

PROMOTING REVENUE TRANSPARENCY

2011 REPORT ON OIL
AND GAS COMPANIES

Countries rich in resources are often mired in poverty. If companies were more transparent about the payments they make to governments to exploit oil and gas resources, there would be less room for corruption and more money available for development. Transparency in revenue reporting is beginning to improve, but much more needs to be done.

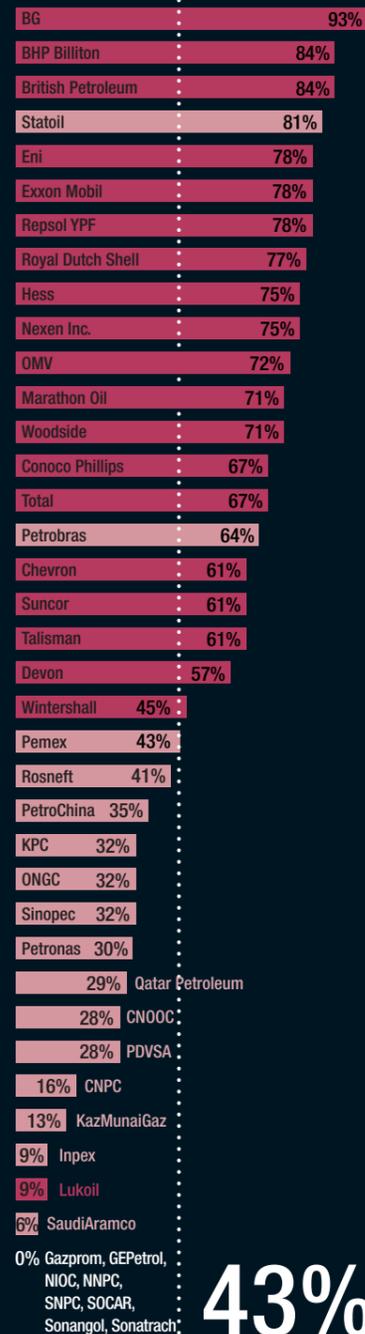
The 2011 *Promoting Revenue Transparency in Oil and Gas Companies* report aims to make revenues from oil and gas extraction transparent and, as a result, more beneficial to the societies of resource-rich countries. In order to achieve this goal, it analyses 44 leading global oil and gas producers, including international oil companies (IOCs) and national oil companies (NOCs), on their reporting performance. The report specifically looks at reporting on anti-corruption programmes, organisational disclosure (disclosure of operations, subsidiaries and partners) and country-level disclosure of financial and technical data.

The findings of the report are intended to serve as a benchmark for corporate reporting by the sector. They identify current practices and areas for improvement and provide recommendations for enhancing the transparency and accountability in reporting. Companies create value for their shareholders, but they also should share this value transparently in the countries in which they work to promote economic development.

There are three ways to promote the fair sharing of revenues from oil and gas through greater transparency. First, companies should implement and promote sound, anti-corruption programmes to prevent individuals from misappropriating revenues. Second, companies should disclose the financial relationships they have with their partners and their operating subsidiaries. Lastly, companies should publish precise information about how much revenue goes to state budgets and how much is retained by companies.

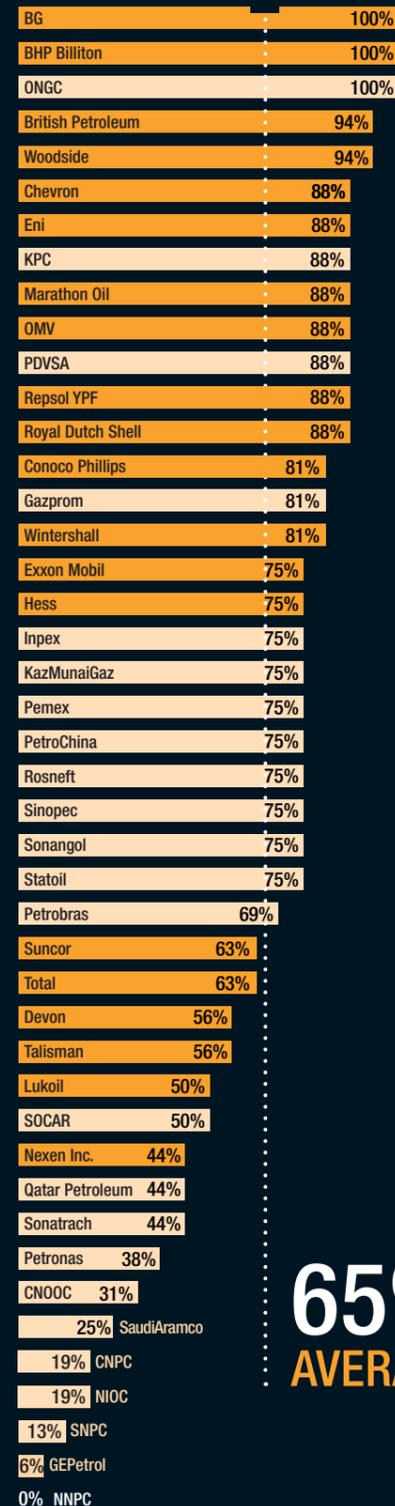
MAJOR RESULTS

REPORTING ON ANTI-CORRUPTION PROGRAMMES



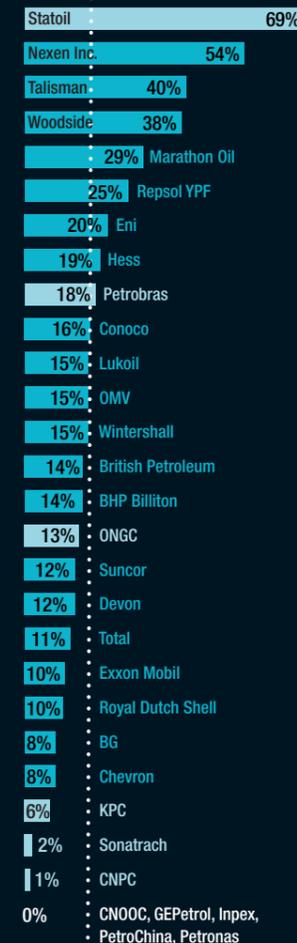
43%
AVERAGE

ORGANISATIONAL DISCLOSURE



65%
AVERAGE

COUNTRY-LEVEL DISCLOSURE - INTERNATIONAL OPERATIONS



16%
AVERAGE

The major results of our study are three company rankings, one for each of these sections:

1. reporting on anti-corruption programmes
2. organisational disclosure
3. country-level disclosure

The first section reflects companies' reporting on their anti-corruption programmes according to the Transparency International - UN Global Compact Reporting Guidance on the 10th Principle against Corruption. Organisational disclosure measures reporting on companies' organisational structure, operations, partnerships and standards used for published financial accounts. Country-level disclosure reflects companies' reporting on meaningful country-level financial and technical data related to their international operations.

All results are presented as percentages of maximum possible scores (scale: 0 to 100 per cent). Scores are rounded to the nearest whole number. Where companies score the same they are listed alphabetically. The average scores for the three sections are: 43, 65 and 16 per cent, respectively.

The analysed sample includes:

- 44 major oil and gas producers (20 international and 24 national oil companies)
- Based in 30 home countries
- Producing in 73 host countries
- Coverage of global reserves: 60 per cent of oil and 55 per cent of natural gas
- Coverage of global production: 60 per cent of oil and 60 per cent of natural gas
- 33 globally important, large producers (Fortune Global 500 and/or Forbes Global 2000), plus 11 locally important national oil companies, mostly from oil-dependent countries



MAJOR FINDINGS

REPORTING ON ANTI-CORRUPTION PROGRAMMES

Increasingly, oil and gas companies are adopting and making publicly available anti-corruption programmes, whose contents are converging. Nevertheless, there are many companies that still do not publish their anti-corruption codes, policies or measures. More companies should report in detail the features of their anti-corruption programmes.

ORGANISATIONAL DISCLOSURE

Public disclosure of partnerships and subsidiaries, including their countries of incorporation, are key elements of organisational disclosure. The average results in this section are relatively high. Many national oil companies have a good level of disclosure. Disclosure of equity or field partners in upstream operations, however, remains infrequent, despite the fact that equity minority partnerships often present corruption risks.

COUNTRY-LEVEL DISCLOSURE

Country-level disclosure on international operations has improved since the 2008 PRT report when only a handful of companies published information. Reporting on production levels has become a broadly accepted standard and there are examples of good disclosure for financial data and reserves.

Nonetheless, in spite of this positive trend, country-level disclosure on international operations remains weak; this type of disclosure received the lowest average score of the three categories covered in the report. Many companies do not disclose any financial data on a disaggregated country-level.

The host country environment itself cannot be exclusively blamed for poor disclosure. In the same host countries, often described as 'difficult environments', some companies disclose extensive information, while the others disclose little or none at all.

COMPARISON TO PRT 2008

Direct and systematic comparison is limited due to changes in the methodology. However, certain overall trends can be compared.

Reporting of anti-corruption programmes by oil and gas companies is improving. The 2008 report identified 21 companies that scored zero in this category and in the 2011 report eight companies scored zero. This is a positive trend.

In both the 2008 and the 2011 reports, international oil companies (IOCs) performed better than national oil companies (NOCs), and publicly listed NOCs performed better than non-listed NOCs overall.

Companies are becoming more engaged. Twenty-four out of 44 companies reviewed their data and provided valuable information, feedback and comments for the 2011 edition of the report compared to less than 10 of the 42 companies analysed in 2008.

KEY POLICY RECOMMENDATIONS

FOR COMPANIES:

1. Detailed anti-corruption programmes should be publicly available
2. Companies should undertake voluntary independent assurance of anti-corruption programmes
3. Companies should publish details of their subsidiaries and fields of operations
4. Oil and gas companies should increase their reporting on a country-by-country basis
5. Companies should join the Extractive Industries Transparency Initiative
6. Companies should create and maintain up-to-date corporate websites

FOR NATIONAL OIL COMPANIES (NOCs):

7. All NOCs should introduce internationally or generally accepted accounting standards, as well as publish independently audited accounts
8. The relationships between home governments and NOCs should be clear and publicly disclosed

FOR PUBLIC BODIES:

9. The European Union should amend relevant legislation to require EU-registered companies to report on their operations on a country-by-country basis
10. All governments that are home to oil and gas producers should require companies to report on their operations on a country-by-country basis
11. Stock exchanges should enforce regulations providing for country-level reporting

FOR THE INVESTOR COMMUNITY:

12. International rating agencies and risk analysts should include anti-corruption measures in their risk evaluation models where relevant
13. The International Accounting Standards Board should require companies to report key information on a country-by-country basis
14. Corporate responsibility indices should include reporting on anti-corruption programmes, organisational disclosure and country-level disclosure