Extractive Industries
Transparency Initiative

GUIDANCE

on the Expectations for EITI supporting companies

This note has been issued by the EITI International Secretariat to provide guidance to companies on the Expectations for EITI supporting companies. Readers are advised to contact the International Secretariat for further clarification if needed.

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Introduction

A key constituency in the EITI's international and national multi-stakeholder groups (MSGs), companies have long supported the EITI's mission to promote open and accountable management of oil, gas and mineral resources. In 2021, more than 60 companies were assessed on their adherence to the Expectations for EITI supporting companies[1] for the first time. The EITI Board subsequently clarified and strengthened the Expectations and agreed to routinely assess progress by EITI supporting companies in meeting the Expectations.

This note provides guidance to companies on implementing the Expectations for EITI supporting companies and explains the criteria that are used to assess progress in meeting these expectations.

1 EITI (2018), *Expectations for EITI supporting companies*. Retrieved from https://eiti.org/documents/expectations-eiti-supporting-companies.

How to implement the Expectations for EITI supporting companies

General guidance

Expectations for EITI supporting companies

EITI supporting companies recognise that increased transparency can promote understanding of natural resource management, strengthen public and corporate governance, reduce corruption, and provide data to inform greater transparency and accountability in the oil, gas and mining sectors. Supporting companies, working together with governments and citizens, aim to deliver natural resources in a manner that benefits societies and communities.

Supporting companies uphold the EITI Standard through reporting in EITI implementing countries where they operate. Supporting companies are also encouraged to participate in multi-stakeholder groups (MSGs) and to actively engage in the EITI process in implementing countries.

EITI supporting companies further support EITI implementation through their membership in the EITI Association, by meeting this set of Expectations and an annual financial contribution to the international management of the EITI.

Assessment criteria

Where the company participates in MSGs in EITI implementing countries where it operates, indicate which countries for information purposes.

Guidance

In line with Requirement 1.2 of the EITI Standard, companies are encouraged to engage fully, actively and effectively in the EITI process, through participation in national EITI MSGs in EITI implementing countries where they operate and where feasible, both directly as members or observers and indirectly through relevant industry associations.

The EITI International Secretariat will seek to identify and indicate those EITI implementing countries where the company participates directly or indirectly in MSGs. This data is collected only for information purposes on MSG composition. Companies wanting to join national MSGs can contact the relevant EITI National Coordinator or the EITI International Secretariat, which can help facilitate contact with the relevant EITI National Coordinator. The EITI International Secretariat will endeavour to provide notice to relevant companies where national MSGs seek to add company members or fill vacancies.

Expectation 1

All EITI supporting companies are expected to **publicly declare and publish support for the EITI and the objective of the EITI Association** to make the EITI Principles and the EITI Standard the internationally accepted standard for transparency in the oil, gas and mining sectors.

Assessment criteria

Does the company publish a statement of support for the EITI and the objective of the EITI Association?	☐ Yes ☐ No

Guidance

A clear, published statement of support for the EITI and the objective of the EITI Association is considered to meet this Expectation and may be published on a company's website, in its annual reports or other publications.

Pursuant to Article 2(2) of the EITI Articles of Association, "[t]he objective of the EITI Association is to make the EITI Principles and the EITI requirements [(i.e. EITI Standard)] the internationally accepted standard for transparency in the oil, gas and mining sectors, recognising that strengthened transparency of natural resource revenues can reduce corruption, and the revenue from extractive industries can transform economies, reduce poverty, and raise the living standards of entire populations in resource-rich countries."

Expectation 2

All EITI supporting companies are expected to **make comprehensive disclosures in accordance with the EITI Standard in all EITI implementing countries where the company or its controlled subsidiaries operate**. Where not disclosed in other company reporting, publicly disclose a list of controlled subsidiaries operating in the oil, gas or mining sectors in EITI implementing countries.

Assessment criteria

1. *Does the company make disclosures in accordance with the EITI Standard in or in relation to EITI implementing countries where the company or its controlled subsidiaries operate?*	☐ Yes ☐ No
2. *Does the company publish a list of controlled subsidiaries? The link to the list should be documented.*	☐ Yes ☐ No

Guidance

For purposes of Expectation 2, "subsidiary" means an entity controlled directly or indirectly by the supporting company through one or more intermediaries.

Supporting companies have "control" of another entity when the supporting company consolidates that entity in its financial statements following generally accepted accounting principles, such as those under the International Financial Reporting Standards ("IFRS").

Where supporting companies are publishing an up-to-date list of their controlled subsidiaries operating in the oil, gas and mining sectors through consolidated financial statements, annual reports, or other company reporting they are asked to submit a link to where this information can be found.

For the dual purposes of facilitating reporting at the national level in EITI implementing countries and subsequent assessment of the comprehensiveness of disclosures by supporting companies, the EITI International Secretariat will seek to validate with each supporting company an up-to-date list of controlled subsidiaries operating in the oil, gas and mining sectors in EITI implementing countries, if that information is not otherwise publicly available. For the purposes of this guidance, "up-to-date" means current within one year prior to the EITI International Secretariat request.

Where supporting companies are not yet publishing a list of their controlled subsidiaries operating in the oil, gas and mining sectors in EITI implementing countries, they should provide such disclosure.

After completing the initial assessment according to the assessment criteria, the EITI International Secretariat will follow up with relevant implementing countries to determine if a company (or its controlled subsidiaries) based on the implementing country's records, is not disclosing in accordance with the EITI Standard. These include oil, gas and mining companies, and commodity trading companies within the scope of the EITI Standard as agreed by the relevant MSG.

Where disclosures are reported by the implementing country not to meet the EITI Standard, this will be verified by reviewing the country's latest EITI Report and through Validation (Part 5, EITI Standard) to determine if the particular company's disclosures are insufficient to meet the EITI Standard.

The assessment criteria recognises that companies may make disclosures directly in countries as well as indirectly, such as where disclosures are made at a group level.

Expectation 3

All EITI supporting companies are expected to **publicly disclose taxes and payments to governments at a project-level** in line with the EITI Standard **in all non-EITI implementing countries where the company operates** unless disclosure is not feasible. Where not feasible, the country-specific legal or practical barriers to disclosure should be publicly explained.

Assessment criteria

1. *Does the company make disclosures in non-EITI implementing countries where the company operates in the oil, gas and mining sectors?* ☐ Yes ☐ No

   Where disclosures are not made, the company should explain the legal or practical barriers to disclosure on the company's website, in its annual reports or other publications. The explanation will be documented as a comment in the assessment.

2. *Are the disclosures disaggregated by project?* ☐ Yes ☐ No

Guidance

Consistent with the scope of the EITI Standard in implementing countries, supporting companies subject to disclosure under Expectation 3 in non-implementing countries include those engaged in the commercial development of oil, gas or minerals, including exploration, extraction, processing, export, and other significant actions relating to oil, gas or minerals, or the acquisition of a license for any such activity.

Consistent with the EITI Standard, taxes and payments include those payments made by the supporting company or its controlled subsidiaries to government relating to the commercial development of oil, gas and minerals that are not de minimis and include taxes, royalties, fees (including license fees), production entitlements, bonuses, and other material benefits that are part of the commonly recognised revenue stream for the commercial development of oil, gas and minerals.

In line with Requirement 4.1 of the EITI Standard, disclosure is expected of "material" payments by oil, gas and mining companies to governments. Companies may decide which payments are material and should therefore be disclosed but should disclose appropriate materiality definitions and thresholds. Payments are considered material if their omission or misstatement could significantly affect the comprehensiveness of the disclosures.

Where disclosures are not made at a country level or where such disclosures are made at the country-level but not at the project-level, the company should explain the country-specific legal or practical barriers to disclosure. Companies are also encouraged to explain what efforts are being undertaken to reduce or overcome any barriers to disclosure.

Requirement 4.7 of the EITI Standard defines a "project" as "operational activities that are governed by a single contract, license, lease, concession, or similar legal agreement, and form the basis for payment liabilities with a government." Company disclosures of taxes and payments in non-EITI implementing countries are expected to be disaggregated by each individual project according to this definition.

However, consistent with Requirement 4.7, if multiple agreements are substantially interconnected, the company may consider them to be a single project. These instances should be clearly identified.

Substantially interconnected agreements are a set of operationally and geographically integrated contracts, licenses, leases or concessions or related agreements with substantially similar terms that are signed with a government, giving rise to payment liabilities. Such agreements can be governed by a single contract, joint venture, production sharing agreement or other overarching legal agreement.

Where a payment covered by the scope of EITI disclosures is levied at entity level rather than at project level, the company may disclose the payment at the entity level. This may be the case for companies that file consolidated tax returns for all entities in a country.

Expectation 4

All EITI supporting companies buying oil, gas and/or mineral resources from the state in EITI implementing countries are expected to **disclose volumes received and payments made** in line with the EITI Standard and the EITI reporting guidelines for companies buying oil, gas and minerals from governments[2] unless disclosure is not feasible.

Assessment criteria

1. *Does the company buy oil, gas and/or mineral resources from the state in EITI implementing countries?* ☐ Yes ☐ No
2. *Does the company make disclosures in line with the EITI Standard/reporting guidelines?* ☐ Yes ☐ No

Guidance

Supporting companies are expected to implement Requirement 4.2(c) of the EITI Standard unless disclosure is not feasible. Requirement 4.2(c) provides "[c]ompanies buying oil, gas and/or mineral resources from the state, including state-owned enterprises (or third parties appointed by the state to sell on their behalf), are encouraged to disclose volumes received from the state or state-owned enterprise and payments made for the purchase of oil, gas and/or mineral resources. This could include payments (in cash or in kind) related to swap agreements and resource-backed loans."

Requirements 4.2(c) further indicates that "[t]he published data could be disaggregated by individual seller, contract or sale" and that "[t]he disclosures could for each sale include information on the nature of the contract (e.g. spot or term) and load port.

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2 EITI (2020), *Reporting guidelines for companies buying oil, gas and minerals from governments*. Retrieved from https://eiti.org/guidance-notes/reporting-guidelines-companies-buying-oil-gas-and-minerals-governments.

The EITI reporting guidelines for companies buying oil, gas and minerals from governments may be used by companies to inform their disclosures on payments to governments in company reporting. The guidelines are accompanied by model templates to support companies in deciding on the level of disclosure and to ensure consistent disclosures from companies.

Expectation 5

In line with the EITI Standard, all EITI supporting companies are expected to **publicly disclose audited financial statements**, or the main items (i.e. balance sheet, profit/loss statement, cash flows) where financial statements are not available.

Assessment criteria

1. *Does the company disclose its audited financial statements?*	☐ Yes ☐ No

Guidance

Supporting companies are expected to implement Requirement 4.1(e) of the EITI Standard, which provides that "[c]ompanies are expected to publicly disclose their audited financial statements, or the main items (i.e. balance sheet, profit/loss statement, cash flows) where financial statements are not available."

Where such financial statements or main items from these are already disclosed, the expectation is not for further disclosure but for the company to publicly disclose and/or provide a link to where these disclosures may be found. Disclosures may be provided at the group level and are not expected for each subsidiary.

Expectation 6

All EITI supporting companies are expected to **publicly declare and publish support for beneficial ownership transparency and publicly disclose beneficial owners** in line with the EITI Standard, recognising that listed companies will disclose the name of the stock exchange(s), include a link(s) to stock exchange filings where they are listed and otherwise do what is required by applicable regulations and listing requirements.

Assessment criteria

1. *Does the company publish a statement of support?* ☐ Yes ☐ No

2. *Does the company disclose beneficial owners, either directly or according to stock exchange regulations and listing requirements?* ☐ Yes ☐ No

   Where disclosures are made according to stock exchange regulations and listing requirements, the company should disclose the name of the stock exchange(s) and provide a link(s) to the relevant stock exchange filings.

Guidance

Supporting companies are expected to support beneficial ownership transparency globally. Disclosure of beneficial ownership information applies to the supporting company. Consistent with Requirement 2.5(c) of the EITI Standard, disclosure of beneficial ownership information "should include the identity(ies) of their beneficial owner(s), the level of ownership and details about how ownership or control is exerted."

Requirement 2.5(f)(i) of the EITI Standard defines beneficial ownership. "A beneficial owner in respect of a company means the natural person(s) who directly or indirectly ultimately owns or controls the corporate entity."

Publicly-listed companies
Publicly listed companies, including wholly owned subsidiaries, are expected to disclose the name of the stock exchange and include a link to the stock exchange filings where they are listed.

Non-listed/other companies
Companies that are not publicly listed are expected to disclose beneficial owners consistent with Requirement 2.5(d). "Information about the identity of the beneficial owner should include the name of the beneficial owner, the nationality, and the country of residence, as well as identifying any politically exposed persons." Further, where companies directly disclose beneficial owners, they should indicate the level of ownership (i.e. threshold(s)) and details about how ownership or control is exerted.

Expectation 7

All EITI supporting companies are expected to **engage in rigorous due diligence processes and publish an anti-corruption policy** setting out how the company manages corruption risk, including how the company collects and takes risk-based steps to use beneficial ownership data regarding joint venture partners, contractors and suppliers in its processes.

Assessment criteria

1. *Does the company publish an anti-corruption policy in line with the expectation?* ☐ Yes ☐ No

Guidance

Supporting companies are expected to engage in rigorous due diligence processes by taking risk-based steps to identify the beneficial owners of joint ventures, contractors and suppliers. Companies are not expected to publicly disclose the beneficial owners of third parties, but to collect such information from third parties as part of due diligence processes where potential corruption or other risk is identified.

Companies should generally explain in their anti-corruption policies how they manage corruption risk, including description of how beneficial ownership data is incorporated into the company's due diligence processes and anti-corruption policy. For example, companies may consider beneficial ownership information in their due diligence processes to identify politically exposed persons or other areas of high corruption risk. Companies may also avoid partnering or contracting with companies assessed as high corruption risk that decline to identify their beneficial owners unless appropriate mitigation measures are implemented to address corruption risks.

Expectation 8

All EITI supporting companies are expected to **publicly declare and publish support for governments' efforts to publicly disclose contracts and licenses** that govern the exploration and exploitation of oil, gas and minerals in line with the EITI Standard, and contribute to public disclosure of contracts and licenses in EITI implementing countries consistent with government procedures.

Assessment criteria

1. *Does the company publish a statement of support for governments' efforts to publicly disclose contracts and licenses that govern the exploration and exploitation of oil, gas and minerals in line with the EITI Standard?* ☐ Yes ☐ No
2. *Does the company contribute to public disclosure of contracts and licenses in EITI implementing countries consistent with government procedures?* ☐ Yes ☐ No

Guidance

Supporting companies are expected to support contract transparency in EITI implementing countries and are encouraged to support contract transparency globally in the extractive sectors.

To support implementation of Requirement 2.4 of the EITI Standard by EITI implementing countries, companies are expected to support and contribute to disclosure in EITI implementing countries. This may include promoting contract transparency via participation on MSGs in country, through finding ways to overcome actual or perceived legal and practical barriers to disclosure, and/or by encouraging governments' efforts to disclose contacts and licenses in bilateral meetings, through industry associations and in other relevant fora.

After completing the initial assessment according to the assessment criteria, the EITI International Secretariat will follow up with relevant implementing countries to determine if a company has contributed to disclosure consistent with government procedures.

Companies are not expected to unilaterally disclose contracts and licenses but are encouraged to disclose where feasible as a means of further promoting contract transparency.

Expectation 9

All EITI supporting companies are expected to **publish a commitment and/or policy on gender diversity** in the oil, gas or mining sectors and support reporting by EITI implementing countries under the EITI Standard by disclosing employment in the sectors disaggregated by gender.

Assessment criteria

1. *Does the company publish a commitment/policy on gender diversity?* ☐ Yes ☐ No
2. *Does the company disclose employment data disaggregated by gender?* ☐ Yes ☐ No

Guidance

Supporting companies are expected to publish a commitment and/or policy on gender diversity to document how they are taking gender considerations into account. These commitments and/or policies may focus on diversity in employment as well as diversity by occupational level consistent with reporting under Requirement 6.3 of the EITI Standard.

Consistent with Requirement 6.3(d) of the EITI Standard, companies are expected to disclose employment data disaggregated by gender. Companies are encouraged to further disaggregate employment data by occupational level.

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