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Press Release



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HBOS plc

INVESTORS REPRESENTING OVER £1.75 TRILLION SUPPORT UK GOVERNMENT CALL FOR OIL PAYMENTS TRANSPARENCY

A group of international institutional investors representing over £1.75 trillion (€2.6 trillion, US\$3 trillion) has lent its support to a UK-led inter-governmental effort to boost transparency standards in the oil and mining sectors of developing countries. Known as the **Investors' Statement on Transparency in the Extractives Sector**, the initiative gathers fund managers and pension funds from the UK, US, Continental Europe, Canada and South Africa, and signals the growing interest taken by the institutional investment community in matters related to governance and corruption.

The move follows an earlier announcement last month by a group of ten UK, Dutch and German investors who launched the original investor initiative, and nearly quadruples the value of funds involved to £1,757,086,896,572 (€2,573,471,691,893 or US\$2,961,957,349,956)

New signatories to the statement include CalPERS, Deutsche Asset Management UK, F&C Management, Fidelity Investments, Hermes, Legal & General Investment Management, Merrill Lynch Investment Managers, State Street Global Advisors Ltd, the Local Authority Pension Fund Forum (LAPFF) and the New York State Common Retirement Fund.

Howard Carter, Chief Executive of ISIS Asset Management, which has coordinated the investors' statement, commented:

"A large number of influential investors have come together to support this initiative, which aims to promote better standards of accountability in oil and mineral-rich countries. As extractive companies become increasingly dependent on securing contracts in developing countries, they, and we as their shareowners, want to reduce the business risks and costs that are synonymous with poor governance and corruption. In summary, this initiative is good for business, and it is good for shareholders".





The statement calls on global extractive companies to play an active role in the UK Government's Extractive Industries Transparency Initiative (EITI), which seeks to bring companies and governments together to make such payments public knowledge.



At a meeting of the EITI today hosted by Tony Blair, companies and governments are being invited to sign up to a Statement of Principles.

UK Prime Minister Tony Blair said:

"This unprecedented support from the investment community demonstrates that good governance and transparency serve the interests of the business community wherever it operates. It is thanks to the active involvement of all parties, including both the businesses operating on the ground and the capital markets that fund them, that we will succeed in making the EITI achieve its goals. Better openness and accountability are essential to securing the stability and prosperity that the developing world needs, and on which our mutual business success depends."



The investors are concerned that legitimate payments by companies to governments - such as taxes, royalties and signature bonuses - can, through their large size and confidential nature, be open to misuse. This can fuel corruption, poverty and conflict in developing countries which, in turn, creates unstable and high-cost operating environments for multinational companies. The statement notes:



"This is a significant business risk, making companies vulnerable to accusations of complicity in corrupt behaviour, impairing their local and global "licence to operate", rendering them vulnerable to local conflict and insecurity, and possibly compromising their long-term commercial prospects in these markets."



Karina Litvack, Head of Governance & Socially Responsible Investment at ISIS Asset Management, said "This is an extremely ambitious undertaking - nobody is kidding themselves that rooting out corruption is going to be merely a matter of pledging support for a government statement. But companies and their investors simply cannot stand by as governance standards in these countries continue to deteriorate, even as we become ever more dependent on these distant resources to fuel our own economies. Shareholders stand to benefit from this initiative, and we have an opportunity to make it a success by signalling our support for it".



The investors' statement is published amidst increasing public interest in the subject of accountability, past and future, for wealth generated by resource extraction - not least as attention focuses on the oil revenues that are expected to fund reconstruction in Iraq. The investors comment:



"Reform will give the extractive companies in which we invest an opportunity to be seen as contributors to, and not just beneficiaries of, economic development and reconstruction."



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