

PositionPaper

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EU Transparency initiative – Country-by-Country reporting for Multi-National Companies

In recent years, there have been regular calls for multi-national companies (MNCs) to provide more financial information on a country by country basis.

The Commission proposes to introduce **a new obligation for listed and large non-listed extractive and logging companies to report all material payments to governments broken down by country and by project**, in cases in which payments have been attributed to a specific project. This proposal aims at improving transparency regarding the payments (e.g. mining rights, fees) to governments and improving tax governance globally (e.g. tax fraud, etc.); both with a view to preventing, impeding or disclosing corruption. This would be done through the revision of the Accounting Directives¹ and the Transparency Directive². The Commission is responding to international developments in particular the inclusion of a requirement to report payments to governments in the Dodd Frank Act³ in the United States.

Some European pulp and paper companies have invested substantially in foreign countries in and also outside EU over the years, and new investments are being planned, particularly in emerging countries. These investments can include in some cases the purchasing of land and/or the secured access to raw material sources through long-term contracts allowing the launch and/or exploitation of tree plantations for instance.

CEPI supports more transparent financial reporting. However, it is of the opinion that **the EU-based logging industry should remain out of the scope**. The extension of these reporting requirements to an important part of the European pulp and paper industry is not justified. Moreover, CEPI member companies are concerned about the impact of EU Commission's proposals from a cost-effectiveness and proportionality point of view. The main reasons are the following:

- 1) The European pulp and paper industry does not use wood from primary forest. The **wood used comes from plantations**, within EU also from sustainably managed semi-natural forests;
- 2) The European pulp and paper industry is working with **a renewable resource**, wood fibres from trees, which because of their renewable character have nothing to do with other sectors' targeted non-renewable raw materials like oil, gas and ore;

¹ 78/660/EEC and 83/349/EEC

² 2004/109/EC

³ It aims at improving accountability and transparency in the financial system and requires manufacturers regulated by the Security and Exchange Commission to document the steps they have taken to avoid using raw materials (mainly minerals) that finance conflict within the region.



- 3) The European pulp and paper companies and their suppliers, mainly small-scale private forest owners, have implemented **sustainable forest management** for decades. Wherever companies invest, they ensure the renewability of their wood fibre sources.
- 4) The European pulp and paper industry is already **highly regulated and scrutinised (including financially), through voluntary and mandatory sectoral measures:** forest and chain-of-custody certification, ENGOs' initiatives (WWF Global Forest & Trade Network), etc., or through the **EU FLEGT Action Plan**⁴. It is also scrutinised horizontally through non-sectoral tools such as EMAS, eco-labels, (green) public procurement, etc. This is a long-term trend, meaning more and more reporting from companies in the future.
- 5) **Disclosure requirements should be harmonised at global level to secure a level playing field and avoid inconsistencies and unnecessary administrative burden.** Although the EU proposals are broadly similar to the US Dodd Frank Act⁵ which was passed in July 2010, they go further in two respects. Firstly, the EU logging industry is within the scope of the proposed reporting requirement in addition to the oil, gas and mining industries (in the US oil, gas and mining are the targeted sectors). Secondly, the EU rules would apply to large unlisted companies, as well as listed companies, whereas the US rules are restricted to listed extractive companies only.

Note to the Editor

CEPI aisbl - The Confederation of European Paper Industries

The Confederation of European Paper Industries (CEPI) is a Brussels-based non-profit making organisation regrouping the European pulp and paper industry and championing this industry's achievements and the benefits of its products. Its collective expertise provides a unique source of information both for and on the industry; coordinating essential exchanges of experience and knowledge among its members and with the industry stakeholders. Through its 19 member countries (17 European Union members plus Norway and Switzerland) CEPI represents some 550 pulp, paper and board producing companies across Europe, ranging from small and medium sized companies to multi-nationals, and 1000 paper mills. Together they represent 25% of world production.

Website: www.cepi.org

⁴ Voluntary partnership agreements and the Regulation EU 995/2010 (EUTR - "Timber Regulation").

⁵ It aims at improving accountability and transparency in the financial system and requires manufacturers regulated by the Security and Exchange Commission to document the steps they have taken to avoid using raw materials (mainly minerals) that finance conflict within the region.