

What the draft EU Transparency Directive says on countr...

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I have seen a copy of the proposed revisions to the EU's Transparency Directive. The content relating to country-by-country reporting is as follows:

Reporting of payments to governments

The EU legislation does not currently require issuers to disclose, on a country basis, payments made to countries where they operate. There is therefore a lack of transparency on payments made to governments to a specific country, although those payments by the extractive or forestry industry can represent a large amount of the country resources, especially in resources-rich countries. In order to make governments accountable for these resources and promote good governance, it is proposed to require their disclosure at the individual or consolidated level of a company.

In order to provide for enhanced transparency of financial contributions made to governments, issuers whose securities are admitted to trading on a regulated market and who are active in the extractive or forestry industries should disclose in a separate report on an annual basis material payments made to governments in the countries in which they operate. Such undertakings are active in countries rich in natural resources, in particular minerals, oil, natural gas as well as natural or primary forests. The report should include types of payments comparable to those disclosed by an undertaking participating in the Extractive Industries Transparency Initiative (EITI).

Such a report should facilitate implementation by governments of resource-rich countries of the EITI Principles and Criteria and account to their citizens for payments such governments receive from undertakings active in the extractive or forestry industries operating within their jurisdiction. The report should incorporate disclosures on a country and project basis, where a project is considered as the lowest level of operation at which the undertaking prepares regular internal management reports, such as a concession, geographical basin, etc. In the light of the overall objective of promoting good governance in these countries, the materiality of payments to be reported should be assessed in relation to the recipient government.

As a result it says:

'Article 6 Report on payments to governments Issuers active in the extractive or forestry industries shall make public, in accordance with and under the conditions of Chapter 9 of the Directive 2011/./EC on the annual financial statements, consolidated financial statements and other related reports of certain types of undertakings, a report on payments made to governments on an annual basis. The report shall be made public at the latest six months after the end of each financial year and shall remain publicly available for at least five years. Payments shall be reported at consolidated level.'

I will shortly also publish what the proposed reforms to the Accounting Directive says on country-by-country reporting and will then discuss what they might mean.