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The reason why I have opposed IFRS 8 can be simply stated. Failure to recognise the duty a company owes to the places in which it operates is to deny the key relationship that exists when a society grants an enterprise the licence to operate within its territorial boundaries. The duty inherent in that relationship is to report what it has done. The obligation to report arises because of the limited liability it is granted whilst undertaking these actions. This is why I and the organisations I have supported in this campaign, including Publish What You Pay and the Tax Justice Network have said that nothing less than full country-by-country reporting of performance can meet reasonable stakeholder expectations in this matter.

Along the way we have also argued that what we want would be of immense value to shareholders as well. Without this data key information on risk, governance, the sustainability of earnings and the tax bill then shareholders could be serious mislead about the possible future earnings from their investment. This is pretty fundamental stuff.

It's good therefore to come across an academic paper that unambiguously supports our view that the disclsoure of geographic earnings is vital for shareholder value, and that it's absence positively harms the valuation of companies that do not report in that way. That's exactly what two Canadians, Ole-Kristian Hope of the Rotman School of Management, University of Toronto and Wayne B. Thomas of the Michael F. Price College of Business at the University of Oklahoma have found. Their paper, entitled Managerial Empire Building and Firm Disclosure was published in March this year. It's long, technical and good, but the key findings are summarised here.

The researchers tested the idea that managers, when not monitored by shareholders, will make self-maximizing decisions which may not be in the best interest of those shareholders. These decisions include aggressively growing the firm, which reduces profitability and destroys firm value. They used geographic earnings disclosures to examine this issue. Statement of Financial Accounting Standards No. 131 (SFAS 131), which is almost identical to the controversial new IASB standard IFRS 8 let them do so. Under its provisions US companies could abandon geographic disclosure of earnings and other key data. They expected that such non-disclosure potentially reduced the ability of shareholders to monitor managers' decisions related to foreign operations.

Using a sample of U.S. multinationals with substantial foreign operations, they found that geographic non-disclosing firms experienced greater expansion of foreign sales, produced lower foreign profit margins and had lower firm value in the post-SFAS 131 period when compared to companies that continued to disclose geographic earnings. These differences did not exist in the pre-SFAS 131 period and did not relate to domestic operations. Compellingly, the only variable they could find that explained this was disclosure of geographic data.

In other words, our arguments in favour of country-by-country reporting should be good for shareholders as well as stakeholders. Intuitively that is obvious, but it's good to have it confirmed.