

Client Update

Issuers in the Extractive and Logging Industries Admitted to Trading on the London Stock Exchange Are Now Required to Report Payments to Governments

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Following implementation by the United Kingdom of amendments to the EU Transparency Directive, companies in the extractive and logging industries with financial instruments admitted to trading on the London Stock Exchange are now required to prepare an annual report on payments made to governments in each financial year. The new reporting obligation is contained in Disclosure and Transparency Rule 4.3A. The requirement to prepare the report is effective starting with the financial year that commenced on or after 1 January, 2015 and applies to companies with shares (whether Premium or Standard Listed), depositary receipts or debt securities listed on the London Stock Exchange or another EU-regulated exchange if the United Kingdom is the Home State for the company. Issuers whose registered office is in a non-EEA state whose relevant laws have equivalent requirements or who comply with the requirements of the law of a non-EEA state that the UK Financial Conduct Authority (“FCA”) considers as equivalent are exempt from the requirement to produce reports on payments to governments. Currently, only Switzerland, the United States and Canada are considered by the FCA to have equivalent relevant laws and are thus exempt from this reporting obligation.

The obligation to produce the report falls on companies “active in the extractive industry” (as defined in article 41(1) of the EU Accounting Directive¹)—namely, companies with any activity involving the exploration, prospecting, discovery, development and extraction of minerals, oil, natural gas deposits or other materials—and companies active in the logging of primary forests, whether

¹ EU Directive 2013/34/EU.

directly or through their subsidiaries. The report must be prepared in accordance with Chapter 10 of the EU Accountancy Directive and detail the payments on a country, project and payment basis. The report must be made public via a Regulated Information Service no more than six months after the end of each financial year and the announcement must indicate the website where the report is available. The report must remain on the website for at least 10 years.

As a result of the new requirement, oil, gas, mining and logging companies with securities, including shares, global depositary receipts (“GDRs”) or American depositary receipts (“ADRs”) and debt securities, admitted to trading on the London Stock Exchange and incorporated outside Switzerland, the United States and Canada are subject to the above reporting requirements starting with respect to their 2015 financial year. Reports will be due six months after the end of an issuer’s financial year. In most cases, this means that companies will have to make the report public by no later than 30 June 2016.

If you have any questions about this new reporting obligation, please contact any of the Debevoise lawyers listed on this Client Alert.

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Please do not hesitate to contact us with any questions.