EITI BUSINESS GUIDE

How companies can support implementation

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EITI Business Guide
How companies can support implementation

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One clear lesson of the 20th century is that solving some of the world’s most intractable problems, including poverty, conflict and corruption, requires public discussion among all stakeholders, informed by a sound common understanding of the issues and the facts.

For countries rich in oil, gas or minerals, the management of a country’s natural resource revenues for the benefit of a country’s citizens is the domain of sovereign governments. However, if not managed well, these resource revenues can create negative economic and social impacts. For the supporting companies of the Extractive Industries Transparency Initiative (EITI), this underlines the importance of transparency by both governments and companies.

One of the key strengths of EITI is that each stakeholder group has so much to benefit from constructively engaging with the others. For companies, the reasons to engage are compelling since EITI:

• provides a means of engaging with stakeholders and helping to create a culture of accountability
• promotes a more transparent business environment which improves governance and reduces corruption
• sends a strong signal to the investment community about the country’s intentions to continue to improve transparency and the business climate
• improves public accountability and governance capacity
• reinforces a company’s international credibility
• illustrates actions based upon a company’s principles
• shows industry leadership
Well-managed companies want to invest in countries governed by transparency and fair rules. They want to be part of public discussion and to engage with their stakeholders and external audiences, including local communities and governments.

A good example of how EITI has helped improve the investment climate is Nigeria, which has been implementing EITI since 2004. Since then, Nigeria has had $18 billion of debt written off, its sovereign credit rating has improved to BB-, credit to the private sector has significantly expanded and foreign investment in the oil sector has grown. Nigeria still faces many challenges, but EITI clearly is playing a role in making it a better place to do business.

In Azerbaijan, EITI implementation has contributed to greater transparency in management of oil revenues, reduction in poverty and progress in the fight against corruption. The proportion of Azeris living in poverty has been reduced from 49% to 16% in the past four years alone. The State Oil Fund, which led implementation of EITI in Azerbaijan, has received the 2007 United Nations Award for Improving Transparency, Accountability and Responsiveness in the Public Service.

This guide offers business managers detailed information on how to promote similar improvements in other resource-rich countries by implementing EITI. It recognizes that implementation of EITI is first and foremost the responsibility of governments. However, there is much that the companies can do to support and promote this effort. We hope that you share our vision of EITI as the norm for resource-rich countries and invite you to play a part in the business sector’s role in EITI implementation.

Peter Eigen  
Chairman, EITI

Rex W. Tillerson  
Chairman and Chief Executive Officer,  
Exxon Mobil Corporation
What is the EITI?
The Extractive Industries Transparency Initiative (EITI) is a process by which government revenues generated by extractive industries – such as tax, profit oil, and royalties – are published in independently verified reports. These reports are based on information about payments made by companies, and revenues received by governments. The objective of publishing these reports is to improve transparency in countries rich in oil, gas and mineral resources.

The EITI is a multi-stakeholder initiative. Although it is government-led, the private sector and civil society organisations both play significant roles in how the initiative is implemented. The EITI, which was launched in 2002, represents a globally developed initiative that promotes revenue transparency at a local level. (For general information on the EITI, see www.eitransparency.org)

How can the EITI help my company?
There is a widespread lack of understanding about how extractive industries work – for example, what happens to the oil, gas and minerals produced, where the money goes, and what jobs are created. This lack of understanding can lead to resentment and disturbances among local communities, and can result in costly delays and disruption for companies, damage to corporate reputations, and in extreme cases, physical damage to installations and equipment, or harassment or intimidation of company staff.

The EITI helps companies by providing a means for engagement with stakeholders (including local communities) and by promoting a more transparent business environment which, over time, can assist in minimising corruption in extractive industries. A government’s commitment to EITI implementation sends a strong signal to the investment community about the country’s intentions to improve transparency and the business climate. In turn, this may lead to an inflow of additional investments that can help improve the economic and social climate in the country.
In addition, greater awareness by local civil society about government revenues from the extractive industries can help mitigate social tensions and lead to improved public accountability and political stability.

There are several other, related, reasons why a company may find it beneficial to participate in the EITI. These can be summarised as follows:

- **Demonstrating international credibility.** The EITI is underpinned by internationally-agreed structures, and good practice from countries around the world. Extractive industry companies who are seeking to operate according to international standards should be participating in the EITI.

- **Delivering on business principles.** If a company has a stated commitment to anti-corruption measures or transparency as part of its general business principles, the EITI provides a practical way to help meet this commitment.

- **Showing industry leadership.** The EITI is emerging as a global initiative for transparency. Companies that do not participate risk putting themselves at a competitive disadvantage – in particular, there is a danger that external stakeholders will assume negative intent on the part of companies who are not actively involved in the EITI.

### Why is the EITI unique?

Two factors in particular distinguish the EITI from other efforts to share the benefits of extractive industries more widely. The first is an explicit focus on transparency, which helps to create a culture of public accountability and build public trust in the extractive industries.

The second factor that makes the EITI unique is its multi-stakeholder structure; that is, it involves government, companies and civil society. Leaders from all three sectors support the initiative at an international level, and principles and criteria for EITI programmes (see Appendices 1 and 2) have been developed according to experience around the world. All three sectors must also be actively involved at a national level in order to achieve transparency and associated benefits.

### Who is involved in the EITI?

A growing number of countries with significant oil, gas and mineral deposits are currently in the process of implementing the EITI (see Appendix 6). An up-to-date list of implementing countries is provided on the EITI international website (www.eitransparency.org). Principles and Criteria (see Appendices 1 and 2) have been developed as the basis for EITI implementation. However, each country must design its own process, beginning with an unequivocal statement from the government of its intention to implement the EITI.

### What is this guide, and who should use it?

This guide has been produced – on the basis of wide consultation with implementing companies and other stakeholders – in order to help companies respond to the practical challenges of in-country implementation of the EITI. It seeks to bring together existing guidance produced at an international level, on the EITI international website, and from the EITI Source Book and the EITI Validation Guide. Reference is made to existing documents where appropriate. A glossary at the end of this guide explains official EITI terminology.
Company country managers involved in any stage of EITI implementation may find this guide helpful, including those in countries whose governments have not yet signed up to the EITI.

The guide has been designed for all extractive industry companies, whether large or small, whether privately-owned, publicly-traded or state-owned, and whether they extract oil, gas, or minerals. It is based on the internationally agreed EITI implementation process but is structured in a numbered question-and-answer format. This will help the company manager to identify the most relevant sections.

How non-extractive companies can support the EITI is covered in section 12.

6 How can my company support the EITI at the international level?

The EITI is implemented at the country level, and this guide focuses mainly on how companies can support the implementation in-country.

Companies, however, are also encouraged to become supporters of the EITI at the international level. If your company is considering becoming an EITI supporting company, please contact the EITI International Secretariat.

Companies that have made international commitments to support EITI should fill in an international-level company self-assessment form (see Appendix 5). They are also encouraged to make a financial contribution to the EITI International Secretariat.

The completed international-level company self-assessment form will be posted on the EITI International website and should be kept up-to-date. In the form companies report on their progress on supporting the EITI, including to:

- Publish a public statement endorsing the EITI Principles and Criteria (see Appendices 1 and 2) on their company website
- Publish completed country-level Company Forms, if applicable (see Question 28)
- Assign the strategic responsibility for the EITI to a member of the senior management, and appoint a lead contact person.
- Attend or send a statement of support to the International EITI Conference
- Include the company’s contribution to the EITI in its corporate responsibility report.

7 If I cannot find what I am looking for in this guide, what additional guidance is available?

This guide has been designed to capture common aspects of the EITI, and provides guidance based on experience around the world. However, because implementation in each country is unique it may be necessary for companies to draw on additional guidance. Further sources of support are indicated where appropriate in the text of this document, and can be summarised as follows:

- **Company headquarters.** If the company is an international partner of the EITI, its global headquarters will be able to provide further guidance. The company may, for example, have a global policy on the EITI. Alternatively, guidance may be sought from a department responsible for external affairs or long-term political risk analysis.
- **The country’s Multi-stakeholder group.** Most implementing countries have established a multi-stakeholder group sometimes known as a national EITI secretariat, to coordinate the EITI implementation process. This group typically establishes country-specific procedures and requirements for implementation,
and is often supported by a national EITI secretariat.

- **The EITI International Secretariat.** The International Secretariat can provide support, for example by signposting the company to a network of consultants who can assist with in-country capacity building.

- **The EITI International website, run by the EITI International Secretariat.** The EITI website (www.eitransparency.org) provides regular updates on EITI policy development, as well as access to key implementation documents such as the EITI Source Book, Report from the EITI International Advisory Group, the EITI Validation Guide, and Implementing the EITI: Applying Early Lessons from the Field.

- **The World Bank, bilateral development agencies and foreign embassies.** Many donors, particularly the World Bank, are actively involved in supporting EITI implementation, and may be able to provide support to companies on an informal basis. Home country embassies may also be able to provide support on some aspects of the EITI, for example before a government has signed up to the process.

- **Other companies and industry associations, e.g. the International Council on Mining & Metals (ICMM), International Association of Oil & Gas Producers (OGP), and International Petroleum Industry Environmental Conservation Association (IPIECA).** Guidance and advice may be available from other companies who have implemented the EITI in other countries. For example, ICMM has produced a set of EITI reporting guidelines for the mining sector.
Working closely with the Government of Azerbaijan, international and local oil companies and 32 NGOs, BP took on a leadership role in negotiations on EITI implementation. In addition to greater government accountability, this has fostered a greater level of engagement among government, oil companies and key elements of civil society. It has also helped enhance BP’s position on transparency and disclosure of data. Khatira Iskender, Government and Community Relations Manager, BP

8 The country where my company operates does not support the EITI. Should we encourage the government to sign up?

As noted above, there is a wide range of reasons why a company might support the aims of the EITI, and therefore encourage the government of the country to consider signing up. Before discussing the EITI, however, a company should consider what degree of influence it holds with the government. For example, in the oil and gas sector, if the company is a large operator, it may well have more influence than a small, non-operating company. A single large company may produce a significant percentage of the country’s extractive sector revenues, which would give the company some influence with the government.

Another consideration is the likely reception of the company’s approach. If the company is viewed with suspicion and hostility, then its intervention is unlikely to be successful. On the other hand an approach from a generally well-regarded company may be more likely to succeed.

In any case, as the EITI is a government-led initiative, a company should consider potential negative exposure or positive recognition it may receive as a result of encouraging the government to sign up to the EITI. A company’s global headquarters can offer additional internal guidance on this question, especially if it has a global policy on the EITI. Home governments (UK, USA, Norway and France) can also provide valuable support on this issue.

9 What specific actions can my company take in order to encourage government sign-up?

Even in countries where the EITI has been viewed by the government as politically sensitive, experience has shown that company advocacy has been an important factor in encouraging sign-up. Companies can work collectively to encourage government sign-up in a number of ways, for example by:
• **Advocating the EITI through existing government relations channels.** Company managers can explain some of the potential benefits of the EITI to a country, including:
  – demonstrating a national commitment to transparency;
  – collecting revenues more efficiently (by improving systems and reducing corruption);
  – providing a systematic framework for collaboration with other sectors;
  – improving the foreign investment climate; and
  – improving public accountability.

• **Promoting the aims of the EITI in public debates and conferences.** Company CEOs and senior managers are increasingly called upon to speak publicly about the wider social and environmental impacts of their industry. These presentations can include references to the EITI and its aims.

• **Working collectively with other companies.** Local industry associations provide a legitimate and pragmatic vehicle for individual companies to express support for the aims of the EITI.

• **Working with embassies and international lending agencies.** Developed country governments and international financial institutions may already have revenue management or transparency initiatives as part of their developmental projects or loan agreements with the host government. The EITI can complement these existing initiatives.

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**CASE STUDY 1**

In one country where the government viewed EITI implementation as technically complex, a senior company representative had a meeting with the country’s president about management of extractive company revenues. The company representative offered to provide help with capacity building for ministry officials, and offered technical support and tools.

In another case, a large company helped the government to draw up a feasibility study for EITI implementation before the government had officially signed up. The company was able to bring its experience from other countries to this information-gathering process, which was led by the country’s finance ministry.

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**My company already publishes information on its payments to governments. Why should we be involved in the EITI?**

Voluntary disclosure of payments to governments is to be encouraged where contract confidentiality provisions allow such disclosure (see Box 2). However unless all companies (including those that are state-owned) do this – and provide the information on a consistent basis – it is not possible for citizens of the country to obtain a complete and reclined picture of the amounts received by their government. Hence it would be difficult for them to assess whether the revenues generated by extractive industries are being managed in the most effective way. Moreover, such disclosure is not based on the multi-stakeholder process of the EITI, which helps to create a culture of accountability by government and can be as important as the information disclosed.

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2 **Sample statement of company support for EITI**

The following text appears on AngloGold Ashanti’s corporate website:

As a matter of principle AngloGold Ashanti has established a practice of disclosing all payments made to governments via our annual Report to Society, regardless of whether the country is a formal supporter of the EITI. (See the Company’s annual Reports to Society.) Furthermore, in countries where governments have indicated a desire to be a part of the process, AngloGold Ashanti is actively involved in contributing to the success of the initiative.

NOTE: Commercial confidentiality clauses may prevent some companies from following this example.

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11 **My company is owned by the government. How is the EITI relevant?**

State-owned companies are among the most important participants in successful implementation of the EITI. They often have a range of functions – including acting as operators, investment companies, joint venture partners, or regulators – and...
In one country, where a state-owned company (SOC) did not see a clear need to join the EITI, the government department responsible for regulating the activities of SOCs was able to use its influence to encourage the company’s participation. In this case, the EITI was supported by the Prime Minister’s Office, which gave political impetus to calls for wider participation.

CASE STUDY 2

their involvement is among the most difficult to negotiate. For example, the company may be on both sides of the disclosure process if it receives payments or production share from other companies as an equity owner and government representative in a contract, and at the same time makes payments to national budgets.

However, as with the private sector, state-owned companies also face local and international pressure to demonstrate social and environmental responsibility. Many of the issues raised above (see Question 2) will be of increasing relevance to state-owned companies as they grow in size and influence. For example, a state-owned company may be considering public stock flotation, and implementation of the EITI can bring international credibility in the eyes of investors.

12 My company is not directly involved in resource extraction. What can my company do to support EITI implementation?

Although only oil, gas and mining companies make the direct payments to governments that are covered by the EITI requirements, many other companies are involved in the extraction process and will have a strong interest in the implementation of the EITI. Such companies include:

- **Upstream service companies** that provide hardware and logistics to help extract oil, gas and minerals. These companies have service agreements with the extractive companies and a strong interest in the stability and transparency of their operations.
- **Downstream manufacturing companies**, such as steel and other industrial and commercial mineral manufacturers, which have supply agreements with the extractive sector. These companies want to ensure that their long-term contracts are on a sustainable footing.
- **Ancillary companies along the value chain**, including logistics, human resources, information service, transportation, security, management, accountancy and auditing companies.

These companies can support the EITI even though they are not required to publish payments to government. As well as supporting the EITI through making public statements of support on their website, they can negotiate EITI implementation as part of their service and supply contracts.

These companies can also adhere to the transparency principles in all of their operations in-country and seek to undertake supportive measures for the sector, building on their own core business skills. Examples here include:

- IT and accounting companies providing support for the production of the reporting templates;
- management consulting companies offering support with government and civil society capacity building; and
- oil service companies offering their hardware and manpower to provide other infrastructure to the government.

13 What is ‘civil society’? Why are civil society organisations involved in the EITI?

‘Civil society’ is a broad term encompassing all of a country’s social and civic organisations – such as development charities, academia, community groups,
women’s organisations, and faith-based organisations – that do not have commercial or governmental status. Civil society organisations which promote transparency and accountability are particularly important in the context of the EITI, although a wider spectrum of civil society groups may be involved in the implementation process. Civil society organisations play a crucial role in the EITI, including advocating sign-up, monitoring the implementation process and helping to ensure that EITI reports are widely understood.

As part of EITI implementation, a company may be contacted by civil society groups with requests for information about the company’s involvement. While resource constraints may limit the amount of time that the company can dedicate to individual enquiries, companies can establish a clear line of communication for responding to requests for information. This can include a posting on the company website (although some civil society groups may rely on more traditional communication channels), and/or appointing a point person at the local chamber of commerce or multi-stakeholder group.

**What happens if civil society is not formally recognised by the government in this country?**

The EITI Criteria (see Appendix 2) require that ‘civil society is actively engaged as a participant in the design, monitoring and evaluation of this process and contributes towards public debate’. Companies can therefore argue for the government to involve civil society organisations as equal partners in the implementation process, and point out that their exclusion will jeopardise the country’s EITI compliance.
The government has now signed up to the EITI in this country. What happens next?

Once the government has formally agreed to sign up—typically via a public statement from the president or another senior politician—companies can publicly declare their support for the EITI on company websites and in local media, as well as write letters of encouragement to individual ministers who may have taken a leadership role in persuading the government to support the EITI.

There is likely to be a formal launch conference in order to publicise the government’s decision to adopt the initiative, and to explain what exactly the EITI programme will deliver. At this conference, as well as at other relevant meetings, companies can run briefing sessions for civil society organisations, media and other local stakeholders to explain:

- how extractive industry companies work on a day-to-day basis;
- fiscal systems and revenue flows;
- the legal and contractual obligations of companies and governments to monitor various aspects of company operations;
- the different kinds of payments which companies make to government;
- how those payments are assessed and collected;
- how civil society groups can engage with these issues.

This will help to ensure that local civil society organisations have a sufficient level of understanding about the aims of the EITI, as well as the wider nature of the extractive industry, in order to make informed decisions about how the initiative will operate in the country.

The launch conference also provides an opportunity for the government to begin establishing a multi-stakeholder group (see Question 18) with representatives from government, the private sector and civil society. This group decides how the EITI will be implemented in the country via a Country Workplan that outlines the roles and responsibilities of all stakeholders and includes a clear timeline (see Question 19).
How long does the EITI take to implement?

Negotiation of EITI implementation in a country can take a long time. Typically there is a period of around 1-2 years between government sign-up and production of the first EITI report. The country is then expected to produce frequent (usually annual) EITI reports.

A country can be considered 'EITI Compliant' when this process has been validated (as outlined in Question 28).

Who funds EITI implementation in a country?

EITI financing may come from several sources: the country’s government; a World Bank-managed Multi-Donor Trust Fund for technical assistance; and bilateral or multilateral development agencies such as the Norwegian Oil for Development initiative, African Development Bank, British DFID and German GTZ. Revenue Watch Institute, bilateral development agencies and others contribute funding to support civil society involvement.

Direct corporate funding of EITI implementation is rarely appropriate, but large companies can provide technical or administrative support to multi-stakeholder groups (see Case Study 4).

Who is responsible for designing and managing the EITI Country Workplan?

All EITI programmes must follow the internationally-agreed EITI principles and criteria (see Appendices 1 and 2). In addition, implementation should be carried out by a multi-stakeholder group, consisting of government, companies and civil society. Beyond these two core requirements, however, the country can decide which structures are most effective.

A company may choose to participate directly in the multi-stakeholder group, or in the various sub-committees that are established in order to design and manage EITI implementation. Alternatively, if a formal industry body exists, such as a chamber of mines, it can be helpful for this organisation to represent the private sector on the relevant committees. In either case, the private sector representative(s) can communicate separately with the wider business community to ensure that company views are heard on the EITI process.

How is the Country Workplan prepared, and what does it consist of?

The Country Workplan is put together by the multi-stakeholder group (see Question 18). In some cases, the EITI process may represent the country’s first formal gathering of the private sector, the government and civil society organisations on an equal basis. It may therefore take some time before differences in outlooks and operational cultures are resolved, and effective working methods established.

While the workplan is being drafted it is important for companies to be proactive and ask to comment on the workplan to ensure that it is realistic – for example, to ensure that smaller companies understand the reporting process and that civil society is effectively involved. Companies can also offer administrative support in order to ensure that logistical issues are managed effectively, such as distributing meeting minutes, setting up a database of contacts, setting meeting dates in good time, etc.
The workplan follows a standard format and covers: objectives; actions; sequencing; timetable; responsible party; costs and funding sources. Some of the most important decisions regarding the scope of the EITI programme need to be made early on in the implementation process. These decisions include:

- what information to publish, including which types of payment, and which revenue streams;
- the ‘materiality’ level: that is, the threshold of company size or payment size above which companies will be required to provide information for the EITI report;
- whether there are any legal or contractual barriers to be overcome, for example confidentiality clauses in relation to company information (see Question 20);
- whether or not the information in the published report is provided on an aggregated or disaggregated basis (see Box 3, ‘Disaggregated or aggregated data?’, below);
- the role of the Administrator (see Question 25); and
- plans for external validation (see Question 28).

### Disaggregated or aggregated data?

A key element of the scope of the EITI is the degree of aggregation that the published EITI report contains, with respect to separately identifying – or not identifying – payments by individual reporting companies and the types of payments made. It should be noted that the issue of aggregation/disaggregation is only about how much detail is provided in the final published EITI report. As part of the information-gathering process, companies will have to provide disaggregated statements to the Administrator so that they are able to accurately compare company payments with government receipts.

There is no international EITI policy or requirement on this issue. It is up to the individual countries to decide which approach to take, in a way that will meet the indicators set out in the EITI Validation Guide. Countries will ultimately adopt the level of disclosure with which the majority of stakeholders are comfortable.

In many countries this issue has been one of the most controversial discussed by stakeholders and, with this in mind, good company practice suggests that having an agreed (and public) statement on the matter can be helpful. Experience also suggests that countries which tend towards more rather than less information disclosure are able to generate more trust among all stakeholders. However there are viable reasons for the data to be published on an aggregated basis, and in this case, the reasons should be widely understood by all participants. While a full discussion of the issue is crucial, it should not be used as an excuse to delay the implementation of the initiative.

### What are the likely staffing and budgetary requirements of EITI implementation for my company?

A company should face no direct financial costs from EITI implementation; however, company participation may require a large investment in time. Experience suggests that one important challenge for companies is ensuring that a representative attends the relevant meetings in order to provide consistent input into the implementation process.

Two factors will largely determine the level of human and financial resources required to manage a company’s input into the EITI. The first is the relative size of the company within the local private sector; the second factor is the level of internal commitment to the process. For example, in a joint venture arrangement, an operating company may be actively involved in the implementation process, as opposed to a minority partner who will let the operating company recommend how to proceed.
As illustrative guidance, the breakdown of tasks involved in EITI implementation in one large operating company in the oil and gas sector was as follows:

- **The Country manager**: gives general support to the EITI, for example by providing public statements that the company fully subscribes to the implementation process. The country manager may also liaise with the World Bank.

- **The Accounts/tax manager**: completes the EITI reporting templates (see Question 22).

- **The Finance manager**: liaises with the multi-stakeholder group, colleagues from other companies, and with the Administrator.

- **The External affairs manager**: coordinates the company’s participation in the EITI implementation process and manages external communications, including enquiries from civil society organisations. May also respond to requests for information from the company’s global headquarters.

If confidentiality clauses prevent companies from publishing commercially sensitive information, the government must provide a clear and unambiguous indication to each company – typically via an official letter – that the clause does not apply in the case of EITI implementation. This should happen early on in the implementation process in order to avoid lengthy delays once the information-gathering process is underway. In order to resolve this issue, it can be helpful for representatives of all stakeholders to sign a Memorandum of Understanding (MoU) which includes a commitment to waive the relevant confidentiality clauses. This MoU can be produced at the launch conference.
How does the reporting process work?

Once the EITI Country Workplan has been drawn up (see Question 19), the information-gathering process begins, culminating in the publication of the first EITI report. Separate reporting templates (see Question 23) are drawn up by the multi-stakeholder group for government agencies and companies.

The multi-stakeholder group then usually sends a letter with the reporting templates to all companies involved in the EITI process (i.e. the companies that are required to provide information on the basis of the materiality threshold set out in the Country’s Workplan). The letter formally requests the companies to send the completed templates to the appointed Administrator (see Question 25) by an agreed date.

At the start of the reporting process, the Administrator may hold separate briefing meetings with all the participating entities such as the companies; the central bank; the regulators; and the national oil company. At these briefing meetings, the Administrator will explain the reporting process, introduce the templates, and set out the timetable.

Relevant information is extracted from the company’s audited accounts by the finance team, and used to complete the reporting template. Because EITI data needs to be reported on a cash basis – as opposed to an accrual basis – retrieval and reconciliation of the required data (bank statements, receipts, etc.) can add a significant burden to accounting and tax staff within the companies. Resources should be allocated for this work as necessary. One large company estimates that five days per year are required for the company’s accountant(s) to complete this work.

Depending on the scope of the EITI programme, some or all of the following information is sent to the Administrator along with the completed reporting template:
• certifications that the data submitted in the reporting templates are based on company financial statements which have already been audited to international standards; and
• any clarification of the data that can aid the Administrator’s work.

At the same time that the companies are completing the reporting templates, the government also completes a reporting template, outlining the revenues that have been received from extractive industries. The government sends the completed reporting template to the Administrator at the same time that the companies submit their information.

Based on the data provided by companies and government agencies, the Administrator then undertakes a reconciliation process. This involves comparing the two sets of information, and providing a statement to say that the data match – and if not, why not (see Question 25). The EITI report is then sent to the multi-stakeholder group, who then works together with the government to make it publicly available.

23 What are reporting templates?
The multi-stakeholder group draws up reporting templates based on the country’s fiscal and contractual arrangements. The documents should follow an internationally agreed structure, which is available in the EITI Source Book and reproduced in the appendix to this document (see Appendix 3). Companies can ask the Administrator to confirm that the reporting template is in line with EITI Source Book requirements.

The multi-stakeholder group usually provides guidelines and accounting definitions to support companies in completing the reporting templates. This guidance may also clarify reporting requirements in the case of joint ventures or other multi-company operations. The Administrator may also provide technical assistance with this stage of the implementation process.

24 When should company information be submitted?
There is no regular annual due date for delivering EITI data, nor any prescribed reporting period. When drawing up the workplan, the multi-stakeholder group will agree on a realistic timeframe that suits all stakeholders. This includes building in an adequate amount of time between the request for information from companies and governments, and the submission of information to the Administrator. Experience suggests that one month is usually a sufficient time period for this work.

25 Who are the ‘Administrators’ and how are they selected?
The primary role of the ‘Administrator’ (sometimes called an aggregator or reconciler) is to acquire and attempt to reconcile revenue data received from the government with payment data received from companies. The Administrator should have accounting qualifications, knowledge of the country’s fiscal regime, and credibility inside and outside the country. International Standards on Auditing such as ISRS 4400 and ISRS 4410 should be applied to the work. The Administrator – normally an audit firm – is selected by the multi-stakeholder group and adheres to an agreed scope of work. The government usually signs a
contract with the Administrator and pays for its services. Guidance for drafting the Terms of Reference with the Administrator is provided by the EITI International Secretariat.

The company data do not match the government data. What happens in this case?

Discrepancies between payments made by companies and payments received by the government are fairly common. It is important that a clear process is built into the workplan to manage this, especially as there may be some disagreement among stakeholders over what constitutes a significant discrepancy. Specifically, the Administrator should be given the authority to approach individual companies and/or government agencies to resolve discrepancies. Companies should cooperate with the Administrator if additional information or clarification is required.

What constitutes ‘publication’ of EITI data?

The publication of the EITI Report with all the data is to be made publicly available in a way that is publicly accessible, comprehensive and comprehensible. However, what this means will vary from country to country. Countries that opt for greater levels of communication may be able to generate more trust among stakeholders (see Case Study 6). The multi-stakeholder group will oversee the disclosure process, and may draw up a communications plan in order to underpin this process.

The specific disclosure mechanism depends on the availability and accessibility of various communications means in the country, as well as available resources. Print media or the internet are the most popular communications tools in some areas; in others, it is radio or television.

CASE STUDY 6

- In many EITI countries, various external parties have misinterpreted the reports, usually due to a lack of understanding of the extractive industry. However, instead of making themselves available to explain their involvement in the EITI process, some companies have chosen not to comment. This often results in further suspicion and compounds poor perceptions of the industry.
- Companies can only gain from participating in debates around the EITI – even if it means they are subject to criticism every now and then.
How does the validation process work?

Validation is an essential element of the EITI process, and is central to its status as an internationally-credible initiative. The objective of validation is to provide an independent assessment of the progress achieved by implementing countries on the EITI. For Candidate Countries, validation measures progress in EITI implementation. For countries that have fully implemented the EITI (Compliant Countries), validation provides an assessment of their ongoing fulfilment of all the EITI Criteria.

In both cases, the validation exercise provides recommendations for improving the country’s EITI process. The assessment is carried out in accordance with the EITI Validation Guide, which is available on the EITI international website: www.eitransparency.org. Candidate Countries must be validated within two years and should aim to achieve compliance within that period. Compliant Countries must be validated every five years, or earlier if the EITI International Board requires.

As part of the validation process, companies will be asked by the Validator to fill out a company self-assessment form, certifying that they have participated in accordance with the EITI Principles and Criteria (set out in Appendices 1 and 2). The Validator may contact the company to discuss any queries on the self-assessment form. This form is available in the EITI Validation Guide and has been reproduced in the appendix to this document (see Appendix 4).

The validation process also covers government input. The Validator consolidates all of the information from the companies and government agencies in a report that is presented to the multi-stakeholder group and the EITI International Secretariat.

A separate guidance note for implementing countries on nominating a Validator is available from the EITI International Secretariat.
How can companies share lessons and guidance on the EITI?

Companies can communicate with headquarters and other business units; with other companies, either informally or through business associations such as ICMM, OGP and IPIECA; and with the EITI International Secretariat.

Individual company managers who have participated in the EITI process have a substantial amount of information and experience at their disposal and it is essential to capture this knowledge and build it into human resource processes where necessary, especially if key personnel are due to leave the company. Managers can also undertake reciprocal visits between implementing countries, as well as provide advice in countries which are not yet EITI Candidate Countries.

In addition, as part of the validation process, the independent Validator will ask the companies to comment on lessons learned and good practice examples. The Validator will summarise anonymised lessons and experiences in the EITI Validation Report.

The EITI Validation Report has been published, the programme in this country has been validated, and the country is now EITI Compliant. What can my company do to go beyond compliance?

The EITI is based on a principle of continuous improvement. The multi-stakeholder group can undertake regular reviews and stakeholder surveys in order to identify what more can be done to contribute to the overall goal of increased transparency. Some questions to consider, and for leadership companies to raise, during the review phase include:

- can more data be made publicly available on a disaggregated basis – even if this is not required by the EITI process (see Box 4, ‘Sample voluntary publication of data’)?
- can more stakeholders be involved, for example smaller companies, ancillary sectors, or representatives from other natural resource industries such as forestry and fishing?
- can sub-national payments be declared?
- can non-production-related transactions be covered by the EITI process, for example pipeline transit fees?
- is more capacity building required, e.g. for smaller companies or for civil society organisations?
- is there greater public understanding of what happens to extractive industries payments and revenues? Can the communications programme be made more effective?

Related to this last point: once there is greater transparency around how extractive industry revenues are generated and collected, there are often calls for transparency in how these revenues are distributed. While companies are not responsible for the allocation of public money, they can usefully contribute to broader discussions about how the socio-economic benefits of resource extraction can be more widely shared. One example of how companies are doing this can be seen in the mining and metals sector, through the ICMM’s Resource Endowment Initiative.
At the time of writing, Indonesia had not yet formally signed up to EITI. However, Newmont voluntarily publishes information on its payments to the government of Indonesia, every quarter, on its public website, as shown below:

**PT NNT Paid Q3 2007 Royalty of US$ 7.2 million**

West Sumbawa – PT Newmont Nusa Tenggara (PTNNT) made its third quarterly royalty payment on the concentrate sales from July to September 2007 to the Government of Indonesia, recently (30/10). The royalty of US$ 7,242,788.47 (Seven million, two hundred and forty two thousand, seven hundred and eighty eight US dollars and forty seven cents) was deposited in the Finance Minister’s account no. 508.000.071 in Bank Indonesia, Jakarta.

This payment breaks down as follows:

- Copper - Cu US$ 4,251,697.85
- Gold - Au US$ 2,855,280.88
- Silver - Ag US$ 135,809.74
- Total US$ 7,242,788.47


PTNNT began paying Royalties after its first concentrate shipment in 1999 and has to date paid a total of US$ 141,677,803.95 (One hundred and forty one million, six hundred and seventy seven thousand, eight hundred and three US dollars and ninety five cents).

*NOTE: Mining companies usually operate under different contractual terms than oil and gas companies.*
<table>
<thead>
<tr>
<th><strong>Glossary</strong></th>
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<tbody>
<tr>
<td><strong>Accountability</strong></td>
<td>A person or organisation is accountable when they acknowledge responsibility for actions, decisions and policies that affect other people or organisations. Accountability includes the obligation to be answerable for the consequences of these actions, decisions and policies.</td>
</tr>
<tr>
<td><strong>Administrator</strong></td>
<td>An independent entity (usually an audit firm) that is appointed to acquire and attempt to reconcile payments and revenue data provided by companies and government. The Administrator is not carrying out an audit, but is compiling and analysing EITI data (both financial and, where appropriate, on production volumes) as submitted, and investigating and explaining any discrepancies, as set out in the Terms of Reference that the multi-stakeholder group and the Administrator have agreed.</td>
</tr>
<tr>
<td><strong>Aggregation</strong></td>
<td>A method of reporting by which the payments made by individual companies are consolidated, so that individual company payments cannot be identified in a published EITI report. It can also refer to the consolidation of different types of payments made by a company so that individual payment types cannot be identified.</td>
</tr>
<tr>
<td><strong>Candidate Country</strong></td>
<td>A country which has publicly committed to implement the EITI, but which has not yet fully implemented all of the required stages.</td>
</tr>
<tr>
<td><strong>Company Form</strong></td>
<td>A Country-Level Company Self-Assessment Form (see Appendix 4) must be completed by all relevant companies in implementing countries during the validation process. An International-Level Company Self-Assessment Form (see Appendix 5) should be completed and kept up-to-date by companies that have committed to support EITI at the international level.</td>
</tr>
<tr>
<td><strong>Compliant Country</strong></td>
<td>A country which has fully implemented the EITI and has been found by an independent validating organisation to be meeting all of the validation indicators.</td>
</tr>
<tr>
<td><strong>Country Workplan</strong></td>
<td>An action plan agreed by a multi-stakeholder group. The EITI Criteria requires that the Workplan is financially sustainable and includes measured targets, a timetable for implementation, and an assessment of potential capacity constraints.</td>
</tr>
<tr>
<td><strong>Disaggregation</strong></td>
<td>A method of reporting by which individual companies’ payments made to a government are disclosed and can be identified separately. It can also refer further to reporting individual types of payments, so that each payment type (royalty, tax, etc.) can be identified.</td>
</tr>
<tr>
<td><strong>EITI Report</strong></td>
<td>A report that is put together by an Administrator and made publicly available, stating how extractive industries payments made by companies match those received by governments – and explaining discrepancies where they arise.</td>
</tr>
<tr>
<td><strong>Materiality</strong></td>
<td>A threshold amount or percentage to determine if a company or a payment is significant to an outcome. EITI-implementing countries often set materiality levels based on company or payment size.</td>
</tr>
<tr>
<td><strong>Multi-stakeholder group</strong></td>
<td>A committee that has been empowered to develop the Country Workplan, and oversee the implementation and management of the EITI programme. The role of this group includes the appointment of the Administrator and Validator.</td>
</tr>
<tr>
<td><strong>Validation</strong></td>
<td>The process by which progress on implementing the EITI by countries is measured against the EITI criteria. The agreed standard is for an EITI Candidate Country to be independently validated at least every two years, using an independent Validator who will gather information on that country’s EITI process, interview key stakeholders and measure the country against a set of validation indicators. Countries which meet all of those indicators will be assessed as being ‘EITI Compliant’. Compliant Countries must be validated every five years, or earlier if the EITI International Board requires.</td>
</tr>
<tr>
<td><strong>Validation Report</strong></td>
<td>A report that is put together by an independent Validator assessing the country’s progress in implementing the EITI against indicators outlined in the Validation Guide.</td>
</tr>
</tbody>
</table>
Acknowledgements

This report was written by Dave Prescott, with support from Eddie Rich and Anders Kråkenes at the EITI International Secretariat and Amanda Gardiner at IBLF. Further inputs were provided by Jonas Moberg at the EITI International Secretariat, and Peter Brew, Hanniah Tariq and Susan Wood at IBLF.

Guidance was provided by a reference group consisting of the following individuals (listed alphabetically by surname):

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Diarmid O’Sullivan, Global Witness, UK
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Aidan Davy, ICMM, UK
Madani Diallo, AngloGold Ashanti, Mali
Richard Dion, Royal Dutch Shell
David Goldwyn, Goldwyn International Strategies, USA
Paul Hollesen, AngloGold Ashanti, South Africa
Khatira Iskender, BP, UK
John R Kelly, Exxon Mobil, USA
Karin Lissakers, Revenue Watch Institute, USA
Dorjdar Namkhajantsan, Open Society Institute, Mongolia
Chris Nurse, Hart Group, UK
Willy Olsen, Norway
Martijn Ritters, Shell Gabon
APPENDICES

1 The EITI Principles
Reproduced from EITI International website

2 The EITI Criteria
Reproduced from the EITI International website

3 EITI Company Reporting Template
Reproduced from pp. 49-53 of the EITI Source Book

4 EITI Company Self-Assessment Form Country-level
Reproduced from p. 24 of the EITI Validation Guide

5 EITI Company Self-Assessment Form International-level
Reproduced from p. 25 of the EITI Validation Guide

6 EITI Supporting Companies
Reproduced from EITI International website, 1 May 2008
Appendix 1

The EITI Principles

The EITI Principles, agreed at the Lancaster House Conference in June 2003, provide the cornerstone of the initiative. They are:

1 We share a belief that the prudent use of natural resource wealth should be an important engine for sustainable economic growth that contributes to sustainable development and poverty reduction, but if not managed properly, can create negative economic and social impacts.

2 We affirm that management of natural resource wealth for the benefit of a country’s citizens is in the domain of sovereign governments to be exercised in the interests of their national development.

3 We recognise that the benefits of resource extraction occur as revenue streams over many years and can be highly price dependent.

4 We recognise that a public understanding of government revenues and expenditure over time could help public debate and inform choice of appropriate and realistic options for sustainable development.

5 We underline the importance of transparency by governments and companies in the extractive industries and the need to enhance public financial management and accountability.

6 We recognise that achievement of greater transparency must be set in the context of respect for contracts and laws.

7 We recognise the enhanced environment for domestic and foreign direct investment that financial transparency may bring.

8 We believe in the principle and practice of accountability by government to all citizens for the stewardship of revenue streams and public expenditure.

9 We are committed to encouraging high standards of transparency and accountability in public life, government operations and in business,

10 We believe that a broadly consistent and workable approach to the disclosure of payments and revenues is required, which is simple to undertake and to use.

11 We believe that payments’ disclosure in a given country should involve all extractive industry companies operating in that country.

12 In seeking solutions, we believe that all stakeholders have important and relevant contributions to make – including governments and their agencies, extractive industry companies, service companies, multilateral organisations, financial organisations, investors, and non-governmental organisations.
Appendix 2

The EITI Criteria

Implementation of EITI must be consistent with the criteria below:

1. Regular publication of all material oil, gas and mining payments by companies to governments ("payments") and all material revenues received by governments from oil, gas and mining companies ("revenues") to a wide audience in a publicly accessible, comprehensive and comprehensible manner.

2. Where such audits do not already exist, payments and revenues are the subject of a credible, independent audit, applying international auditing standards.

3. Payments and revenues are reconciled by a credible, independent administrator, applying international auditing standards and with publication of the administrator’s opinion regarding that reconciliation including discrepancies, should any be identified.

4. This approach is extended to all companies including state-owned enterprises.

5. Civil society is actively engaged as a participant in the design, monitoring and evaluation of this process and contributes towards public debate.

6. A public, financially sustainable work plan for all the above is developed by the host government, with assistance from the international financial institutions where required, including measurable targets, a timetable for implementation, and an assessment of potential capacity constraints.
Appendix 3

EITI Company Reporting Template

These reporting templates were prepared for the EITI in 2003.

A. INPUT TEMPLATE FOR HOST GOVERNMENT REPORTING ENTITY (oil and gas)

Host country reporting on:

Reporting period:

<table>
<thead>
<tr>
<th>Scope 1 Benefit streams</th>
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<tbody>
<tr>
<td>LINE REF</td>
</tr>
<tr>
<td>1 Benefit Stream from International Companies only</td>
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<tr>
<td>1a) Host Government Production Entitlement from International Companies</td>
</tr>
<tr>
<td>i) Production Stream – in kind</td>
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<td>* [specify nature of production and units]</td>
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<td>* [specify nature of production and units]</td>
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<tr>
<td>ii) Production Stream – in cash</td>
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<tr>
<td>2 Benefit Stream from National State-Owned Companies</td>
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<tr>
<td>2a) Host Government Production Entitlement from National State-Owned Company</td>
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<tr>
<td>i) Production Stream – in kind</td>
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<td>* [specify nature of production and units]</td>
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<td>* [specify nature of production and units]</td>
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<tr>
<td>ii) Production Stream – in cash</td>
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<td>3 Benefit Streams from International and National State-Owned Company</td>
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<td>3a) Profit taxes</td>
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<td>3b) Royalties</td>
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<td>– in cash</td>
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<td>– in kind</td>
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<tr>
<td>3c) Dividends</td>
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<td>3d) Signing bonuses and production bonuses</td>
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<td>3e) License fees, rental fees, entry fees and other considerations for licenses/concessions</td>
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<tr>
<td>3f) Other payments to Host Governments, specified as:</td>
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Scope 2 Benefit streams

<table>
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<tr>
<th>LINE REF</th>
<th>GUIDELINES SECTION 6 REF</th>
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4 Scope 2 Benefit Streams (voluntary disclosure):

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<th>VOLUME</th>
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Host government sign-off

We acknowledge our responsibility for the fair presentation of the reporting template in accordance with the reporting guidelines, with the exception of:

- 
- 
- 
-
B. INPUT TEMPLATE FOR COMPANY REPORTING ENTITIES (oil and gas)

Name of company:  

Host country reporting on:  

Reporting period:  

### Scope 1 Benefit streams

<table>
<thead>
<tr>
<th>LINE REF</th>
<th>GUIDELINES SECTION 6 REF</th>
<th>VOLUME</th>
<th>VALUE</th>
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<tbody>
<tr>
<td><strong>1 Benefit Stream to be reported by International Companies only</strong></td>
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<tr>
<td>1a) Host Government Production Entitlement to Host Government</td>
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<tr>
<td>i) Production Stream – in kind</td>
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<td>* [specify nature of production and units]</td>
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<td>* [specify nature of production and units]</td>
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<tr>
<td>ii) Production Stream – in cash</td>
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<tr>
<td>1b) Host Government Production Entitlement to National State-Owned Company</td>
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<tr>
<td>i) Production Stream – in kind</td>
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<td>* [specify nature of production and units]</td>
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<td>ii) Production Stream – in cash</td>
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<td><strong>2 Benefit Stream to be reported by National State-Owned Companies only</strong></td>
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<tr>
<td>2a) i) National State-Owned Companies equity share of Host Government production entitlement – in kind</td>
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<td>* [specify nature of production and units]</td>
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<td>ii) National State-Owned Companies equity share of Host Government production entitlement – in cash</td>
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<td>2b) Production received by National State-Owned Company</td>
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<td>Production stream – in kind</td>
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<td>2c) National State-Owned Company production entitlement</td>
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<tr>
<td>i) Production entitlement – in kind</td>
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<td>* [specify nature of production and units]</td>
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<td>* [specify nature of production and units]</td>
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<td>ii) Production entitlement – in cash</td>
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<td>2d) Production entitlement received on behalf of the Host Government</td>
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<td>i) Production stream – in kind</td>
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<td>ii) Production entitlement received on behalf of the Host Government – in cash</td>
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<tr>
<td><strong>3 Payments to Host Government/National State-Owned Company</strong></td>
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<tr>
<td>3a) Profit taxes</td>
<td>iii</td>
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<td>3b) Royalties</td>
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<td>3c) Dividends</td>
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<tr>
<td>3d) Signing bonuses and production bonuses</td>
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<tr>
<td>3e) License fees, rental fees, entry fees and other considerations for licenses/concessions</td>
<td>vii</td>
<td></td>
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</tbody>
</table>

1. The national state-owned company entitlement relates to its share of production where it is a contracting party, for example, where it has an interest in a licence/concession in addition to the host government’s production entitlement.
### Scope 1 Benefit streams continued

<table>
<thead>
<tr>
<th>LINE</th>
<th>REF</th>
<th>GUIDELINES</th>
<th>VOLUME</th>
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<tr>
<td>3f) Other payments to Host Governments, specified as:</td>
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### Scope 2 Benefit streams

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<tr>
<td>4 Scope 2 Benefit Streams (voluntary disclosure):</td>
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### Host government sign-off

We acknowledge (or on behalf of the board of directors (or similar body) we acknowledge) our responsibility for the fair presentation of the reporting template in accordance with the reporting guidelines, with the exception of:

- 
- 
- 
- 
-
EITI Company Self-Assessment Form COUNTRY-LEVEL

<table>
<thead>
<tr>
<th>COMPANY:</th>
<th>COUNTRY:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mark indicators below with ✔</td>
<td>Yes</td>
</tr>
<tr>
<td>1. Has the company made public statements in support of the EITI process in this country?</td>
<td></td>
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<tr>
<td>2. Has the company committed to support and cooperate with implementation of the Country EITI Work Plan (as agreed by the multi-stakeholder group), including abiding by government EITI related directives (e.g. laws and MoUs) and, where appropriate, meeting with stakeholders?</td>
<td></td>
</tr>
<tr>
<td>3. Have all material payments been disclosed to the organisation contracted to reconcile figures and produce the EITI report as per agreed EITI Reporting Templates and pursuant to agreed timelines?</td>
<td></td>
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<tr>
<td>4. Was the data that was submitted to the organisation contracted to reconcile figures and produce the EITI report taken from accounts independently audited to international standards?</td>
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<tr>
<td>5. Has the company responded to queries from the organisation contracted to reconcile figures and produce the EITI report to assist in reconciliation of country payments with government receipts in accordance with EITI Reporting Templates?</td>
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</tbody>
</table>

Overall Assessment (of above)

Narrative opinions:

If any indicators above are marked ‘no’, please provide an explanation:

Any other comments:
## EITI Company Self-Assessment Form INTERNATIONAL-LEVEL

<table>
<thead>
<tr>
<th>COMPANY:</th>
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</thead>
<tbody>
<tr>
<td>Mark indicators below with a ✔</td>
<td>Yes</td>
</tr>
<tr>
<td>1. Has the company published a clear public statement endorsing the EITI Principles and Criteria, and ensured this is accessible on its external website?</td>
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<tr>
<td>2. If applicable (i.e. for operations in EITI implementing countries that have completed at least one validation), has the company provided links on its external website to completed Company Forms?</td>
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<tr>
<td>3. Has the company assigned strategic responsibility for EITI to a member of its senior management and appointed a lead contact person responsible for communication of the company’s EITI policy, action in support of EITI, and responding to queries from EITI stakeholders?</td>
<td></td>
</tr>
<tr>
<td>4. If the International EITI Conference has taken place in the validation period, did a member of senior management attend or send a statement of support?</td>
<td></td>
</tr>
<tr>
<td>5. Where a company has a global sustainability report or corporate responsibility report, has the company included a summary of its contribution to EITI in this and on its external website?</td>
<td>Yes</td>
</tr>
</tbody>
</table>

### Overall Assessment (of above)

**Narrative opinions:**

If any indicators above are marked ‘no’, please provide an explanation:

**Any other comments:**
Appendix 6

EITI Supporting Companies
Reproduced from eitransparency.org, 1 May 2008

Alcoa *
Anglo American *
AngloGold Ashanti *
Areva
Barrick Gold *
BG Group
BHP Billiton *
BP
Burren Energy
Chevron Corporation
ConocoPhilips
DeBeers
Eni
ExxonMobil
Freeport-McMoRan Copper & Gold *
Gold Fields *
Hess Corporation
Norsk Hydro
Katanga Mining Limited
Lonmin *
Marathon
Mitsubishi Materials *
Newmont *
Nippon Mining & Metals *
Pemex
Petrobras
Repsol YPF
Rio Tinto *
Shell (Company Form)
StatoilHydro
Sumitomo Metal Mining *
Talisman Energy
Teck Cominco *
TOTAL
Vale *
Woodside
Zinifex *
Xstrata *

* Supporting Company through membership of ICMM.
The Extractive Industries Transparency Initiative (EITI) is a globally developed standard that promotes revenue transparency at the local level. It is a coalition of governments, companies, civil society, investors and international organisations. Through robust yet flexible methodology company payments and government revenues from oil, gas and mining are published, and discrepancies are reduced. Although the EITI Board and the International Secretariat are the custodians of the EITI process, implementation takes place at the country level, in a process that emphasises multi-stakeholder participation.

www.eitransparency.org

The International Business Leaders Forum (IBLF) works with business, government and civil society to enhance the contribution that companies can make to sustainable development. Founded by HRH The Prince of Wales, it is an independent, not-for-profit organisation currently supported by over 100 of the world’s leading businesses.

www.iblf.org