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REVENUE WATCH INSTITUTE

TRANSPARENCY INTERNATIONAL
the global coalition against corruption

Greater transparency in oil and gas sector is essential to stop corruption in resource rich countries

Berlin, 1 March 2011 – Oil and gas companies have improved the transparency of how they report revenues and information about anti-corruption programmes but should take bolder actions to stop corruption, according to a new report by Transparency International (TI) and Revenue Watch Institute (RWI).

"It is good news that transparency is improving, but too few companies publish what they pay governments in each country where they operate. Two thirds of the world's poor live in resource rich countries. They have a right to know how much money their governments get from companies to exploit these resources," said Huguette Labelle, Chair of TI.

The *2011 Report on Oil and Gas Companies*, which is based on research conducted in 2010 and is an expanded version of a report published in 2008, rates 44 companies on the public availability of information on their anti-corruption programmes and how they report their financial results in all the countries where they operate.

The companies evaluated represent 60 per cent of global oil and gas production.

By disclosing anti-corruption measures and key organisational and financial data, especially on a country-by-country level, companies demonstrate their commitment to stop the misappropriation of revenues. In particular, detailed publication of fiscal payments allows citizens to hold governments to account.

"It's striking that relatively few companies disclose on a country-by-country basis the payments they made to governments, even as civil society and a growing number of legislators and regulators recognise the importance of that information," said Karin Lissakers, Director of RWI. "It's essential data for investors, resource-rich societies and governments."

The findings of the new report show improvements from 2008:

- In 2011 only eight companies failed to score any points for reporting on anti-corruption programmes. In 2008 21 companies out of 42 scored zero in this category.

- In the 2011 report 24 out of 44 companies reviewed their data. In 2008 only a handful of the companies surveyed agreed to review and comment on the data.

This increase in company involvement may reflect a growing awareness by companies that they have responsibility to help stop corruption and that investors are looking for ways to measure sustainable reporting.

To push for greater transparency, the report recommends that investors include corporate transparency (or lack of it) in their analysis and valuation models.

Best Practice

Several companies scored well across the board, even in countries that are considered difficult environments, indicating that it is possible for companies to be transparent without compromising results.

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The report shows that companies can lead the way. There is a standard for best practice in transparency that can help ensure that oil and gas revenues are used well.

But what companies do is just part of the puzzle. Governments have a role to play too: they have to commit to using natural resource wealth for the greatest public good.

Key Findings

- Most companies report some information about their anti-corruption programmes, an advance over 2008.
- Regulatory frameworks improve transparency. Publicly listed companies score better in all categories than non-listed companies.
- International oil companies report more in all categories than national oil companies.
- Reporting on a country-by-country basis is the weakest area, where the average company score is just 16 per cent.

Recommendations

The report makes a series of recommendations for companies, governments and regulators, and investors.

- Companies should make public their anti-corruption programmes, and these should be subject to voluntary independent assurance.
- Companies should publish details of their subsidiaries, partners and fields of operations.
- Governments that are home to oil and gas producers should make country-by-country reporting by companies of their operations and revenues mandatory. In addition, European Union regulations, international stock exchanges and generally accepted accounting standards should also mandate companies report on a country-by-country basis.
- State-owned national oil companies should introduce internationally or generally accepted accounting standards, as well as publish independently audited accounts.
- International rating agencies and risk analysts should include transparency measures in their risk evaluation models.
- Corporate responsibility indices should include reporting on anti-corruption programmes, organisational disclosure and country-level disclosures.

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Note to editors: The report, which is published with Revenue Watch, is the third in a series of reports from the Promoting Revenue Transparency project, a joint initiative of TI and RWI. In 2008, TI produced the first companies report, which was followed in 2010 by the RWI Country Index. The RWI Index ranked governments on the transparency of their reporting on oil and gas revenue. The 2011 report updates and expands the 2008 company report.
The full report can be downloaded at www.transparency.org

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