



EUROPEAN COMMISSION

Directorate General Financial Stability, Financial Services and Capital Markets Union

INVESTMENT AND COMPANY REPORTING

Accounting and financial reporting

FEEDBACK STATEMENT

on the public consultation on the equivalence of third country regimes regarding the country by country reporting by extractive and forestry industries

February 2015

This is an information document prepared by the European Commission services. The document aims to reflect factually the views expressed by the respondents to the public consultation. It does not set out any official position of the European Commission.

The European Commission held a public consultation on ‘**the equivalence of third country regimes regarding the country by country reporting by extractive and forestry industries**’ between 25 June and 10 October 2014. This summary presents the main conclusions of the consultation.

The Commission received **22 responses** to its on-line questionnaire. Two respondents asked for their submissions to be treated anonymously. All the replies have been published on the public consultation website, anonymously where required, at: http://ec.europa.eu/internal_market/consultations/2014/extractive-forestry/index_en.htm

Who answered the questionnaire?

The majority of respondents were organisations representing civil society and professional organisations. Preparers included companies active mainly in the extraction of oil. The following table provides an overview of respondents by type:

	Respondent	Ratio	No registered in the Transparency Register
Public Authority	2	9%	-
Organisation	13	59%	7
Preparer	4	18%	4
User	2	9%	-
Other	1	5%	-

In terms of regions, 11 contributions were received from EU and non-EU based respondents representing internationally-wide interests, 2 from respondents representing EU-wide interests, 6 from national respondents based in the EU (Czech Republic, Denmark, France, Greece, Spain and the United Kingdom) and 3 from national respondents based outside the EU (Kenya, Nigeria, Liberia).

According to Article 46 of the Accounting Directive 2013/34/EU (Article 46), equivalence is examined on the basis of the following criteria:

- (i) target undertakings,
- (ii) target recipients of payments,
- (iii) payments captured,
- (iv) attribution of payments captured,
- (v) breakdown of payments captured,
- (vi) triggers for reporting on a consolidated basis,
- (vii) reporting medium,
- (viii) frequency of reporting, and
- (ix) anti-evasion measures.

Very few respondents believe that it is necessary to provide further details on the equivalence criteria already listed in the Directive or to add new equivalence

criteria, and hence there is no need for the Commission services at this stage to use the power conferred by Article 46(2) of the Directive.

One public authority believes that the criteria could be more detailed in terms of their structure and setting, so as to increase the comparability of reported information. Two respondents have no opinion.

From a qualitative angle, **civil society organisations are generally of the view that the equivalence mechanism should aim to establish a consistently high global standard for reporting**, based on the standards established by the EU, with a view to establishing an international level playing field. **Preparers and professional organisations believe that equivalence between two similar, but not necessarily identical, regimes should generally aim to achieve similar levels of protection, having regard to the objectives of the EU legislation**, including avoiding redundant, costly reporting.

This difference of approach translates into varying views on what the main features of equivalent reports should be. Civil society organisations believe that equivalent reports should identify the paying company, be publicly available, present data with a similar level of granularity/disaggregation, include an analysis by project, be based on similar thresholds and largely cover the same governments, i.e. with no exemption where local legislation would conflict with an EU requirement. Preparers generally support a pragmatic approach where equivalent reports need not be extremely alike, e.g. in which governments could be largely similar, and with less weight given to identifying companies or analysis by project. Public authorities generally see each criterion as carrying the same weight. Users and others are divided on this aspect.

Nearly all preparers and professional organisations believe that once a third country reporting requirement is recognised as equivalent by the EU, the corresponding reports should be accepted as they are in the EU. Any modification of the language or the reporting period, for example, would, in their view, be contrary to the very idea of equivalence, and a potential source of extra costs. **By contrast, almost all civil society organisation, users, public authorities and others would support the adaptation of reports** prepared in line with non-EU standards to ensure, for example, that they are available in certain EU languages and filed in in open, machine-readable formats where appropriate.

In response to whether anything else could be done to ensure high-quality reporting, one respondent proposed that country by country reports should be audited, and another that the reports should be made available on the website of the preparer.

Preparers, public authorities and organisations generally agree that the equivalence issues could be solved if there was a common international standard, or at least a level playing field. In this respect, almost all respondents believe that the Extractive Industries Transparency Initiative (EITI) has a role to play. The vast majority of civil society organisations and one public authority emphasise that the EITI will result in the production of useful information that could contribute to a company's reporting under an EU or equivalent regime. However further detail, such as project reporting, may be necessary. Preparers and professional organisations believe that where reports have been submitted in an EITI-compliant country, preparers should be able to use this data for reporting purposes in the EU, as long as it is largely aligned with the EU criteria. In addition, a few respondents feel that, where the EU would enable EITI reports to be seen as equivalent, the EU equivalence mechanism would help to promote the adoption of the EITI in many countries.