Exploring reporting
What do investment professionals need from oil & gas company reporting?
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Foreword

This 2013 oil and gas industry survey, *Information flow*, is the latest in our series of industry reporting surveys, gathering the opinions of specialist investors and analysts from key markets around the world.

We asked the investors and analysts we spoke to for their thoughts on the quality of reporting in the sector today and where they see scope to improve, their opinions on scope of assurance and channels of communications and the results identify some really clear opportunities for improvement.

In today’s ever changing and uncertain world, I was particularly struck by something one of the investors we spoke to said, ‘companies need to be able to go ‘off piste’ and make corporate reporting work to tell their stories’. Our survey told us while investors value non-GAAP measures as a way for companies to tell their story; they want non-GAAP measures to be used in a consistent, logical and balanced way and for them to be grounded and reliable. Why not take this opportunity to consider how you might be able to tell your story in a way that communicates more clearly with the users of your accounts?

We would like to thank all the investment professionals who kindly gave their valuable time and insights to this survey. I hope you find the results interesting.

Alison Baker
Partner
PwC Energy, Utilities, Mining and Infrastructure
Executive summary

How effectively are oil and gas companies reporting on key performance issues to investment professionals?

This is the core question underpinning this report. The good news is that, based on our survey of 22 investment professionals in 5 key markets around the world, investment professionals do value the formal reporting that companies undertake.

They also see potential for improvement in a number of areas – exactly the areas that might be expected when we consider what analysts and investors are trying to do. Investment professionals need a number of key metrics and measures when populating their models. In the oil and gas sector, these typically relate to cash flows and information on capital expenditure, reserves and replacement cost profits.

But simply providing the information isn’t sufficient. Investors and analysts require key information to be set out in clear, granular segments – only then can they understand and use it fully.

Investment professionals tell us that there are a few key measures that they value highly – these are the measures that are often seen to move markets. Investors and analysts not only want to be able to access them easily, but also to have confidence in their reliability. They need clarity on what all these key measures actually mean and consistency in how they are reported. Investors and analysts also told us they would like to see some more assurance around some of these key measures.

It is also apparent that investors and analysts link the quality of a company’s reporting with the quality of that company’s management. The better the reporting, the better they perceive the management team to be. So it is in management’s interests to improve the quality of their reporting to investment professionals where the opportunity exists to do so.

So how can management improve the quality of reporting to investment professionals?

Survey participants were clear about what they wanted; To meet those expectations we recommend that management teams:

• Provide key performance metrics in a clear and consistent way.
• In particular give high quality information about the ‘measures that move markets’ including production volumes, cash costs, average realised prices and proven and probable reserves.
• Use appropriately granular segments or asset information to give useful data on those key measures.
• Make sure consistent messages are delivered across all the reporting channels they control.
• Keep the needs of the investment community front of mind when they report on company performance.

Oil and gas companies that take the lead in this can differentiate themselves from competitors, strengthening market confidence in their own quality as they do so.
Survey findings
Does corporate reporting matter?
The investment professionals we spoke to use a wide variety of information sources for their analysis. Some are under a company’s control and some, such as the media or third party data providers, are not. So how much does a company’s formal reporting matter?

Our research shows that it matters considerably – corporate reporting has a powerful impact on the way investors perceive company management. The vast majority (86%) of investment professionals surveyed agree or strongly agree that the quality and integrity of reporting affects their perception of the quality and integrity of management. But survey respondents differ in the extent to which they trust management to provide a balanced and reliable review of company performance. While 30% trust management to do so, 35% do not. Investment professionals’ doubts appear to be primarily due to concerns over management’s tendency towards over optimism and the temptation to add a bit of ‘spin’ into the analysis.

Nevertheless, the investors and analysts we spoke to generally felt they had the measure of which oil and gas management teams they could trust. Could management teams improve the investment community’s level of trust in them? Perhaps – by focusing on improving the quality of their financial reporting.

“Management’s job is to portray the company in the best possible light.”

“There is a clear link between the openness and transparency of management and their track records.”

“A good document does imply good management.”
Figure 1: In general, I trust management to give a balanced and reliable review of performance

- Strongly agree: 4%
- Agree: 26%
- Neither agree nor disagree: 35%
- Disagree: 26%
- Strongly disagree: 9%

Figure 2: The quality and integrity of reporting impacts my perception of the quality and integrity of management

- Strongly agree: 61%
- Agree: 26%
- Neither agree nor disagree: 4%
- Disagree: 9%
- Strongly disagree: 0%
Clear opportunities to improve
How highly do investors and analysts score the current quality of reporting in the oil and gas sector? When asked to give a mark out of five, our survey respondents delivered an average score of 3.3.

This is not a disastrous score, but they clearly believe that many management teams have substantial room for improvement.

Where does that room for improvement lie? Exactly where we might expect – around the key ‘measures that move markets’.

We asked survey participants to identify where the greatest opportunities for oil and gas companies to improve lie and some common themes emerged.

Investment professionals would like better information on replacement cost profits, capital expenditure and working capital, business segments and reserves. And they want information to be provided more consistently across the sector.

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**Replacement cost profit reporting**

“I need to see the replacement cost earnings numbers - hard to get to real earning power without it.”

**Capital expenditure and working capital information**

“I need more information on working capital... in extremely large projects with long timelines, it often hard to see the movements.”

“Get rid of the 20 pages of hedging sensitivities and focus on the financials that matter. I need future capex expectations and future cash flow expectations.”

**Reserves data**

“Information about reserves and supply should be clear. There is no reliable base to analyse from in this area.”

“The industry doesn’t do itself any favours in its reporting of reserves. 1P accounting is flawed; statements about resources don’t match like with like and using a 1P approach gives a misleading return across the cycle.”

**Consistency across the industry**

“It’s a real challenge that everyone has different definitions of things like ‘exploration costs’; more consistency in these definitions would be helpful.”

**Segment information**

“I need a useful breakdown of data at the segment level for all the key information. The notes don’t currently contain all the information I am looking for.”

“I need more segmental information; capital employed and performance by business unit is key. I understand there is a sensitivity issue, but capital employed shouldn’t be sensitive or difficult.”
Where are the gaps?
If oil and gas management teams are to improve the quality of their reporting to the investment community, they need to understand what investors and analysts consider to be important information, and how adequate they perceive current reporting of that information to be.

We asked investment professionals for their views on importance and adequacy in relation to the financial statements and notes, industry-specific measures and the front half of the annual report.

**Financial statements and notes**

The investment professionals we surveyed place high importance on the information in the financial statements and notes found in an annual report (or other similar annual document of record).

But there is a significant gap between importance and adequacy, particularly in relation to segment disclosures. The investors and analysts surveyed want to see much greater granularity of segment disclosure, even down to project level, in order to perform their desired analysis.

Their focus is perhaps different to that of other stakeholders such as non-governmental organisations, which place particularly high importance on revenue transparency.

**Figure 3: How important are each of the following types of information to your analysis, and how adequate is the data that you currently receive?**

On a scale of 0 to 100, where 0 is not at all important or not at all adequate and 100 is very important or very adequate

"I need more information on a project by project basis, particularly on costs and production by project."

"I would like to see production and cash cost information at a segment level...more information would give me more confidence in my analysis."
**Industry-specific measures**

From our discussions with investors and analysts, it is clear that they value industry-specific measures. In the oil and gas sector, production volumes, proven and probable reserves, cash costs and realised price metrics are considered the most important. These measures are the ‘harder’ numbers, the metrics that feed directly into models and ‘move the market’.

But there is a significant gap between the perceived importance and adequacy of data currently provided in relation to certain key metrics, such as cash costs and reserves data.

A recurring theme during discussions with survey participants was the lack of consistency in the definition and application of industry measures such as exploration costs and lifting costs. They are frustrated that these measures are applied differently by different companies. In the absence of standard definitions, clear disclosure of what these measures include would at least aid comparability.

“It is rare to get useful data provided that is specific enough on reserves.”

“Reserve data is often out of date by the time it is released due to changes in commodity prices. Reserve updates should be provided more frequently to update for commodity price changes or acquisitions.”

**Figure 4:** How important are each of the following types of information to your analysis, and how adequate is the data that you currently receive?

On a scale of 0 to 100, where 0 is not at all important or not at all adequate and 100 is very important or very adequate
Front half of the annual report

Asked about the information contained in the front half of the annual report, investment professionals identify the biggest gaps arising in relation to business models and risk information. Survey participants express frustration about the extent to which management teams use ‘boilerplate’ text, and the lack of clarity and specific detail provided when companies explain their business models.

“Companies always give boilerplate risk disclosures, so I can’t use them.”

“I need more about company strategy. Focus on what creates and destroys value.”

“Make it more about strategic initiatives and forward looking.”
Figure 5: How important are each of the following types of information to your analysis, and how adequate is the data that you currently receive?

On a scale of 0 to 100, where 0 is not at all important or not at all adequate and 100 is very important or very adequate.

<table>
<thead>
<tr>
<th>Information Type</th>
<th>Importance</th>
<th>Adequacy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Explanation of business model</td>
<td>76</td>
<td>56</td>
</tr>
<tr>
<td>Risk information in the annual report</td>
<td>60</td>
<td>53</td>
</tr>
<tr>
<td>Supply chain reporting</td>
<td>50</td>
<td>40</td>
</tr>
<tr>
<td>Company strategy</td>
<td>75</td>
<td>61</td>
</tr>
<tr>
<td>Corporate governance information</td>
<td>59</td>
<td>63</td>
</tr>
<tr>
<td>Directors’ remuneration</td>
<td>44</td>
<td>78</td>
</tr>
</tbody>
</table>
Non-GAAP measures need ‘ground rules’
Among the key themes emerging from survey responses is the strong desire among investment professionals for companies to step out of the ‘constraints’ of traditional, generic reporting models which tend to focus on backward-looking financial information.

Investors and analysts are keen to know where management are today on the things that might drive value in the future, including the measures that feature strongly in the areas for improvement identified earlier – in relation to capital expenditure and working capital, cash flow and reserves.

In addition, as shown in Figure 4, investment professionals identify the biggest gaps between the importance and adequacy of disclosures arising for proven and probable reserves, cash costs and average realised prices. These data items sit outside the traditional GAAP reporting and disclosure frameworks.

We asked survey participants to share their thoughts on non-GAAP measures: the extent to which they use them and how they would like management to report on them.

As shown in Figure 6, the vast majority of investment professionals surveyed use non-GAAP performance measures in their company analysis. In fact, none of our survey participants denied using them. Such measures clearly play an important role in driving company valuations.

The value that investment professionals derive from having access to non-GAAP measures is also indicated by the limited extent to which they perceive them to be ‘purely marketing’. Figure 7, shows just 9% of survey participants consider non-GAAP measures in this way.

Nevertheless, there is some concern among investors and analysts that there may be a degree of ‘spin’ in the non-GAAP numbers that companies report.
Perhaps because of concerns over spin, just over three-quarters (77%) of investors and analysts surveyed would gain comfort from knowing that non-GAAP measures adhered to some basic ‘ground rules’.

What should these ground rules be? The feedback we received from investors and analysts during this latest research is consistent with the messages we have been hearing for many years.

The core ground rules for management are as follows:

- Be clear and consistent in definitions of measures and adjustments made.
- Be balanced in the adjustments made, and use measures that are really relevant for understanding performance.
- Reconcile back to GAAP, showing adjustments clearly in either a bridge chart or a table.
- Provide at least three years of comparative data, and restate if definitions change.
- Give equal prominence to GAAP and non-GAAP in all communications.
- Be clear about which measures are non-GAAP, and what is and isn’t audited.

“Don’t change the definitions of non-GAAP measures; if you do, restate for at least three years.”

“I need more clarity on adjustments made to get to ‘underlying earnings’ etc.”

“When a company has a metric they disclose every quarter and suddenly they stop disclosing it, that is just one of the most annoying things. When they change the way they calculate something...that can make it really difficult...comparability across time is really important.”

**Figure 8:** I would gain comfort by knowing that the measures that move markets reported by management adhere to some basic ground rules

<table>
<thead>
<tr>
<th>Response</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>59%</td>
</tr>
<tr>
<td>Agree</td>
<td>18%</td>
</tr>
<tr>
<td>Neither agree nor disagree</td>
<td>18%</td>
</tr>
<tr>
<td>Disagree</td>
<td>5%</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>0%</td>
</tr>
</tbody>
</table>

**Figure 9:** Commonly used KPIs

- Reserves and resources replacement ratio
- Working interest production (boepd)
- Operating cash flow
- Cash operating cost per boe
- Exploration and appraisal success ratio
- Total recordable injury rate/long term injury frequency rate
- Reserves and resources, 2P/2C
- Downtime
- Staff turnover
- EBITDA/EBITDAX
Treading the ‘measures that move markets’
Since some measures have a particular power to influence markets, they need to be reliable. But only 43% of investors and analysts we surveyed think that the measures that ‘move the market’ are sufficiently reliable. This is another area where oil and gas management teams have some scope to improve their corporate reporting.

Audit provides a high level of assurance. Lower levels of assurance can be and are provided for certain types of information and reporting. For example, narrative sections in the annual report are read for consistency with the financial statements. We asked our survey participants to forget everything they know about what is and isn’t audited, then tell us how much assurance they need on each information type and measure.

Generally, measures of a financial or operational nature are associated with a higher demand for assurance than more strategic measures or corporate social responsibility items, such as emissions. This pattern reflects the relative importance placed on these measures by investment professionals. Bear in mind, investment professionals are one stakeholder group, other stakeholders such as NGOs, communities, employees and governments may feel differently.

While the investment professionals we surveyed require high levels of assurance for the financial statements and notes to the accounts, proven and probable reserves top the list in terms of assurance demand. This suggests a potential opportunity for management. Oil and gas companies typically engage external experts to verify their reserves on a periodic basis. Could making this assurance known externally achieve a relatively ‘quick win’ in terms of helping companies meet the needs of investment professionals?

There is also demand for assurance on other key industry measures with the potential to move markets: cash costs, realised prices and production levels.

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**Figure 10:** In general, I believe that the measures that move markets (including industry-specific and non GAAP numbers) are sufficiently reliable.

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neither agree nor disagree</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>43%</td>
<td>43%</td>
<td>14%</td>
<td>0%</td>
</tr>
</tbody>
</table>

“Strongly agree” is the highest assurance level because you get some companies saying stupid things.”

“It’s always the primary statements, the notes to the accounts and the segment disclosures where assurance is obviously critical.”
Figure 11: How much assurance do you require on the following types of information?

On a scale of 0 to 100, where 0 is no assurance and 100 is the highest level of assurance.

- **Proven and probable reserves**: 97
- **Primary statements**: 96
- **Notes to the accounts**: 94
- **Segment disclosures**: 86
- **Average realised price**: 73
- **Cash costs**: 72
- **Millions of barrels produced**: 71
- **Millions of barrels sold**: 69
- **Corporate governance information**: 62
- **Risk information in the annual report**: 51
- **Explanation of business model**: 51
- **Reserves replacement ratio**: 51
- **Directors' remuneration**: 46
- **Country by country tax reporting**: 45
- **Company strategy**: 37
- **Long term injury frequency rate**: 35
- **Loss of containment/spills**: 33
- **Supply chain reporting**: 31
- **Water/energy usage**: 28
- **Emissions in the period**: 27

- Financial
- Operational
- Strategy
- CSR
There is a close link between the perceived importance of a piece of information and the assurance that survey respondents want on it. From an investor perspective, the metrics most likely to be involved in their models – the ‘measures that move the market’ – are naturally the areas where they feel assurance is most important.

Through our survey findings the investment community is sending a clear message to management: if a measure is important, make sure it is reliable. Obtaining some form of external assurance on the reliability of such measures could also be worthwhile – helping to build trust and confidence in the market.

**Figure 12:** How important are the following types of information to your analysis, and how much assurance do you require on the following types of information?

On a scale of 0 to 100, where 0 is no assurance or not at all important and 100 is the highest level of assurance or very important.
Control key information sources
Investment professionals use a variety of sources to obtain the information they need for their company analysis. According to those we surveyed, preliminary results announcements, quarterly releases and annual reports are key sources of information. Investor presentations and direct dialogue with management are also highly useful to investors and analysts.

In Canada, survey participants often find the AIF (Annual Information Form) to be another key source of information. Survey participants identified their first and second priority sources for different categories of information – such as financial or governance information, resulting in the rankings shown in Figure 13.

**Figure 13: Most commonly cited sources for each of the following types of information**

<table>
<thead>
<tr>
<th>Financial information</th>
<th>Industry specific metrics</th>
<th>Company strategy</th>
<th>Risk</th>
<th>Governance</th>
<th>Environmental and social</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1st</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preliminary statements/earnings releases</td>
<td>Annual report</td>
<td>Investor presentation</td>
<td>Investor presentation</td>
<td>Annual report</td>
<td>Annual report</td>
</tr>
<tr>
<td><strong>2nd</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual report</td>
<td>Preliminary statements/earnings releases</td>
<td>Dialogue with management</td>
<td>Dialogue with management</td>
<td>Dialogue with management</td>
<td>Sustainability report</td>
</tr>
<tr>
<td><strong>3rd</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investor presentation</td>
<td>Investor presentation</td>
<td>Annual report</td>
<td>Annual report</td>
<td>No clear consensus</td>
<td>No clear consensus</td>
</tr>
</tbody>
</table>
But we know that some types of information are more important to investment professionals than others. Therefore, the fact that one source of information is used frequently doesn’t necessarily mean it is valued most highly. To take this into account, a weighting factor was applied to the various information sources (such as the annual report, website or investor presentation), based on the importance that investment professionals attach to the information or data they gain from it. The results are illustrated in Figure 14.

The bigger the word, the more important that information source for investors and analysts, based on the importance they place on the information it provides.

So what insights can management draw from our analysis of the various information sources, based on the feedback we have received from investment professionals?

The annual report remains the bedrock of corporate reporting. It is important to individuals across the investment community spectrum, and therefore should be important to management too.

Some sources of information used by analysts and investors – such as the annual report – are under the control of a company, and some are not. It is important that management teams deliver a clear and consistent message across all the sources within their control.

This is important because investors and analysts gain insights into the quality of management from the quality of their reporting. Such opinions are based not only on the quality of the annual report, but also on the quality of management’s other forms of reporting and communication.

Please note that the media, industry associations, ad-hoc press releases, proxy statements, sustainability reports, ratings agencies, the AGM and AIF were also cited by a small number of respondents, however too infrequently to show in this diagram.
The annual report has an important role
A number of commentators have questioned the role of the annual report in today’s capital markets. Critics argue that it is insufficiently timely and that investment professionals can access all the information they need from alternative channels.

Our survey findings challenge this opinion. Investment professionals tell us that the annual report remains an important source of information for them. Although there is a significant variation between buy and sell side investment professionals in the extent to which they use annual reports, many respondents are reviewing these documents. In fact, the vast majority (85%) of sell-side respondents typically review the annual reports of the companies they follow.

Where investment professionals have doubts about the value of reading the annual report, this may be because they doubt it is gives a truly fair indication of company performance or what management is thinking.

But there is further evidence that investment professionals value the annual report: the majority (83%) of survey respondents do not want the requirement for companies to produce an annual report removed. In fact, they strongly disagree with that idea.

“I find that it’s very optimistic and it’s...a little bit of a marketing [tool]. I never get the sense that it precisely reflects what the CEO is actually thinking in terms of direction of the company.”

Figure 15: I typically review the annual report of companies that I follow

<table>
<thead>
<tr>
<th></th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neither agree nor disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>13%</td>
<td>13%</td>
<td>57%</td>
<td>13%</td>
</tr>
<tr>
<td>Sell-side</td>
<td>7%</td>
<td>14%</td>
<td>71%</td>
<td>8%</td>
</tr>
<tr>
<td>Buy side</td>
<td>22%</td>
<td>12%</td>
<td>11%</td>
<td>33%</td>
</tr>
</tbody>
</table>

Figure 16: I would be happy to remove the requirement for companies to produce an annual report

<table>
<thead>
<tr>
<th></th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neither agree nor disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>13%</td>
<td>0%</td>
<td>4%</td>
<td>83%</td>
</tr>
<tr>
<td>Sell-side</td>
<td>0%</td>
<td>0%</td>
<td>4%</td>
<td>83%</td>
</tr>
<tr>
<td>Buy side</td>
<td>0%</td>
<td>0%</td>
<td>4%</td>
<td>83%</td>
</tr>
</tbody>
</table>
What do investment professionals consider to be the key roles of the annual report? As shown in Figure 17, survey participants identify a number of purposes.

Many feel strongly that the annual report is important as a ‘document of record’, with financial statements that have been ‘subject to audit’.

Our discussions with participating investment professionals also focused on the format in which they most like the annual report to be presented.

A clear consensus emerged, with almost all survey participants expressing a preference for a single pdf document – a ‘one-stop-shop’ that they can search for all the information they need.

But investment professionals do share some common frustrations with the annual report in its current typical form. Among those we spoke to, these frustrations include the lack of segment information and the timing of release, which many feel is too late. Inconsistent content within annual reports from one year to the next is also a cause of annoyance for investors and analysts surveyed.

Figure 17: How important are the following attributes of an annual report?

On a scale of 0 to 100, where 0 is not at all important and 100 is very important

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>The annual report offers a complete document of record of all aspects of a company’s performance</td>
<td>78</td>
</tr>
<tr>
<td>The financial statements have been subject to audit</td>
<td>87</td>
</tr>
<tr>
<td>The front end of the report offers insight into the direction of the company</td>
<td>54</td>
</tr>
<tr>
<td>The notes to the accounts offer detailed insight into elements of the company’s financial performance</td>
<td>83</td>
</tr>
<tr>
<td>The quality of the annual report provides insight into the quality of management</td>
<td>39</td>
</tr>
</tbody>
</table>

“I need more disclosure in the MD&A with more detail on complex issues like hedging and realised prices. And more consistency across reporting entities.”

“For me, it (the annual report) is important because it offers a comprehensive, complete document of the financial performance of the company.”

“I can’t really use the annual report as it isn’t timely enough.”

“I like the pdf. Website searching is really imperfect; I know it will all be in the pdf.”

“Don’t take things out of the pdf and put them solely on a website. I won’t look at them! I like the full report as a pdf to print or look at on iPad.”

“I want to say, as unambiguously as possible, I hate annual reports where it’s like a website and you have to go to all these different pages to ferret out the information.... I like it when you’ve got a little pdf; you can print it off, you can have it on your desk and you can read it from cover to cover.”
Conclusions: a reporting challenge for preparers

Corporate reporting by oil and gas companies is valued by investment professionals. From our discussions it is clear that, although other information sources are available, investors and analysts want to hear directly from company management. They particularly want to know about measures that populate their models and that move the market. So it is vital that management teams not only provide such measures, but also make sure they are clearly defined and reliable. Gaining some external assurance as to that reliability could help to build trust and confidence in the market.

These key survey findings are broadly consistent with the messages we hear across industries, and from our extensive contact with members of the investor community around the world. Investors and analysts typically place high importance on the need for clear segment information and non-GAAP measures.

Although the annual report is sometimes criticised for its lack of timeliness, investment professionals in the oil and gas sector still consider it to be an important information source. But management teams must look more broadly at the quality of their reporting and, in particular, make sure that messages are consistent across all the reporting formats and channels under their control.

Given the areas for improvement identified in this report, a clear opportunity exists for forward-thinking oil and gas companies to differentiate themselves from their competitors by focusing on delivering high quality, reliable corporate reporting. Good corporate reporting isn’t purely about following the rules. It requires management teams to think specifically about how they can best meet the needs of the investment community.

One challenge for management and investment professionals alike stems from the lack of clear guidance around the reporting of key measures, such as non-GAAP information. This is resulting in diverse disclosure practices, creating a harder task for investors and analysts as they try to compare companies even within the oil and gas sector. Lack of guidance may also deter management teams from providing and assuring the disclosures that are actually most important to users of their reports.

There is no short-term fix to this problem, but attempts must be made to address it. Could a longer-term solution lie with the formation of an industry-wide group to work towards more consistent disclosure? The opportunity exists. Such a group could follow the lead of others, such as the Enhanced Disclosure Task Force set up by the Financial Stability Board to improve reporting in the banking sector.

If standard setters are dragging their heels, preparers of accounts may need to take the lead. Why not seize the opportunity to prioritise the needs of the investment community and provide voluntary, user-focused disclosures? In doing so, management teams could start to mould the basis of an improved reporting regime for the oil and gas industry.
Appendix: Survey base

We spoke to 22 industry specialist investors and analysts, including representatives of both the buy and sell side, as well as fixed income and equity specialists. These participants were drawn from five key markets: the UK, US, Canada, South Africa and Brazil.

Throughout this report, we use global findings except where there are significant differences between territories or between types of investment professional.

Figure 18: Survey participants

By geography

By type

By specialism

- Sell side
- Buy side
- UK
- North America
- Other
- Equity
- Fixed income
Contacts

Alison Baker  
UK  
T: +44 20 7804 3314  
E: alison.baker@uk.pwc.com

Ross Hunter  
UK  
T: +44 20 7804 4326  
E: ross.hunter@uk.pwc.com

Jennifer Sisson  
UK  
T: +44 20 7804 8644  
E: jennifer.sisson@uk.pwc.com

Uyi Akpata  
Africa  
uyi.n.akpata@ng.pwc.com

Emmanuel Lebras  
Francophone Africa  
Emmanuel.lebras@cg.pwc.com

Jeroen van Hoof  
Netherlands  
jeroen.van.hoof@nl.pwc.com

Jock O’Callaghan  
Australia  
jock.o.callaghan@au.pwc.com

Norbert Schwieters  
Germany  
norbert.schwieters@de.pwc.com

Ole Martinsen  
Norway  
ole.martinsen@no.pwc.com

Gerhard Prachner  
Austria  
gerhard.prachner@at.pwc.com

Deepak Mahurkar  
India  
deepak.mahurkar@in.pwc.com

Richard Pollard  
Russia & Central and Eastern Europe  
Richard.pollard@ru.pwc.com

Marcos Panassol  
Brazil  
marcos.panassol@br.pwc.com

Giovanni Poggio  
Italy  
Giovanni.poggio@it.pwc.com

Chris Bredenhann  
South Africa  
chris.bredenhann@za.pwc.com

Reynold Tetzlaff  
Canada  
reynold.a.tetzlaff@ca.pwc.com

Guillermo Pineda  
Mexico  
Guillermo.pineda@mx.pwc.com

Manuel Martin Espada  
Spain  
manuel.martin.espada@es.pwc.com

Gavin Chui  
China  
gavin.chui@cn.pwc.com

Paul Navratil  
Middle East  
paul.navratil@ae.pwc.com

Niloufar Molavi  
United States  
iloufar.molavi@us.pwc.com

Philippe Girault  
France  
philippe.girault@fr.pwc.com