

Rio de Janeiro, March 16, 2020.

CONTRIB 0017/2020

Ms. Vanessa A. Countryman  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090  
USA

Subject: File number S7-24-19 - Comments on proposed rule for Disclosure of Payments by Resource Extraction Issuers

Dear Ms. Countryman,

Petróleo Brasileiro S.A. - Petrobras welcomes the opportunity to comment on the Commission's proposal to adopt rules pursuant to Section 1504 of the Dodd-Frank Wall Street Reform and Consumer Protection Act relating to disclosure of payments by resource extraction issuers (the "Proposed Rule").

Unless the context otherwise requires, the terms "Petrobras," "we," "us," and "our" refer to Petróleo Brasileiro S.A. - Petrobras and its consolidated subsidiaries.

We fully support efforts to increase transparency with respect to payments to governments by companies engaged in resource extraction. We also congratulate the Commission for its efforts to revise the 2016 Rules.

Please see Appendix A for our detailed comments with respect to certain questions posed by the Commission in the Proposed Rule. If you have any questions about the content of this letter please do not hesitate to contact us at [contrib@petrobras.com.br](mailto:contrib@petrobras.com.br).

Respectfully,

/s/Rodrigo Araujo Alves  
Rodrigo Araujo Alves  
Chief Accountant and Tax Officer

## Appendix A - Comments

### Definition of “Commercial Development of Oil, Natural Gas or Minerals” - “Extraction” and “Processing”

As proposed, it is unclear whether certain midstream activities that we engage in would be included within the definition of “processing.” We believe the activities covered by this definition should be clearly defined and additional guidance should be provided in order to ensure consistent application and comparability among issuers. This will avoid unintended over- or under-inclusion of payment information due to a lack of understanding by issuers of what is considered a processing activity under the Proposed Rule.

### Definition of “Payment”- “Taxes” and “In-Kind Payments”

As proposed, an issuer that engages in resource extraction would be required to file information relating to any payment made to a foreign government (including the Brazilian federal government, in our case, which is our majority shareholder) in respect of the commercial development of oil, natural gas or minerals, including payments for taxes levied on corporate profits, corporate income, and production. We note that corporate income tax is based on taxable profit at the legal entity level within a given jurisdiction, which may include income earned from business activities beyond those generated by resource extraction activities.

In our view, it is impractical to isolate the corporate income tax payments made on income generated from the commercial development of oil, natural gas, or minerals. We urge the Commission to provide additional guidance on such issue considering the particularities of income tax payments in each country.

In addition, we urge the Commission to provide additional guidance on how to interpret the proposed list of covered payment types and examples for determining fair market value for in-kind payments. This would both ease implementation and promote consistency in reporting among issuers.

### Definition of “Project”

We agree with the definition of “project” by the type of resource being commercially developed, the method of extraction, and the major subnational political jurisdiction where the commercial development of the resource is taking place.

### Definition of “Subsidiary” and “Control”

We fully support the definition of control based on applicable accounting principles rather than Rule 12-b of the Exchange Act. We also support the exclusion of proportionately consolidated entities and joint operations.

### **Exhibits and Interactive Data Format Requirements**

We believe the three proposed methods for calculating the currency conversion when payments are made in multiple currencies provide issuers with sufficient options to address any possible concerns about compliance costs and comparability of the disclosure among issuers.

In addition, we are in agreement with the definition provided by the Commission to identify an issuer's business segment, which is consistent with the reportable segments used in financial reporting.

Lastly, the proposed rule states:

*"to the extent that payments, such as corporate income taxes and dividends, are made for obligations levied at the entity level, issuers could omit certain tags that may be inapplicable (e.g., project tag, business segment tag) for those payment types as long as they provide all other electronic tags, including the tag identifying the recipient government".*

We urge the Commission to clarify whether such omissions could be used in other circumstances where certain tags may be inapplicable.

### **Public Filing and Exemption from Disclosure**

We strongly support the proposed rules for exemptions from disclosure, mainly the exemptive relief on a case-by-case basis and the new proposed exemptions for conflicts with foreign law and pre-existing contractual limitations and prohibitions.

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