Department for Business Innovation & Skills

UK IMPLEMENTATION OF THE EU ACCOUNTING DIRECTIVE

Consultation: Chapter 10 - Extractive industries reporting

IMPACT ASSESSMENT

MARCH 2014

Title: Implementation of Chapter 10 of EU Accounting Directive (2013/34/EU)

IA No: BISBE777

Lead department or agency: Department of Business, Innovation & Skills

Other departments or agencies: No

Impact Assessment (IA)

Date: 19/12/2013

Stage: Consultation

Source of intervention: EU

Type of measure: Secondary legislation

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RPC Opinion: Amber

Summary: Intervention and Options

Cost of Preferred (or more likely) Option				
Total Net Present Value	**Business Net Present Value**	**Net cost to business per year** (EANCB on 2009 prices)	**In scope of One-In, Two-Out?**	**Measure qualifies as**
-£131.4m	-£131.4m	£1.3m (£12.15m-£10.81m)	Yes	IN

What is the problem under consideration? Why is government intervention necessary?

Across the world, natural resources are worth $billions and make substantial contributions to the public budgets of many developing countries. However, their citizens often remain extremely poor. This is in part because many governments of developing countries have failed to manage the large payments made to them by extractives companies in return for access to natural resources. The absence of good governance and the lack of transparency around these payments reduces the positive impact that extractives industries can have on economic development. It also negatively impacts on, and increases the risk for, UK companies and investors active in the extractives sector through civil unrest and poor business environment.

What are the policy objectives and the intended effects?

The aim of this policy is to raise the global standards of transparency in the extractives sector.. This is intended to improve accountability, reduce the space for corruption and other illicit activities, and ensure that citizens benefit appropriately from the extraction of their natural resources. It is also expected to bring real benefits to UK companies operating in resource rich developing countries by reducing risk and improving the business environment, as well as to UK investors who will be better able to assess the risk profiles of extractives projects.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

As this is an agreed European Directive, the do-nothing option and alternatives to regulation are not available, and since the Chapter 10 provisions set out clear requirements for reporting, we have little flexibility to decide how to implement.

Two options were considered:

1. Implement Chapter 10 by the transposition deadline (20 July 2015).

2. Implement Chapter 10 early, with reporting requirements to apply to reporting periods commencing on or after 1 January 2015.

Our preferred option is Option 2

Will the policy be reviewed? It will be reviewed. **If applicable, set review date:** 07/2018

Does implementation go beyond minimum EU requirements?			Yes			
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	**Micro** No	**< 20** No	**Small** No	**Medium** No	**Large** Yes	
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)			**Traded:** 0		**Non-traded:** 0	

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible SELECT SIGNATORY: .... Date: ....

Summary: Analysis & Evidence

Policy Option 1

Description:

FULL ECONOMIC ASSESSMENT

Price Base Year 2013	PV Base Year 2015	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	**High:** Optional	**Best Estimate**:-121.0

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional		Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate	35.5		10.0	121.0

Description and scale of key monetised costs by 'main affected groups'

The monetised cost of this proposal relates to the additional reporting costs imposed by the measure. This includes transition costs (£35.5m) for companies making changes to their financial reporting systems. There are also ongoing costs (of £12.4m per annum) associated with the requirement for companies in scope to produce an annual report.

Other key non-monetised costs by 'main affected groups'

It is possible that complying with this measure will place UK companies at a competitive disadvantage. Whilst disclosing payments to governments will not give direct insight into the levels of turnover, costs and profits that an extractives company generates in a particular area, there may be instances when confidential business data will be revealed or can be deduced from such data.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional		Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate	0		0	0

Description and scale of key monetised benefits by 'main affected groups'

It has not been possible to estimate monetised benefits at consultation stage, but views will be sought in consultation.

Other key non-monetised benefits by 'main affected groups'

The non-monetised benefits to UK businesses from this measure include unquantified benefits to business and investors. These benefits are associated with an improved political and economic operating environment arising from promoting accountability and good governance.

There is also a strong rationale for intervention on the grounds of international equity.

Discount rate (%) 3.5

There is a possibility that the Accounting Directive will be implemented earlier than the Transparency Directive. If that happens, we will have a situation in which there are some UK registered subsidiaries whose UK-listed (non-UK registered) parent companies are not yet required to make a report. In that case, we would have to make those subsidiaries produce a report under the Accounting Directive for a short period of time, until the Transparency Directive was enforced. These costs are not included here.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: 10.8	**Benefits: 0**	**Net:** -10.8	No	NA

Summary: Analysis & Evidence — Preferred - Policy Option 2

Description:

FULL ECONOMIC ASSESSMENT

Price Base Year 2013	PV Base Year 2014	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	**High:** Optional	**Best Estimate:** -131.4

COSTS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Cost** (Present Value)
Low	Optional		Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate	36.7		11.2	131.4

Description and scale of key monetised costs by 'main affected groups'

The monetised costs are those identified in Option 1 (i.e. increased reporting costs). However, these will be incurred early in the case of the early implementation of the directive. The additional cost associated with this option reflects the time value cost of early implementation as well as the additional report(s) that companies in scope will be required to compile. Transition costs are £36.7m due to time value of money considerations and ongoing costs are £12.4m per annum.

Other key non-monetised costs by 'main affected groups'

The potential non-monetised costs are those identified in Option 1. However these will be incurred early in the case of the early implementation of the directive.

BENEFITS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Benefit** (Present Value)
Low	Optional		Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate	0		0	0

Description and scale of key monetised benefits by 'main affected groups'

It has not been possible to estimate monetised benefits at consultation stage, but views will be sought in consultation

Other key non-monetised benefits by 'main affected groups'

The potential non- monetised benefits (UK and international) are those identified Option 1. However these will be realised early in the case of the early implementation of the directive.

Key assumptions/sensitivities/risks — **Discount rate (%)** 3.5

As in Option 1

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: 12.15	**Benefits:** 0	**Net:** -12.15	Yes	IN

Evidence Base (for summary sheets)

Executive Summary

(i) Problem under consideration and rationale for intervention

- Across the world, natural resources, such as oil, gas and minerals, are worth $billions to developing countries.
- However, whilst many of the world's poorest countries have huge reserves of valuable natural resources, their citizens often remain extremely poor. This can be because many governments of developing countries have failed to manage successfully the large payments made to them by extractives companies in return for access to natural resources.
- The absence of good governance therefore significantly reduces the positive impact that extractives industries can have on local economies and local people.
- There is an **economic efficiency** rationale for intervention to help developing countries address the government failures in their own administrations. Even though this economic inefficiency originates outside UK jurisdiction, the benefits of addressing this failure are likely to have economic benefits to UK and are therefore in scope in terms of the Green Book
- For instance, if the Directive effectively inspires greater transparency, less **information asymmetry** and less corruption, UK extractive companies will benefit from the improved operating environment. With greater political and economic stability in the countries they operate in, UK extractive companies will be able to produce more consistently and at a lower cost than under the status quo. Also UK investors will be able to make improved investment decisions.
- There is also a strong political/societal rationale to intervene on **international equity** grounds to assist disadvantaged people in developing countries by increasing accountability and therefore promoting good governance. Increasing good governance is likely to lead to improved social outcomes[1] . Although the benefits associated with international equity accrue outside the UK (so are not strictly counted under Green Book guidance) this forms a major part of government's rationale for intervention.

(ii) Options and policy objectives

- The aim of Chapter 10 is to raise global standards of transparency in the extractives sector by requiring companies to report publicly the payments they make to governments in all their countries of operation.
- **Option 1:** proposes implementing the Directive on 20 July 2015, the transposition date set by the Commission. Implementation on this date would require extractives companies to begin reporting any payments they have made to governments for financial years beginning on or after 20 July 2015.
- **Option 2:** This option proposes implementing the Directive early, by bringing regulations into force in 2014 to apply to financial years beginning on or after 1 January 2015.
- **Option 2 is our preferred option.**

(iii) Costs and Benefits

- Since Option 1 and Option 2 are the same apart from the timing of implementation, the nature of the costs and benefits are the same for both options. The costs in both cases fall on the 177 large extractive companies in scope.

1 Khan (2010) Governance, Growth and Development

- The UK specific **benefits** associated with introducing this measure includes unquantified benefits to business and investors associated with an improved operating environment.
- There is a monetised **cost** to business arising from increased reporting costs.
- To calculate these costs we have used the FAME database to calculate the number of UK entities which fall within scope of the measure and then applied the unit costs used in the European IA.
- There is also a potential non-monetised cost associated with the possibility that aspects of this measure put UK firms at a competitive disadvantage.
- The monetised costs of **Option 1** are £35.5m for transition costs and £12.4m per annum for ongoing costs. This leads to an NPV of -£121.0m and an EANCB of £10.81m. The costs of Option 1 do not count as an IN because it is an EU requirement
- The monetised costs of **Option 2** are higher due to the additional extractive report companies will be required to compile under early implementation. Transition costs are £36.7m due to time value of money considerations and ongoing costs are £12.4m per annum. This leads to an NPV of -£131.4 and an EANCB of £12.15m.
- Therefore Option 2 counts as an 'IN' of £1.34m (£12.15m-£10.81m).
- Given that it is not possible to monetise the majority of the costs and benefits, it is not possible to recommend either of the options on economic efficiency grounds alone. However, it is clear that there is a strong international equity argument for implementing the directive early.
- We aim to explore costs and benefits in greater detail as part of the consultation.
- There are no concerns associated with the wider impact tests.

A. Background

This Impact Assessment relates to proposals to implement the provisions of Chapter 10 of the Accounting Directive (2013/34/EU). Chapter 10 (see paragraph 22 for a description) aims to increase transparency around the payments extractives companies (oil, mining, gas and loggers of primary forest) make to all governments.

B. Problem under consideration

1. Across the world, natural resources, such as oil, gas and minerals, are worth $billions to developing countries. Africa's natural resources were worth $246 billion in exports in 2009 – a figure which is 6 times greater than Official Development Assistance (ODA).[2]
2. While there are variations from country to country, the proceeds from oil, gas and mineral extraction make substantial contributions to the public budgets of many developing countries. The IMF Revenue Transparency Report states that oil, gas and mineral resources account for over 50% of government revenue or export proceeds in many low and middle income resource rich countries[3], whilst in 2005 the Shell Group paid $18 billion in government taxes in its countries of operation throughout the world.[4]
3. However, whilst many of the world's poorest countries have huge reserves of valuable natural resources, their citizens often remain extremely poor. This can be because many governments of developing countries have failed to manage successfully the large payments made to them by extractives companies in return for access to natural resources.

[2] http://www.publishwhatyoupay.org/about/advocacy/eu-country-country-and-project-project-reporting-proposals-qa

[3] IMF Guide to Resource Revenue Transparency (2007)

[4] The Role of the Extractive Sector in Expanding Economic Opportunity: http://www.hks.harvard.edu/mrcbg/CSRI/publications/report_18_EO%20Extractives%20Final.pdf

4. The absence of good governance therefore significantly reduces the positive impact that extractives industries can have on local economies and local people. Whilst Nigeria is one of the top 10 oil producers in the world and the leading producer in Africa, with oil exports estimated to be worth more than $100 billion in 2011[5], 62.6% of its population continues to live below the poverty line.[6]

5. Transparency around the payments extractives companies make to governments will provide these citizens of resource-rich developing countries with the information they need to help hold their governments to account and help ensure that the income is invested in local people and services.

6. Publish What You Pay (PWYP), a global network of civil society organisations that campaigns for an open and accountable extractives sector, argues that "Citizens and civil society need to be able to access information about extractives revenues to hold governments and companies accountable, ensuring that natural resources generate benefits for the whole population. Resource transparency reduces corruption and the costs of capital for developing countries and encourages foreign direct investment through a more stable business climate".[7]

7. In addition, Shell states that "We believe that transparency promotes good government, helping to ensure that the billions of dollars the energy industry pays in tax benefits society as a whole, rather than a privileged minority."[8]

8. Badly functioning local economies can also create difficult and potentially damaging operating environments for UK extractives companies which is likely to impact on profits.

9. The UK is an important actor in the global extractives industry, and many of the world's largest extractives companies have a presence here, including BP, Royal Dutch Shell, Rio Tinto and Anglo American. There are 177 large extractive companies in scope of the directive, which are not subsidiaries, EU owned or listed.

10. Due to the nature of the work they are engaged in, the extractives industries have a much longer time horizon than many other industries. They are relatively immobile, given that they must locate themselves wherever minerals and energy deposits exist. They are therefore more easily affected by unstable economic and political environments than other sectors and have a particular interest in expanding economic opportunity and increasing political stability in their countries of operation.[9] Indeed, Tullow Oil states that "As long-term investors, we need assurance that the legal, fiscal and regulatory regime will remain stable over the life of the project".[10]

11. However, in the absence of an extractives reporting requirement, there is no reliable information available on the current level of payments made by extractives operators to host governments. This affects both the local community's ability to hold its government to account for its use of the funds, as well as extractives companies' levels of assurance that the political and economic environment will remain stable. This in turn is likely to affect costs and hence profits.

12. It also affects companies' ability to demonstrate the size of the contribution they make to host countries and thereby boost their reputation and their "social licence" to operate. Tullow Oil believes that "Transparency creates the opportunity to more effectively manage expectations of what socio-economic impact the discovery of oil can have over what time frame. Further, it provides greater insight into how our industry operates and demonstrates the range of economic contributions that we can bring to a country."[11]

13. A lack of transparency around payments made to governments also negatively impacts investors' ability to assess the risk profiles of extractives projects and make effective investment decisions. This is especially the case in countries where governance is weak, as the resulting corruption, bribery and conflict can negatively affect the sustainability of a company's operations and therefore the profitability of investments.

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[5] http://eiti.org/Nigeria
[6] http://data.worldbank.org/country/nigeria
[7] http://www.publishwhatyoupay.org/about/advocacy/eu-country-country-and-project-project-reporting-proposals-qa
[8] http://www.shell.com/global/environment-society/society/business/payments-to-governments.html
[9] http://www.hks.harvard.edu/m-rcbg/CSRI/publications/report_18_EO%20Extractives%20Final.pdf
[10] http://www.tullowoil.com/files/pdf/reports/tullow_cr_2013.pdf
[11] http://www.tullowoil.com/files/pdf/reports/tullow_cr_2013.pdf

14. Currently available data suggests that payments are likely to run into many billions. In a survey of 11 country reports, the Extractive Industries Transparency Initiative (EITI) reported that the surveyed host governments annually received collectively US$43.5billion from the oil, gas, mining and timber industries.[12] To put this figure in context, the payments represent, on average, 11.5% of these countries' GDP. The European Commission Services estimated that listed EU oil and gas companies could collectively have made payments (including taxes, bonuses and royalties) to governments worldwide of €362 billion in 2009.[13]

C. Rationale for Intervention

15. There is an **economic efficiency** rationale for intervention to help developing countries address the government failures in their own administrations. Even though this economic inefficiency originates outside UK jurisdiction, the benefits of addressing this failure are likely to have economic benefits to UK and are therefore in scope in terms of the Green Book
16. For instance, if the Directive effectively inspires greater transparency, less information asymmetry and less corruption, UK extractive companies will benefit from the improved operating environment. With greater political and economic stability in the countries they operate in, UK extractive companies will be able to produce more consistently and at a lower cost than under the status quo. Also UK investors will be able to make improved investment decisions. Greater transparency around extractive companies will reduce the **information asymmetry** between investors and extractive companies, thereby ensuring a more efficient allocation of capital. Moreover, if investors are more able to make effective investment decisions, capital will be more efficiently allocated, to the benefit of the companies with the greatest growth prospects.
17. Knowledge of a company and its operating environment is important in helping those who engage with a company to more accurately assess the risk of company transactions, and therefore their own engagement with them. Not knowing a company's full profile means that there is a greater inherent risk of investors making sub optimal investments. This makes economic transactions/activities less attractive[14] and hence less likely to go ahead or they will go ahead but at a higher cost or lower level. For instance, Easley and O'Hara (2004)[15] find that companies which keep a greater proportion of their information private require a greater compensating return for the lack of transparency, i.e. they face a higher cost of capital. This is a common finding in the economic literature[16].
18. In addition, when corporate information is not readily available, other parties must incur greater costs from conducting due diligence to mitigate this risk. They must, for instance, actively seek to 'profile' the company and also write, complete and monitor contracts[17]. Therefore a lack of information will increase transaction costs, which can serve as a serious barrier to entry in the market, discouraging economic activity and potentially harming growth.
19. There is also a strong political/societal rationale to intervene on **international equity** grounds to assist disadvantaged people in developing countries by increasing accountability and therefore promoting good governance. Increasing good governance is likely to lead to improved social outcomes[18] . Although the benefits associated with international equity accrue outside the UK (so are not strictly counted under Green Book guidance) this forms a major part of government's rationale for intervention.

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12 2009 EITI overview of reports, http://eiti.org/files/Overview%20EITI%20Reports.pdf
13 EU Commission Impact Assessment for Financial Disclosures on a Country-by-Country basis http://ec.europa.eu/internal_market/accounting/docs/sme_accounting/review_directives/SEC_2011_1289_2_en.pdf
14 Furthermore, considering adverse selection, if the share of 'bad' companies exceeds a certain threshold, the market will cease to exist as 'good' companies are driven out of business.
15 Easley, D. and O'Hara, M. (2004) 'Information and the Cost of Capital' The Journal of Finance, Vol. 59, No 4.
16 See Barry, C., and S. J. Brown (1985) "Differential Information and Security Market Equilibrium." Journal of Financial and Quantitative Analysis 20, no. 4: 407-22 for a model, which demonstrates that securities with relatively little information are of a higher systemic risk. See Merton, R. (1987) "A Simple Model of Capital Market Equilibrium with Incomplete Information." Journal of Finance 42, no. 3: 483-510. Finds that in a model where investors are not aware of all stocks available i.e. suffer from incomplete information, the equilibrium value of each company is always lower.
17 Nonetheless, knowledge is always imperfect to some extent: as noted by Miller and Whitford (2002)17 without all encompassing contracts, which account for every eventuality, some element of trust is implicit in every business contract.
18 Khan (2010) Governance, Growth and Development

D. Policy Objectives

20. The aim of Chapter 10 is to raise global standards of transparency in the extractives sector by requiring companies to report publicly the payments they make to governments in all their countries of operation.

    - This is intended to improve accountability, reduce the space for corruption and other illicit activities, and ensure that citizens benefit appropriately from the extraction of their natural resources.
    - It is also expected to bring real benefits to UK extractives companies by improving their operating environments, as well as to UK investors by improving their ability to assess risk and make more effective investment decisions.

21. As such, Chapter 10 supports the Government's ambition for strong extractives reporting requirements and represents a significant contribution to the development of a global standard for transparency in these industries[19].

22. The key requirements introduced by Chapter 10 are:

- Large EU registered extractives companies (mining, oil, gas and forestry) must report the payments they make to governments in all of their countries of operation.
- Reports must be prepared on an annual basis, and must:

(i) Be prepared on the basis of individual projects
(ii) Include all payments made in money or in kind, whether made as a single payment or a series of related payments, totalling over €100,000 (approx. £84,000) or more.
(iii) Disclose the total amount of payments made to each level of government, including national, regional and local governments, and state owned organisations.
(iv) Disclose the total amount per type of payment. Types of payment covered are: production entitlements; taxes levied on the income; production or profits of companies (excluding taxes levied on consumption such as value added, personal income taxes or sales taxes); royalties; dividends; signature, discovery and production bonuses; licence fees, rental fees, entry fees and other considerations for licences and/or concessions; and payments for infrastructure improvements.

23. There will be no exemptions to reporting, even where companies are operating in countries that prohibit disclosure in criminal law.

24. EU listed companies will also be required to report according to Chapter 10 requirements as a result of the provisions in the Transparency Directive (TD).

E. Options Considered

25. The Accounting Directive (AD), published in July 2013, will replace the existing Accounting Directive. Chapter 10 introduces a new set of reporting requirements for extractives companies.

26. The content of the report is fixed by the Directive. As such, there are limited areas within which the UK can define requirements. These limited areas, along with their possible associated costs and benefits, are explored in this IA. We intend to gather further data during consultation to help inform which options to take forward in these areas.

27. The timing of implementation is the key difference between Option 1 and Option 2.

Option 1:

28. This option proposes implementing the Directive on 20 July 2015, the transposition date set by the Commission.

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19 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/207771/Lough_Erne_2013_G8_Leaders_Communique.pdf

29. Implementation on this date would require extractives companies to begin reporting any payments they have made to governments for financial years beginning on or after 20 July 2015.

<u>Option 2:</u>

30. This option proposes implementing the Directive early, by bringing regulations into force in 2014 to apply to financial years beginning on or after 1 January 2015.
31. Implementation on this date would require extractives companies to begin reporting any payments they have made to governments for financial years beginning on or after 1 January 2015. See annex B for a detailed implementation timetable.

Option 2 is our preferred option:

32. In the communiqué and declaration published following the G8 summit at Lough Erne, the Prime Minister, alongside other EU G8 members, committed to implementing the extractives transparency requirements contained within the Directive quickly.
33. He gave this commitment in recognition of the fact that these new requirements represent a significant step forward in fighting corruption in developing countries, and in helping to ensure that the citizens of those countries benefit from the huge sums of money that extractives companies pay their governments for access to natural resources.
34. As we also expect the Directive to bring benefits to UK extractives companies operating in resource rich countries, as well as to UK investors, early implementation will ensure that some of these benefits accrue as soon as possible. It is difficult to determine the extent to which reporting by UK companies alone would achieve critical mass in terms of promoting accountability and promoting good governance thus increasing the profits of UK companies. However, it would allow investors in UK companies to achieve certainty earlier and so make more optimal investments. More evidence about the nature and magnitude of the benefits to the UK of early implementation will be gathered in the consultation.

F. Monetised and non-monetised costs and benefits of each option

35. The range of benefits arising from the measure will be the same whether we choose Option 1 or Option 2. However, early implementation (Option 2) will increase the discounted size of the costs and benefits. The costs of option 2 will also include the additional report that companies in scope will be required to compile under early implementation. The section below will therefore outline the costs and benefits expected to arise from introducing the measure on the standard timescale (Option 1), before highlighting how these could change as a result of early implementation.
36. As part of gathering information to inform our impact assessment, we invited extractives companies and civil society to provide comments on the costs and benefits of the measures. Unfortunately, much of the cost information provided by industry was unusable as either companies were not yet in a position to provide us with accurate cost estimates, or the cost estimates given were provided without any justification. Moreover, there is likely a degree of self-selection bias given that the survey was not representative of the whole population of UK extractives companies.
37. To explain further, we received responses from a relatively small sample of 15 companies of which only five provided cost estimates. Of those five companies, only one company justified their cost estimate. Therefore, we decided that the survey results were not suitable for use in the IA. We will look to gather further, more detailed information during consultation
38. Nonetheless, where usable information was provided, it has been included in the analysis below.

OPTION 1

BENEFITS:

Benefits to citizens of developing countries:

39. By disclosing details of the payments they make to governments, extractives companies will be making significantly more information available about what is specifically paid by them to host governments in exchange for access to the country's natural resources.
40. Publicising this information at project level should make host governments more accountable to their citizens for the way in which payments are spent. Citizens and civil society will have far greater insight into what governments (local and national) are being paid by extractives companies. This will give them the information they need to help demand that their governments account for how the monies have been spent locally.
41. In the absence of an existing extractives reporting requirement, it is difficult to quantify the size of these benefits with any precision. However, many stakeholders have commented that increasing transparency around the payments made to governments is likely to improve governance, reduce corruption and ensure that income from extractives companies is invested in citizens (see points 6 & 7).
42. There is also evidence to suggest that countries with greater extractives transparency are more attractive to investors. A 2013 study into the effect of EITI participation found that joining EITI is associated with an increase in the ratio of FDI inflows to GDP by two percentage points on average.[20]This is significant given that the average ratio of FDI inflows to GDP in the sample of 81 countries studied was five percent (ibid.).

Benefits to UK companies:

43. Due to the nature of work in which they are engaged and their relative lack of mobility, extractives industries are more easily affected by unstable economic and political environments than other sectors. They are relatively immobile, given that they must locate themselves wherever minerals and energy deposits exist.
44. They therefore have a particular interest in improving governance, expanding economic opportunity and increasing political stability in their host communities.
45. As mentioned earlier, many stakeholders have commented that transparency around payments to governments improves governance, reduces corruption and ensures investment in local communities. Whilst these benefits are difficult to quantify precisely, there is a consensus among both industry and civil society around these effects.
46. A report by the Corporate Social Responsibility Initiative at Harvard University also found that expanding economic opportunity in host communities can reduce risk, decrease costs of production, and increase profitability for extractives companies.[21] It identified real and reputational costs of protests, work stoppages, boycotts and regulatory backlash where companies are not, or are not seen to be, investing in local communities.
47. As of July 2007, Royal Dutch Shell reported that 195,000 barrels of oil a day remained trapped in Nigeria, with a daily price tag for the company of nearly $16 million. Lack of economic opportunity, both real and perceived, is identified as one of the key factors contributing to violence and the disruption of operations in the region (ibid.).
48. The report also found that a more vibrant local economy can positively impact company bottom lines by reducing the cost of production inputs, which are materially affected by local economic conditions (ibid.).
49. To the extent that local individuals, communities and host nations are experiencing greater economic opportunity, companies' production costs and local and regional sales may be positively

20 http://eiti.org/files/Schmaljohann_2013_dp538.pdf
21 The Role of the Extractive Sector in Expanding Economic Opportunity: http://www.hks.harvard.edu/m-rcbg/CSRI/publications/report_18_EO%20Extractives%20Final.pdf

affected. A well-functioning host country market can provide access to a continuous supply of labour at prices well below expatriate packages, materials that need not be imported, and innovation in products and processes that are appropriate to local operating environments (ibid.).

50. In addition, creating a business environment where less bribery and corruption takes place creates a more level playing field for companies that do not take part in such practices, whilst an absolute reduction in the levels of bribery and corruption would increase the level of profits available to be paid to as dividends to company shareholders. This was supported by one company, which commented that "Transparency in conjunction with an appropriate tax regime allows all companies to operate on the same playing field. Open and accountable agreements are the basis for good governance and a kick starter for a significant reduction in corruption and bribery."[22]

51. By being seen to be making significant contributions to the economy themselves, extractives companies can boost their reputation and social licence to operate. They can also take advantage of the greater political and economic stability and opportunity greater transparency can bring. The degree to which the increased transparency of payments will deliver such results is uncertain and unquantifiable. We will review this point further in the consultation.

52. It could be argued that if making these contributions is beneficial to companies then it would be rational for them to do it themselves, without government compulsion. However, companies may not do this in practice because of co-ordination failure. If any one company were unilaterally to declare payments then this may not be recognised by wider society. However if firms took collective action then this culture change would be noticed and the benefits would be realised. Companies may find it difficult to co-ordinate this collective action due to imperfect information, transition costs and so on.

Benefits to UK investors:

53. The US Securities and Exchange Commission's (SEC) impact assessment for its own extractives transparency rules included comments from a range of investors who suggested that the information disclosed in the transparency report would benefit investors by among other things, helping them model project cash flows and assess political risk, acquisition costs, and management effectiveness. [23]

54. Investors stated that the disclosures required have value to investors and can "materially and substantially improve investment decision making", namely by reducing information asymmetry and providing more security and certainty to investors as to extractives companies' levels of risk disclosure. This is particularly the case in countries where governance is weak, as the resulting corruption, bribery and conflict can negatively affect the sustainability of a company's operations. Disclosure will therefore improve investors' ability to more effectively make investment decisions (ibid.).

55. Project level reporting means that investors can also better understand the risk profiles of individual projects within a given country, which may vary greatly depending on a number of factors such as regional unrest, personal interest by powerful government figures, degree of community oppression and environmental sensitivity. Unusually high signing bonus payments for a project may be a proxy for political influence, whereas unusually low tax or royalty payments may signal that a project is located in a zone vulnerable to attacks or community unrest (ibid.).

56. We do not have sufficient evidence to put a monetary value on the impact on risk and the required rate of return. This will be investigated further in the consultation.

[22] http://ec.europa.eu/internal_market/accounting/docs/sme_accounting/review_directives/SEC_2011_1289_2_en.pdf

[23] http://www.sec.gov/rules/final/2012/34-67717.pdf

COSTS:

Costs of reporting:

57. The requirement to produce an annual extractives transparency report will result in both transition and ongoing compliance costs.

- **Transition costs:**

58. It is expected that extractives companies will need to make changes to their financial reporting systems to allow them to capture and report payment data at project level, for each type of payment, government payee, and currency of payment. This could include establishing additional granularity to existing coding structures, developing a mechanism to appropriately capture data by “project”, building new collection tools within financial reporting systems, establishing transaction types to accommodate types of payment, and developing a systematic approach to handling “in kind” payments e.g. investing in infrastructure.

59. However, many multinational extractives companies are already subject to reporting requirements in some jurisdictions, for example the EITI. Some also already report some of the information required on a voluntary basis. In these cases, they will already possess internal systems capable of recording at least some of the payments required under Chapter 10, and the changes they will need to make are unlikely to be as wide ranging or costly.

60. The equivalence mechanism including in the Accounting Directive allows the EU to designate ‘equivalent’ reporting regimes, and thereby exempt companies already complying with these ‘equivalent’ regimes from producing an additional report to comply with Chapter 10. If the decision is taken to designate the US extractives reporting regimes as equivalent, there will be no additional cost to dual listed US-UK companies.

61. We estimate that transition costs would be **£35.5m** (see Annex A)

- **Ongoing costs:**

62. Once systems have been put in place to collect the necessary data, companies will face ongoing costs associated with the requirement to produce an annual report.

63. We estimate that the ongoing costs would be **£12.4m** (see Annex A)

Wider costs

64. There may also be potential wider costs associated with the measure. However it is difficult to quantify any impacts in advance of the consultation. The consultation will be used to gather more evidence in this area.

(i) Competitive disadvantage:

65. Whilst disclosing payments to governments will not give direct insight into the levels of turnover, costs and profits that an extractives company generates in a particular area, there could be instances when confidential business data could be revealed or can be deduced from such data.

66. Some companies have suggested that EU extractives companies would not be operating on a level playing field when compared with non-EU registered or with state owned companies, many of which have foreign operations.

67. BP’s operations in Angola have been cited as an example of this. In 2002, BP disclosed a signature bonus of $111 million in a US SEC filing. The Angolan state oil company threatened to take action if material damage was caused by the disclosure. Nonetheless, BP remains operational in the country and considers itself one of the largest investors in the economy. In addition, BP has advised that it continues to making filings at the US SEC and with UK authorities and this has not caused any problems with the Angolan authorities.[24]

[24] http://ec.europa.eu/internal_market/accounting/docs/sme_accounting/review_directives/SEC_2011_1289_2_en.pdf

68. A number of extractives companies already disclose certain country by country payments (some even at project level) on a voluntary basis – for example, Statoil, Tullow Oil, Rio Tinto. This indicates that they do not consider any loss of competition to be significantly damaging.
69. Importantly, companies have not been able to produce any convincing evidence that disclosure of payment information negatively affects their ability to win contracts.
70. Furthermore, companies registered outside the EU but listed on an EU regulated market will have to comply with the same reporting requirements via the TD.

(ii) Costs arising from the lack of exemptions clause:

71. The Accounting Directive does not provide any exemptions to reporting, even where companies are operating in countries where disclosure of such information is prohibited by criminal law.
72. Some companies believe that this could create a conflict in law and result in increased legal fees or fines, loss of business, forced divestment and even criminal sanctions.
73. We have yet to be provided with convincing evidence that any criminal prohibitions on the reporting of payments to governments exist in other countries, or that disclosure of such information would result in any of the above consequences. The majority of companies we have spoken to have indicated that they believe they could continue with their operations even without an exemptions clause.
74. We will seek further clarification of this point through consultation.

OPTION 2

BENEFITS

Benefits to citizens of developing countries

As with Option 1 except some of these benefits will be realised 12 months early

Benefits to UK companies

As with Option 1 except some of these benefits will be realised 12 months early

Benefits to UK investors

As with Option 1 except some of these benefits will be realised 12 months early

COSTS

Costs of reporting

The reporting costs incurred under Option 2 will be greater than under Option 1 due to implementation 12 months earlier.

- **Transition costs**

We estimate that transition costs would be **£36.7m** due to the time value of money considerations associated with implementing the Directive one year early. Details of this calculation are available in Annex A.

- **Ongoing costs**

We estimate that ongoing costs would be **£12.4m**. Companies will need to compile an additional report over and above what is required in option 1, which raises total costs accordingly. Details of this calculation are available in Annex A.

Wider costs

As with Option 1 except these potential costs will be incurred 12 months early

G. Rationale and evidence that justify the level of analysis used in the IA (proportionality approach)

75. We believe that the analytical approach taken in this IA is proportionate. The table below sets out the data we would have required to have obtained a full monetised analysis and why we were not able to include this. More evidence will be gathered as part of the consultation.

Cost/ Benefit	Evidence/ Data gap	Why this evidence has not been included in the IA
Benefits		
Benefits to UK companies	Quantified and monetised evidence that accountability and governance will increase political and economic stability Quantified and monetised evidence that improved political and economic stability will improve the profitability of UK firms	Analytical challenges associated with: accurately defining and measuring accountability and governance, addressing confounding factors and the external validity of country specific studies Cost of commissioning the research (proportionality)
Benefits to UK investors	Quantified and monetised evidence that the improved political and economic stability would benefit UK investors Evidence on better information leading to more optimal investment choices	As above
Costs		
Costs of reporting	Representative UK reporting costs Representat ive UK EITI costs (to give the additional reporting cost)	Lack of UK specific cost information. We received responses from approximately 15 companies, however most of the responses, particularly around costs, were unusable. This is because of those companies who responded, only 5 companies provided us with any estimation of the likely costs of reporting, and only 1 of these provided any justification for the costs they suggested. Due to the size of the sample, compounded by the small number of responses to key questions, and

		the lack of justification provided by companies, we therefore decided that the survey results were not suitable for use in the IA. We will look to gather further, more detailed information during consultation
Wider costs	Evidence of the extent to which UK firms would be disadvantaged due to having to disclose commercially sensitive information and additional reporting costs Evidence around the costs of a lack of exception clause	Analytical difficulties associated with obtaining accurate estimates Need more in-depth qualitative engagement with extractive companies during the consultation to understand the issue in more detail

H. Risks and assumptions

76. There is a possibility that the AD will be implemented earlier than the TD. If that happens, we will have a situation in which there are some UK registered subsidiaries whose UK-listed (non-UK registered) parent companies are not yet required to make a report. In that case, we would have to make those subsidiaries produce a report under the AD for a short period of time, until the TD was enforced. This IA excludes these costs, which are expected to be included in the TD Impact Assessment.

I. Direct costs and benefits to business calculations (following OITO methodology)

77. The direct costs to business are calculated based on the reporting costs estimated in Annex A. Notably, the early implementation of the Directive (i.e. under our recommended option 2) is classified as gold plating under the better regulation guidance. The scale of the IN is therefore the value of this gold plating (i.e. the EANCB of option 2 less the EANCB of option 1).
78. The EANCB of option 2 (early implementation) is estimated to be £12.15m in contrast to option 1 which is estimated to be £10.81m. The value of the gold plating and indeed the IN on this basis is £1.34m (£12.15m-£10.81m).

J. Wider impacts

<u>*Statutory Equality Duties*</u>

79. No obvious concerns in this area given that this measure regulates businesses rather than individuals.

<u>*Economic Impacts*</u>

Competition Impact Test

80. As mentioned in the main body of the IA paragraphs 65 to 70, there is anecdotal evidence around the potential for the measure to limit the geographic area (i.e. in resource rich foreign countries) in which UK firms can operate. There is also the potential that by disclosing high level commercial information about payments to governments, this could lead to implicit collusion between firms.
81. We understand that these issues are not in-scope of this test because they would occur outside the UK and therefore would not have implications for allocative efficiency in UK markets.

Small and Micro Business Assessment

82. Only large companies are in scope of Chapter 10 of the Accounting Directive – small companies are exempt. Even if a large extractive company has a small extractive subsidiary, the small extractive subsidiary will not be required to feed information into the parent's report. As such no small companies, even if they are subsidiaries of the companies in scope, will be affected, adversely or otherwise.

83. For completeness, below we outline our assessment against the advised considerations, none of which apply:

- **Full exemption**

Small companies are already exempt under the Directive.

- **Partial exemption**

Small companies are already exempt under the Directive.

- **Extended transition period**

Small companies are already exempt under the Directive.

- **Temporary exemption**

Small companies are already exempt under the Directive.

- **Varying requirements by type and/or size of business**

Small companies are already exempt under the Directive.

- **Direct financial aid for smaller businesses**

Small companies are already exempt under the Directive.

- **Opt-in and voluntary solutions**

Small companies are already exempt under the Directive.

<u>*Environmental Impacts*</u>

84. Although this policy is around extractive industries, there are no obvious direct concerns in this area. Although this measure may lead to an increased level of output, therefore potentially increasing pollution, we assume that extractives companies will comply with existing environmental frameworks in the country in which they operate.

<u>*Social Impacts*</u>

Health and Well-Being:

85. No obvious concerns in this area.

Human Rights:

86. No obvious concerns in this area.

Justice System

87. The proposal is likely to introduce new criminal sanctions or civil penalties for non-compliance. However, the precise nature of these measures is yet to be determined and will be explored at consultation. We would not expect this to place a disproportionate burden on the court system because the measure only covers a small number of firms (177 parent companies). Also these

firms are large and relatively high profile which would mean that the reputational costs of non-compliance would generally outweigh any benefits.

Rural Proofing

88. No obvious concerns in this area.

Sustainable Development

89. No obvious concerns in this area.

K. Summary and preferred option with description of implementation plan.

90. The summary and preferred option are set out below:

(i) Summary

91. A Multi-Criteria analysis is used to compare the costs and benefits set out in Section F.
92. In the absence of alternative information regarding criteria weights, each of the costs and benefits has been assigned an equal weight. A more sophisticated approach to weighting, which elicits input from key stakeholders such as NGOs and large extractive companies, will be developed during consultation.
93. The table below indicates that based on the pre-consultation evidence base, the economic efficiency case for choosing Option 2 rather than Option 1 is inconclusive. Essentially early implementation will lead to costs being incurred early, but also benefits being realised early as well. All of the benefits and much of the costs are unquantified and there is no consensus around criteria weights, so it has not been possible to determine which option is superior on economic efficiency grounds.
94. However, **Option 2 is still the preferred option. This is due to the early realisation of the international equity benefits** arising from promoting accountability, incentivising good governance and therefore encouraging improved social outcomes.

Cost/ Benefit	**Option 1**	**Additional impact from reporting early**	**Option 2**
Benefits to UK companies	Unquantified benefit	Some of the benefit would be received early	Greater unquantified benefit(√)
Benefits to UK investors	Unquantified benefit	Some of the benefit would be received early	Greater unquantified benefit (√)
Costs of reporting	£121.0m	Cost (£10.4m) would be received early	£131.4m(X)
Wider costs	Unquantified cost	Cost would be received early	Greater unquantified cost(X)

(ii) Implementation plan

TRANSPOSITION PROJECT PLAN / MILESTONES	
26 June 2013	Date the EU legislation was adopted
29 June 2013	Published in the Official Journal of the EU: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:182:0019:0076:EN:PDF
Dependencies and Issues	None known.
Method of	Free standing regulations, using copy-out where possible.

Transposition			
October 2013	Pre-consultation RRC clearance		
November 2013	Consultation		
Spring 2014	Lay regulations		
Spring 2014	Expected date for transposition in NI/Scotland/Wales		
July 2015	Expected date for transposition in Gibraltar		
N/A	Expected date for publication of guidance		
Summer 2014	Planned date for notifying the Commission of transposition		
Summer 2014	UK legislation enters into force		
20 July 2015	Final transposition deadline (from the EU legislation)		
OTHER MILESTONES POST-IMPLEMENTATION			
2018	European Commission review of Chapter 10		
October 2019	Proposed date for Ministerial review		
Lead Official:	Vickie Wood	Contact No:	0114 207 5308
Lead Lawyer 2:	Georgia Brown	Contact No:	020 7215 6315

Annex A: Cost calculations

(i) The EU Impact Assessment calculations

95. The European IA estimates costs (transition and ongoing) by using European Securities and Market Authority (ESMA) data to calculate the number of entities (defined as parent companies and subsidiaries) and then multiplying this by a cost per entity figure. See link: http://ec.europa.eu/internal_market/accounting/sme_accounting/review_directives/index_en.htm

96. The cost per entity figure was calculated by consulting 4 Multi National Companies (MNCs) on their set up and annually re-occurring costs from reporting at company group level. This estimate was made on the basis of reporting payments to host countries on a country and project basis.

97. ESMA data was then used to identify the number of entities in these four company groups. This allowed a cost per entity figure to be calculated. These per cost estimates are given in the table below

Set-up costs per group entity	**Annual recurring costs per group entity**
€212,244	€74,490

98. The EU impact assessment then extrapolated the estimates across the listed extractive sector, on the basis of the number of group companies (parent and subsidiary companies) identified by ESMA data. They excluded dual listed companies firms which face no reporting obligation from an EU reporting requirement over and beyond that stemming from the Dodd Frank Act. This gave the following estimated costs.

Year 1 (€millions)			**Year two and successive years (€ millions)**	
Set-up costs	**Recurring costs**	**Total**	**Recurring costs**	**Total**
548	192	740	192	192

(ii) OPTION 1: Reporting costs

99. To estimate the cost to the UK of implementing Option 1 the following methodology was used:

100. First FAME data was used to identify the total number of large (based on standard Companies Act 2006 (updated in 2008) classification) and listed UK extractive companies (defined as SIC classification 05-08, rather than 05-09 as extractive services which represented by SIC code 09 are unlikely to face a reporting requirement)

101. An important consideration in terms of calculating the relevant number of companies relates to the interaction between the Accounting Directive (AD) and the Transparency Directive (TD). Our central assumption is that the AD and TD are implemented at the same time. The TD stipulates that all UK listed companies must comply with Chapter 10 of the AD. Furthermore, if a parent company is already producing a report on behalf of its subsidiaries, those subsidiaries are exempted from producing their own reports.

102. Therefore UK listed companies, and subsidiaries of these companies, would not face an additional reporting requirement because of the requirements of the TD. This will be the subject of a separate Impact Assessment. We therefore excluded all UK listed companies and their subsidiaries from the figure. This provides the following breakdown of entities in scope:

Fame Data

Population	Total no.
Large extractive companies in scope (excluding subsidiaries, EU owned companies and LSE listed)	**177**

103. In calculating the number of companies the following further assumptions were made:

104. Ownership is indicated by the country of the 'Global Ultimate Owner' (GUO). The minimum percentage of ownership for a parent company to be recorded as the GUO is 25.01% of the subject company. Where no shareholders are identified, the highest listed company is considered the GUO.

105. To work out the number of companies in scope it was necessary to identify the GUO so we could identify EU owned companies. We excluded these companies because they would have to comply with EU legislation in their own country of origin. There were 33 companies without a recorded 'global ultimate owner' (i.e. country of origin). To arrive at an estimate, the ownership of these 33 companies was distributed amongst EU, GB and 'Rest of World' origin, according to the percentage share in each of these locations before the 33 were included.

106. Where the table refers to excluding companies listed on the London Stock Exchange, this refers to the main market; which includes the FTSE350, FTSE Small Cap and FTSE Fledgling but does not include AIM.

107. To derive reporting costs to the UK of implementing the directive (Option1) we then multiply the 177 companies in scope by the average cost per entity based on the EU Impact Assessment figure. The table below provides a per entity cost (applying a 12 month average EU:GBP exchange rate of 0.84[25]).

	Per entity cost expressed in €	Per entity cost expressed in £ sterling
Transition costs	€212,244	£179,000
Ongoing costs	€74,490	£63,000

108. Applying this per entity cost to the number of entities and uprating the 2010 prices given in the EU Impact Assessment to 2013 prices using ONS CPI estimates, gives the following total cost:

	Total cost expressed in £ sterling
Transition costs	£35.5m
Ongoing costs	£12.4m per year (incurred from the year *after* implementation onwards)

(iii) OPTION 2 Reporting Costs

109. Under our preferred option (Option 2) we would be implementing the directive 6 months early. In this case, the relevant entities would incur the full costs a whole year early due to the implications of timings of reporting requirements[26]. See Annex B for a detailed implementation timetable, which compares option 1 with option 2.

[25] Bank of England Statistical Interactive Database, series XUDLSER

[26] Timings will be determined fully in the consultation. Current assumption is based on advice from the policy team on the likely implications of reporting requirements.

110. To derive the early implementation cost we apply the standard Green Book discount rate of 3.5 percent to the total transition cost. **This gives an additional cost of £1.2m (see table below)**. The annual costs of £12.4m are also brought forward one year relative to option 1.

	Total cost expressed in £ sterling of implementing Option 1 (undiscounted)	Additional cost of early implementation expressed in £ sterling (undiscounted)	Total cost of Option 2 expressed in £ sterling (undiscounted)
Transition costs	£35.5m	(£35.5m*1.035)-£35.5m=£1.2m	=£36.7m

111. As such, the total cost figures are derived from the below table:

	Total cost expressed in £ sterling
Transition costs	£36.7m
Ongoing costs	£12.4m per year (incurred from the year *of* implementation onwards)

Discussion on cost assumptions (applies to both Option 1 and Option 2)

112. It is likely that these costs are an overestimate. Many of the multinational companies affected by the Directive will already be required to report some of the information required by Chapter 10 by the EITI, which has now been adopted by 39 countries. Some extractives companies also already report some of the information required by the Directive on a voluntary basis. In these instances, the costs imposed by the Accounting Directive will be lower because companies will already possess some of the internal systems capable of recording payments to governments, and will already be producing reports that include some of the information required. The changes they will need to make are therefore unlikely to be as wide ranging or costly.

113. Unfortunately we have been unable to calculate how much it already costs companies to produce EITI or voluntary reports. In order to do this we would need to have a full list of the countries in which each UK company is operating. This would allow us to cross reference the list with the list of countries that have implemented EITI. We would then be able to make some calculation about the likely cost of EITI reporting.

114. In the absence of this information, it must be assumed that the total costs calculated in this IA are an over-estimation of the actual costs. It was not possible to conduct a sensitivity analysis to reflect this uncertainty due to the lack of evidence regarding upper or lower bound estimates.

115. As part of the consultation, we will seek to gain more information from companies on this point.

Annex B: Illustration of Key Milestones for Production of Extractives Reports

116. Although option 2 implies the implementation is 6 months before option 1, in practice, companies will not have to report until January 2016. This is exactly one year before companies would be required to report under option 1 in January 2017.

Option 1 - Latest	Timeline	Option 2 - Early
	2014	
	Oct	Regulations come into effect for financial years commencing *on or after* 1 Jan 2015.
	2015	
	Jan	**1st: First reporting period (2015) commences**
Regulations come into effect for financial years commencing *on or after* 20 July 2015.	July	
No extractive companies expected to have financial years commencing in this period.		
	Sept	
	Dec	31st: First reporting period (2015) ends
	2016	
1st: First reporting period (2016) commences	Jan	1st: Second reporting period (2016) commences
	Sept	30th: Financial statements for 2015
	Nov	31st: Extractives reports for 2015 – **FIRST EXTRACTIVE REPORT PRODUCED**
31st: First reporting period (2016) ends	Dec	31st: Second reporting period (2016) ends
	2017	
	Jan	
30th: Financial statements for 2016	Sept	30th: Financial statements for 2016
31st: Extractives reports for 2016 – **FIRST EXTRACTIVE REPORT PRODUCED**	Nov	31st: Extractives reports for 2016 – SECOND EXTRACTIVE REPORT PRODUCED
	Dec	

117. Assumptions:

- Extractive company financial years are calendar years, 1 Jan – 31 Dec
- Two months permitted after deadline for publication of annual financial statements to prepare and publish reports on payments to governments.

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