for making this suggestion are:

1. it is not possible to appraise the importance of an entity within a country unless its total sales are known;
2. nor is it possible to appraise other key data, such as employment costs and tax paid unless the true scale of operations is known;
3. inter-group sales are eliminated on consolidation of a set of financial statements and therefore only third party sales are declared but third party sales data for each country within an TNC is important for two reasons:
    a. to show where the TNC really works;
    b. to show the dependence of the TNC on activity within any territory and likewise the possible dependence of the territory upon the TNC. If third party sales are small dependence on the TNC will be high and substantial external risk will exist for those with local concern whilst significant supply chain risk will exist for those looking from an international perspective, for example.

The reason for requiring disclosure of third party costs excluding employment and interest charges (both if which should be separately disclosed) is related. If the local operation is merely a conduit for goods in transit between TNC group companies it is adding little value to the local economy. If third party purchases are high it is also likely that local added value will be significant.

Why interest paid is important

Many TNCs use a variety of methods to extract reward from subsidiary companies. Interest payments on inter-group loans is one such method, and is also used for effectively shifting taxation liabilities. At a time when much discussion on the tax deductibility of interest payments is taking place in the context of debates on flat taxes knowing in which country interest is paid seems a matter of increasing importance when assessing taxation and other risks.

The importance of taxation

Tax is an issue of concern to all users of financial statements. It therefore needs to be shown separately in any segment disclosure on a national basis. Tax data is of significance to users of accounts because:

1. It is a distribution out of profit which reduces the funds available to shareholders. Its management is, therefore, an issue of concern to providers of capital to the company;
2. There is now an increasing awareness that excessive management of tax liabilities through aggressive tax avoidance techniques can expose a company to risk from taxation authorities. There is now considerable reputational benefit from avoiding such challenges. Too low a tax charge can therefore be seen as imposing risk.

Given that relationships with governments are vital to all companies it is necessary to understand tax paid data on a country-by-country basis to ensure that there is no implicit risk inherent in this area which could jeopardise future cash flows. Such risk could arise in the following ways:

- additional taxes, interest and penalties might be due if it found that tax laws have not been complied with and tax has been underpaid;
- relationships with governments could be damaged if excessive tax planning is taking place and those governments perceive they are not obtaining the benefit they expect from the activities being undertaken within their territory.

In addition, recent major corporate failures have been closely associated with companies undertaking considerable tax planning through offshore entities. In themselves these structures appear to create risk within a corporation by reducing its internal transparency. Anyone wishing to invest in a TNC will want to know that what is, inevitably, an international operation has clear lines of corporate communication. As such some knowledge of where the entity undertakes its trade and how that is structured for tax will be of substantial use to all users of the financial statements when assessing the risk they face. The disclosures suggested in this report will go some way to meeting this information need.

Why other taxes or equivalent charges paid to governments and their agents are important

In many cases the only taxes that a company will need to disclose under the suggested basis of segment reporting will be those due on its profits. In some industries however significant additional sums are payable to central and local government and their agencies and these also need to be disclosed if the contribution a company makes to an economy is to be properly appraised. These might include:

1. employment based taxes that are the liability of the company;
2. payments due as a result of engagement in the extractive industries;
3. other payments to governments, with such items being separately identified if material to an understanding of the local economic situation.

The relevance of cash flow and balance sheet disclosures

It is vital to all users of financial statements that the information supplied to them is credible. For the user of the financial statements this means that the data has to reconcile with other information within the accounts themselves, and be comprehensive in scope. So (and for example):

- tax recorded as being due has to accord with the information in the profit and loss account;
- tax paid (a key figure for civil society in assessing what governments do with the cash they receive) has to agree with the cash flow statement, and
- liabilities have to agree with the notes to the accounts.

In this way real assurance is offered. This has not been the case for much data that has been voluntarily disclosed to date. If such assurance is available decisions can be based on this data, which is, in essence, what financial reporting is about. It is for this reason that it is suggested that this data be supplied at a national level as if it is the credibility of the disclosure made can be assessed.

Why deferred tax data is important

Deferred tax data is important quite simply because not all declared tax liabilities are settled soon after they arise. Many are deferred for considerable periods and for widely varying reasons. The liabilities in question can be material to the future expected cash flows of many enterprises and as such to valuation of the TNC. To effectively assess the risk to that cash flow it is essential that it be known where such liabilities might occur since this will give a more accurate impression of the probability of deferred tax being due for payment in cash than any information currently disclosed does.

Why information on gross and net assets is of value

These measures are an indication of the commitment of the TNC to a territory.

Why information on employment costs is essential

In many countries the reason for attracting foreign direct investment is to enhance employment opportunities. It is essential, therefore, that information on the number of local employees and the amounts paid to them be disclosed if the effectiveness of such policies is to be appraised.

Why data on the names of subsidiaries is important

Our concern in all the requests we make is with risk. The reduction of risk requires the identification of its source. It is for that reason that we believe that the names of all subsidiaries operating in a territory should be disclosed for all countries in which the company has operations. This will allow those who engage with a TNC or its subsidiary to undertake an assessment of the risks that these subsidiaries expose the company to. We think that this is of equal importance to those who supply capital and those with other interest in the TNCs activities.

What this data might look like

It is one thing to suggest data be supplied, it has to be possible to do so if it is going to be useful for the user of a set of financial statements.

We are asking for an extension of financial reporting. All additional information involves some cost. However, we believe that:

1. we have demonstrated that all the information we are requesting is likely to already be available to the companies concerned;
2. there is benefit to the potential users of this information that is in our opinion bound to outweigh that cost.

It is however also important to ensure that this information could be supplied in a readily manageable format. Much is simply an extension of data that is already published. For example:

1. Data on material subsidiaries is already supplied. The additional information requested is simply an extension of that list;
2. Employee data is already published - all that is being asked for is an extension of the data;
3. The same is true of interest payments, many of which payments are analysed in some detail in the financial statements of TNCs;
4. Segment analysis of performance by geographic region has been normal in many TNCs, all this is being asked for is an extension of that data. This data has usually included information on turnover on a number of bases, profits before tax (again, sometimes on a number of bases) and assets employed. The overlap with the information now requested is significant.

In these cases the suggestions made are not technically difficult, and all could be supplied with relative ease.

We do however anticipate that objection to the disclosures we suggest will arise on the basis that the information is:

1. not available;
2. not needed;
3. would not be used;
4. too commercially sensitive to publish:
5. too bulky to publish;
6. too sensitive to publish.

We have already dealt with the first three issues.

Commercial sensitivity has undoubtedly been an impediment to progress in the development of acceptable financial reporting standards on the issues addressed by this report on a national basis. In principle it is easy for any company to argue that if it were required by the standards of one country to publish data that its competitors in another country did not have to disclose then they would suffer a competitive disadvantage. We do not, however, accept that this is true of a requirement imposed by an IFRS. We accept that the IFRS we propose will still leave some differences in disclosure, but believe that these are not of major concern. This is because an IFRS on segment reporting will apply to most quoted companies in the world. Those that it would not apply to fall into three groups. The first are US companies, the second are Japanese and Chinese companies and the third are private companies. With regard to the USA and Japan there are convergence programmes in place between their current accounting standards and the IFRS programme. We believe these could accommodate the disclosures requested here. With regard to China, it seems likely that much of its emerging international activity in this sector is likely to end up with its corporations trading their shares on Western stock markets and in that case IFRSs will probably eventually apply. In the case of private companies, the very fact that IFRSs do not apply to them is a measure of the lower impact they have on any individual country and that, therefore, they can be reasonably exempted from disclosure for this reason.

We do not accept that the information we are requesting is too bulky to publish. We believe that the information we have suggested could be supplied as follows:

1. by extension of existing employment disclosures;
2. by extension of existing disclosure on material subsidiaries;
3. by extension of existing disclosure notes on interest paid;
4. by extension of existing geographic segment disclosure on gross and net assets employed;
5. by extension of existing disclosures on deferred tax liabilities.

We would stress that in the first four of these cases extensive segmental disclosure already takes place, and a break down by country of where deferred taxation liabilities is not uncommon when the issue is material to the accounts. As such in each case these recommendations extend existing requirements and best practice.

That is also the case for our final suggestion, which is for the addition of a table in the following form to cover performance data and tax:

Segmental data

Country	Total sales	Third party sales	Third party costs	Pre tax Profit	Current tax charge	Deferred tax charge	Tax due for the period	Tax due brought forward	Tax paid	Tax adjutsment	Tax due carried forward
	$'m	$'m	$'m	$'m	$'m	$'m	$'m	$'m	$'m	$'m	$'m
ABC	4500	150	3200	500	120	30	150	103	115	-5	103
ABC	4100	120	2850	450	102	24	126	114	117	4	103
DEF	170	168	84	10	3	1	4	0	1	0	2
DEF	160	159	73	-8	0	-2	-2	3	3	0	0
GHI	8500	8400	2900	300	95	10	105	80	80	-9	86
GHI	8100	7900	2655	280	80	-5	75	57	54	-3	80
Consolidation	-4452	8718		-25							
Consolidation	-4181	8179		10							
Total current year	8718		6184	785	218	41	259	183	196	-14	191
Total prior year	8179		5578	732	182	17	199	174	174	1	183

Notes
1) Figures should all reconcile to concolidated accounts
2) All tyerritories should be included since each is material to those stakeholders located there.
3) Black fugures are current year, red figures prior year
4) Tax adjustments are a normal part of tax accounting, but need to be disclosed to ensure figures reconcile

This schedule covers:

1. sales and profit information;
2. inter group trading activity;
3. the tax charge, which is split between that due in cash and that part which is deferred which will not be paid for the time being;
4. the reconciliation of the tax due with the tax liabilities recorded as due on the company's balance sheet and its cash flow statement. This is essential to ensure firstly that liabilities are actually being paid and secondly to show how much is paid locally as this is the only sum for which governments can be responsible to civil society;
5. comparative data, which is shown in red, so allowing trends to be apparent and meeting the requirement of company law in this respect;
6. the reconciliation of data to the profit and loss account, balance sheet and cash flow. These reconciliations provide vital assurance on the credibility of this data which is almost always missing from any equivalent reports in CSR statements.

In the case of these disclosures, those covered by items 1 and 3 are already segmentally disclosed to some degree although not in the form shown here. The reconciliations would indicate the use of consistent accounting policies, which may, in the light of the fact that SFAS 131 does not impose that requirement, be of considerable benefit to some users who would seek assurance that a consistent basis of segment reporting remains available to them.

Why this cannot be done in any other way

It could, of course, be argued that the information that we ask for could be provided in other ways. For example, CSR reports could include this data, or listing agreements could be amended to require its disclosure.

We do not, of course, object to either requirement at this time, but do not think they provide a solution to this problem. The reasons are:

1. CSR reports are voluntary. To ensure comparability, compulsion is required for the data we ask for. It is too important for too many parties to be left to voluntary disclosure;
2. CSR reports are not always subject to audit. The data we request needs to have been verified if it is to be relied upon;

3. There are no standards yet fixed for CSR reporting. The GRI is useful, but has not taken issues as far as we would like, partly because of the constraints imposed upon it for reason of it requiring voluntary disclosure. Only compulsory disclosure can create the level playing field that will ensure that all companies can declare this information without harm to their commercial well-being;
4. Listing agreements are persuasive in applying pressure in dome limited areas as Save the Children's Measuring Transparency project has shown. However, they are nationally based, and therefore fail to provide a universal approach, which is precisely what is needed. In addition, as Canada's example shows, they can provide too many loop-holes which can be exploited.

Conclusions

In our opinion:

1. The data we have suggested be disclosed could be produced at relatively little cost because it should all already be available to the companies covered by IFRSs;
2. Any remaining cost is more than outweighed by the benefit this data will supply to investors and other users of the financial data published by TNCs;
3. Disclosure of this information by all companies affected by IFRSs at the same time will mean that none suffer a competitive disadvantage by making this disclosure;
4. The enhanced credibility of data produced will provide commercial benefit to the companies affected by providing clear comment on:
    - their commitment to transparency;
    - their acceptance of their obligations to the societies in which they operate;
    - their desire to avoid reputational risk;
    - their commitment to their investors, wherever they might be located.

For these reasons we believe that the inclusion of these disclosures in any revised IFRS on segment reporting would represent a double benefit for the financial community and for broader society.