

# Miners asked to Disclose Payments to Governments

By Deborah Spicer

The movement to have resources companies disclose payments to governments is gaining momentum, according to civil society group Publish What You Pay, with:-

- oil, gas and mining companies registered with the US's Securities Exchange Commission (SEC) soon having to declare payments to governments;
- companies on the Hong Kong Stock Exchange having to or soon having to do so now that similar legislation has been enacted;
- the International Accounting Standards Board (IASB) considering making it mandatory to declare payments to governments; and
- countries such as the United Kingdom, Germany, Canada and Australia also possibly considering publish-what-you-pay legislation.

The US Congress voted in July 2010 that oil, gas and mining companies registered with the SEC will have to declare payments to foreign countries as well as the US government, following an example set by the Hong Kong Stock Exchange earlier in the year. The US's Wall Street Reform and Consumer Protection Act will affect hundreds of companies, including eight of the ten largest mining companies in the world as well as hundreds of smaller oil, gas and mining companies. The Hong Kong Exchange's stance on this, meanwhile, is likely to also affect many mining firms, since the natural resources sector currently accounts for about 15% of the Exchange's total market capitalization.

It is as yet uncertain how South African firms will be influenced by this trend. The South African group which deliberated on the IASB's draft Extractive Activities Discussion Paper, which included a debate about publish-what-you-pay disclosure, argued that there are other ways to address the issue of payments to governments. Some suggested that the Extractive Industries Transparency Initiative (EITI) is the most appropriate way of ensuring that resource companies and governments are held accountable for the revenue flows in the extractive industries, since EITI requires that countries disclose receipts from resource companies and companies in the minerals and petroleum sector disclose payments to the governments of countries in which they operate. This should allow for increased transparency in the resources sector and also ensure that officials in weak states do not benefit from payments intended to uplift the populace as a whole.

Most accountants believe that costs and revenue should be clearly reported in a company's financial statements (and Venmyn believes that a mixture of historical cost and fair value accounting is the way to go). However, many believe that, if one conducted a cost-benefit analysis of disclosure on a country-by-country basis, the costs of auditing and disclosure would exceed the benefits of giving investors potentially useful information to base their decisions on.

For more information on legislation and initiatives that support the disclosure of payments of resource companies to governments go to

<http://www.publishwhatyoupay.org/en/resources/landmark-us-legislation-sheds-light-billions-payments-oil-and-mineral-companies>

and

<http://eiti.org/>