Opening Extractives

Unlocking the benefits of ownership data

Manual – Beta version

The use of beneficial ownership data in extractive licensing and contracting

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Opening Extractives is an ambitious global programme aiming to transform the availability and use of beneficial ownership data for effective governance in the extractive sector. Opening Extractives is enabled by the BHP Foundation, who are working to raise standards of governance and transparency to improve the quality of life for millions of citizens in resource-rich countries.

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Part 1: Introduction

Using this manual

This manual serves as a practical resource for regulatory authorities responsible for the allocation and governance of extractive licenses and contracts. It offers step-by-step guidance on how regulators can use beneficial ownership (BO) information in the screening, award, monitoring, renewal and transfer of extractive rights, including licenses, contracts, permits or concessions. This includes guidance on prioritising applications for appropriate regulatory oversight, key screening questions for identifying relevant risks and red flags, and steps for checking information that can provide a more complete picture of the owners behind companies applying for or holding extractive rights.

This manual was produced by Opening Extractives, an ambitious global programme implemented by the Extractive Industries Transparency Initiative (EITI) and Open Ownership. Opening Extractives aims to transform the availability and use of BO data for effective governance in the extractive sector. The guidance in this manual is grounded on evidence gathered through sustained engagement and technical support to a range of participating countries. For this reason, it may not offer exhaustive guidance on all risks and objectives relevant to licensing authorities' use of BO information, which may be highly context specific. It does not offer a comprehensive guide to using BO data to manage *all* risks prevalent in the extractive sector. Instead, it focuses on the added value that the proactive use of BO information by licensing authorities can bring to natural resource governance through managing key integrity risks.

This manual builds on existing literature on broader issues in natural resource governance, including from the EITI, the Natural Resource Governance Institute (NRGI), The World Bank, Transparency International and others. It aims to offer actionable guidance for licensing authorities based on earlier research published by the Opening Extractives programme, Lessons for an accountable transition (2024).

Using this manual as part of existing processes

Processes for allocating extractive rights differ across country and agency contexts. This manual is structured to account for context diversity and to provide flexibility so that agencies can decide how best to incorporate the guidance within their own processes. These steps are intended to be embedded within existing agency procedures as standard practice – for example, during the review of company documents submitted as part of the license or contract application or bid – rather than to create a separate or distinct process.

This manual is structured to encourage a risk-based approach, where more in-depth screening of applications using BO information is prioritised based on a combination of risks and red flags identified at each stage.

While including some guidance on post-award processes, the steps outlined in this manual focus primarily on pre-award screening for the allocation of licenses and contracts. This is based on input collected through engagement and testing with participating countries. However, these steps can be adapted by users of this manual to support post-award processes such as renewals and transfers of extractive rights, and can provide a framework to inform risk-based monitoring of projects through early risk detection.

Prerequisites for the use of this manual

Users of this manual will require access to the BO information of companies applying for or holding extractive rights, hereafter referred to as 'applicant companies'. Access to this data could be via a central register – either a full-economy register or a sectoral register for extractive companies – or other trusted sources, such as EITI reports. Where domestic laws or regulations require applicants to submit BO information separately to licensing authorities, this can also be used. Some extractive agencies require a copy of the BO declaration held by the central registry to be submitted as part of the license or contract application. Requirement 2.5 of the EITI Standard requires implementing countries to request – and companies to publicly disclose – BO information; this applies to corporate entities that apply for or hold a participating interest in an exploration or production oil, gas or mining license or contract.

In each country, the mandate to collect and maintain high-quality BO data, including by addressing anomalies and adequately verifying information, should sit with the agency that holds the register containing BO information or is responsible for the collection of BO data. However, systematic use of BO data can play an important role in improving data quality, as data users are often well placed to contextualise information, recognise anomalies and challenges using the data, and report these to the central BO authority. Data quality and accuracy is an important component in usability, but BO information does not need to be 'perfect' in order to be useful.

Agencies in charge of beneficial ownership transparency (BOT) policies can find guidance on how to support effective use of BO information (see, for example, Open Ownership's resources on enabling effective BO data use). Agencies responsible for BO registers can also find guidance on how to set up processes to enhance data quality (see Open Ownership's resources on verification).

Beneficial ownership transparency in extractives

Glossary of key concepts

Beneficial owner(s): The real individuals who ultimately own, control and benefit from companies and other legal vehicles.

Beneficial ownership information: Information about legal vehicles, beneficial owners and the relationships between them. A defined subset of this information is often collected by a country's central BO register for legal vehicles by requiring legal vehicles to submit declarations to the register. It is also often collected by national EITI secretariats and included in EITI reports.

Red flags: Signs that indicate to authorities or oversight bodies that additional scrutiny may be needed. These are generally based on an understanding of patterns that have indicated potential risks in other real-world cases of the issue that the scrutiny aims to prevent or detect.[1] NRGI notes in its corruption red flagging tool that "red flags should be used as a tool for inquiry, not prediction. Users should not interpret the presence of any individual red flag as proof of corruption".[2]

Risk: The potential for certain factors to threaten key objectives or outcomes. Red flags identified in the process and follow-up scrutiny enable authorities to estimate the risk (i.e. the likelihood and severity) of potential issues occurring, and thereby assess the level of risk associated with these initial red flags.

BO data use: Using BO information to achieve any specific purposes, which broadly contribute to the policy objectives associated with BOT reforms. This can include, for example, a minerals commission using BO data from a national BO register to ensure no conflicts of interest are present in the decision to allocate a specific mining license, which broadly supports integrity and accountability in the management of natural resources. The more data users (such as extractive regulators) use BO data and share their experience with the authorities responsible for collecting BO data (such as a Registrar of Companies), the greater the opportunities will be to address any challenges facing BO data users to advance policy objectives associated with BOT reforms. Open Ownership's research analysing data user insights globally provides foundational evidence on this matter.

Fronting: Assuming or declaring ownership for convenience, obfuscation, appearing compliant with regulations, or other purposes, while not actively participating in the company, so the decisions and benefits derived from the company are attached to someone else.

Nominee: A person who acts on behalf of others to carry out official roles or responsibilities relating to legal vehicles such as companies, trusts and other types of legal entities and arrangements. While many nominee arrangements have legitimate business purposes, these arrangements can also be used to purposefully obscure who really owns or controls a legal vehicle.

1 Aaron Sayne, Alexandra Gillies and Andrew Watkins, NRGI (2017), *Twelve Red Flags: Corruption Risks in the Award of Extractive Sector Licenses and Contracts*. Retrieved from: https://resourcegovernance.org/sites/default/files/documents/corruption-risks-in-the-award-of-extractive-sector-licenses-and-contracts.pdf.

2 Sayne et al., *Twelve Red Flags*.

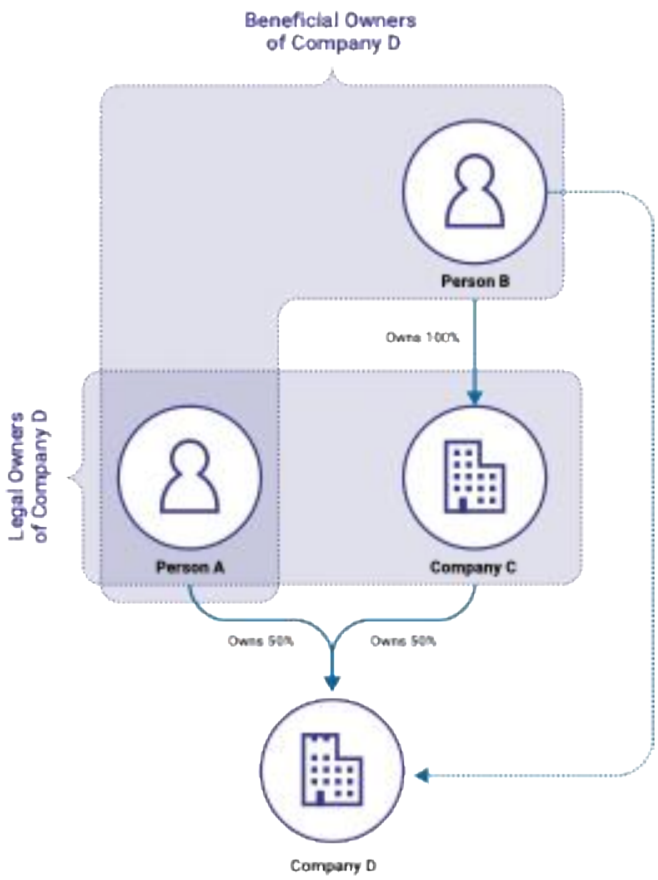
What are beneficial ownership transparency and beneficial ownership information?

BOT is an area of policy reform that brings to light the individuals who own, control and benefit from companies and other legal vehicles – that is, their *beneficial owners*. Beneficial owners are the people who can benefit from a legal vehicle's operations and profits, or control its activities: they are the individuals at the top of the ownership chain.

Beneficial ownership is distinct from legal ownership:

- **Legal ownership:** Both people and companies (or other legal vehicles, such as associations or trusts) can own, control or benefit from legal vehicles, and in this case are legal owners. In the diagram below, Person A and Company C are the legal owners of Company D.

- **Beneficial ownership:** Beneficial owners are the people at the top of any ownership chain. In the diagram below, Person B is the beneficial owner of Company D and at the top of a chain also comprising Company C. Person A is also the beneficial owner of Company D, and no other person or entity forms a chain between them. Person A has direct beneficial ownership of Company D, while Person B has indirect beneficial ownership of the same Company D.



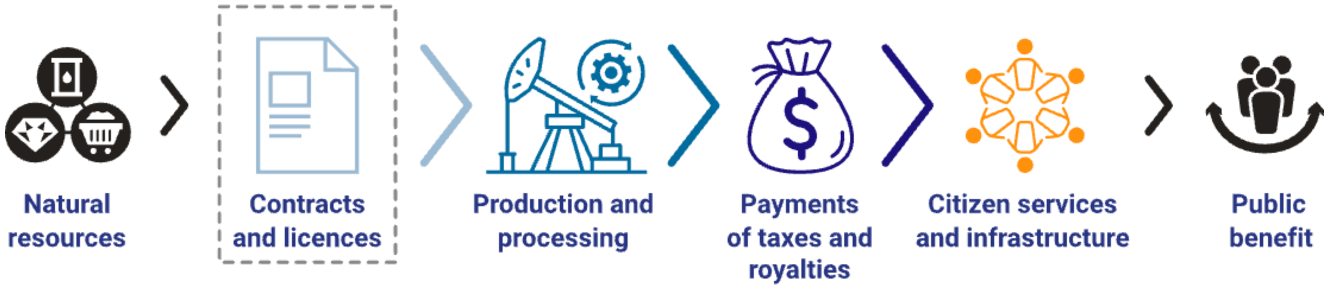
Often, the ownership structure of companies and other legal vehicles can be complex and opaque. This means that their beneficial owners can remain hidden, leaving authorities and other relevant actors with only a partial picture of company ownership. BOT creates obligations for companies to disclose information about the relationship between legal vehicles and their beneficial owners. It is a means of promoting integrity in the public and private sectors, as well as improving the quality of overall governance. Information on legal ownership and broader company information will be relevant in providing indications as to whether corporate structures show signs of opacity or concealment of the true identity of owners, but BO information is crucial in building a comprehensive picture of ultimate ownership, control and benefit.

For more details about the concept of beneficial ownership, see "[What is beneficial ownership transparency?](#)" by Open Ownership.

Many countries collect, store and make available information about the beneficial owners of legal vehicles in the extractive and energy sectors. Almost 100 countries maintain centralised registers of BO information for companies in all sectors that are incorporated in their jurisdiction. The majority of countries also collect other company ownership information, including on legal owners, directors and shareholders.The more widely available and well-used this information is, the greater the likelihood that BOT will have an impact.

The value of beneficial ownership transparency for extractive license and contract screening

BOT can strengthen extractive sector transparency by reducing secrecy and limiting the variety of channels that can be used to facilitate and conceal various illicit activities in the extractive sector. Given this, it provides an effective mechanism to deter corruption, fraud, money laundering, tax evasion and other criminal activities, and the use of BO data can help detect potential red flags for any of these issues throughout the value chain. Additionally, BOT can support domestic resource mobilisation and high-quality foreign investment while ensuring fair competition among all companies.



BO data can be a foundational tool at the **licensing and contracting stage** of the extractive value chain. It can be used to build a **more comprehensive picture of ownership and control**, helping regulators make more informed, transparent and accountable decisions when allocating licenses and contracts. Research conducted by the Opening Extractives programme found that the use of BO information has several major benefits during license and contract screening.[3] When decision-makers have a more comprehensive understanding of how ownership and control of extractive companies are held and by whom, this can strengthen several key objectives:

Identifying ownership concentration and encouraging fair competition

Detecting undisclosed conflicts of interest

Ensuring adherence to eligibility criteria and compliance with regulations

3 Julie Rialet and Alanna Markle, EITI and Open Ownership (2024), *Lessons for an accountable transition: Leveraging beneficial ownership information for natural resource governance*. Retrieved from: https://www.openownership.org/en/publications/lessons-for-an-accountable-transition-leveraging-beneficial-ownership-information-for-natural-resource-governance/.

Identifying ownership concentration and encouraging fair competition

Ownership concentration can occur when a small number of actors own or control a large proportion of assets in a sector. Individuals might conceal their ownership of several companies because they are engaged in speculation, competing for the same bid or colluding to inflate prices or to distort the market or selection process.

Using BO data in license and contract screening can help identify shared ownership between companies that would otherwise not appear to be linked, which can mitigate the risk of anti-competitive practices and encourage fair competition between applicants and bidders. Understanding the true degree of ownership concentration in a sector can also help to assess broader market vulnerability. Some countries seek to encourage competition between companies operating in the extractive sectors by placing a cap on the number of licenses or contracts that any one company or owner can hold, and using BO information at the decision-making stage can help countries enforce these limits (see Box 1).

Box 1. Case study: Limits on holding mining licenses in Zambia

In 2022, Zambia proposed introducing a cap on the number of mining licenses that a single company can hold at a time, limiting it to five in order to curb speculation and promote broader participation in the sector. An audit revealed that some companies owned as many as 50 licenses, and that some were not registered with Zambia's Patents and Companies Registration Agency and may not have been paying tax. The Zambian Minister of Mines commented that "Some companies own too many mining rights, using either a single or multiple companies with the same beneficial owners".[4] BO information can be used to enforce such limits and ensure adherence to the spirit of the law intended to diversify participation.

Detecting undisclosed conflicts of interest

Conflicts of interest might be present where there is undue influence, for example, over decisions to award, transfer or renew licenses and contracts. BO information can be used during license and contract screening in order to identify any shared interests between a contracting company and subcontractors applying to a service contract tender, or to identify any politically exposed persons (PEPs) that may have interests in applicant companies. Using BO information to address potential conflicts of interest can help prevent and detect corruption, fraud or favouritism in the allocation of extractive rights, as well as upholding the overall integrity of the process. Cross-checking the BO information of applicant companies with those of contracting companies or PEP lists can allow decision-makers to see the degree of involvement by influential people in extractive operations and assess and manage the risks this could entail.

4 Chris Mfula, Reuters (29 March 2022), "Zambia to cap number of mining licences issued to single firms". Retrieved from: https://www.reuters.com/world/africa/zambia-cap-number-mining-licences-issued-single-firms-2022-03-29/.

Ensuring adherence to eligibility criteria and compliance with regulations

Many extractive licenses and contracts specify certain eligibility criteria for companies holding these rights. For example, giving preference to domestic companies in the award of contracts, or reserving certain types of licenses for local citizens, may be part of broader **local content regimes** to mobilise domestic resources and support the local economy (see Box 2). An estimated 90% of resource-rich countries have adopted local content policies to derive greater benefit from their natural resources and increase linkages with other parts of the economy.[5] Local content policies are also applied in areas such as mandatory employment or senior management quotas; service contracting and local procurement; state-owned enterprises (SOEs), joint ventures (JVs) and equity participation; community development; and beneficiation. These policies are important for ensuring local benefits throughout the value chain. Some countries may also implement policies to give preference in the allocation of licenses and contracts to businesses owned by underrepresented groups, such as women or indigenous communities.

BO information can help to create a full picture of an applicant's profile, increasing the level of assurance that the applicant satisfies all relevant criteria. For example, individuals may hide behind opaque corporate networks or use "fronts" – falsely declared owners used to conceal the identity of the real owner – to obtain licenses or contracts for which they do not legally qualify based on their nationality, criminal background or any other requirements, including relating to preferential policies.

Using BO information to gain awareness of any shared ownership among companies that hold or have previously held extractive rights may also be of interest to regulators seeking to scrutinise potential financial risks as well as risks of non-compliance with legal, social and environmental regulations on the part of the applicant company. For example, in some contexts, regulators may be required, or may want, to be aware of links with companies that have had extractive rights revoked in the past, or have histories of bankruptcy or non-compliance with regulations (see Box 8). It may be of interest to regulators to identify the beneficial owners of these companies and assess whether they are involved in more recent applications for extractive rights through different companies.

Box 2. Case study: Local participation regulations in Ghana

Ghana Petroleum (Local Content And Local Participation) Regulations 2013 mandate local participation in upstream projects. For a company to qualify as local, 51% of its equity must be Ghanaian-owned, with 80% executive and senior management positions and 100% non-management and other positions occupied by Ghanaians. Regulators must assess these elements not only at the contracting stage but also through post-award assessment processes to ensure ongoing compliance and maximise local economic benefits. BO information can be of use in ascertaining whether the benefits of extraction are going to nationals and citizen-owned companies.

5 OECD (2017), *Local content policies in mineral-exporting countries*. Retrieved from: https://www.oecd.org/en/publications/local-content-policies-in-mineral-exporting-countries_4b9b2617-en.html.

The EITI Standard requirements

The EITI Standard affirms the principle that a country's natural resources belong to its citizens, with the government exploiting these resources in the interest of national development. With this in mind, the EITI Standard aims to promote understanding of natural resource management; strengthen public and corporate governance and accountability; and provide the relevant data to inform policymaking and multi-stakeholder dialogue in the extractive sector.

The EITI Standard requirements promote transparency and accountability in a country's extractive industry through disclosure of data on contracts and licenses; exploration and production; social and economic spending; and revenue collection and allocation. While transparency regarding government revenues from the extractive sector is crucial for accountability, it does not reveal who truly owns and benefits from the operations of oil, gas and mining companies. Identifying the beneficial owners of these companies helps to promote a more transparent business environment; ensure integrity throughout the value chain and energy transition; and uncover those involved in tax evasion and other corrupt practices.

EITI Standard Requirement 2.2: Contract and license allocations

Requirement 2.2 of the EITI Standard requires countries to disclose information related to all contract and license awards and transfers. This information includes a description of the process; technical and financial criteria; information about the recipient; and any material deviations from the legal or regulatory framework. It is envisioned that with this information stakeholders can identify and address potential weaknesses in the license allocation process, including those that could lead to corruption. In situations where the government selects one award procedure over another (e.g. competitive bidding over direct negotiations) or expedites awards or transfers, the multi-stakeholder group is encouraged to document the rationale for the decision.

EITI Standard Requirement 2.3: Register of licenses

In order to ensure the disclosure of licensing information is comprehensive and systematic, Requirement 2.3 requires countries to maintain a publicly available register or cadastre system that includes information on the license holder and coordinates of the license area, date of application, date of award and duration of the license and commodity being produced (for production licenses). Recognising that information on the license holders is insufficient to identify the beneficial owners of the companies holding these licenses, the EITI Standard encourages implementing countries to link their license registers to other government platforms that disclose or hold information on beneficial owners of extractive companies.

EITI Standard Requirement 2.5: Disclosure of beneficial ownership information

As laid out in Requirement 2.5, EITI implementing countries are required to request BO information, and companies are required to publicly disclose this information. This applies to corporate entities that apply for or hold a participating interest in an exploration or production oil, gas or mining license or contract, including the identity of their beneficial owner(s); the level of ownership; and details about how ownership or control is exerted. Information about the identity of the beneficial owner must include the name of the beneficial owner, their nationality/ies and their country of residence, as well as identifying any PEPs. EITI implementing countries are encouraged to maintain this information in a publicly available register of the beneficial owners of the corporate entities that apply for or hold a participating interest in an oil, gas or mining license or contract.

Strategic policy objectives

Extractive sector regulators can have an important role to play in realising broader domestic policy objectives.

Domestic resource mobilisation

The extractive sector is an important contributor to the domestic revenues of many countries. As such, the drive to generate and maximise domestic revenues underlies many governance decisions in this lucrative sector. Extractive industries can account for large portions of the gross domestic product (GDP) of resource-rich countries. For instance, as of 2020, the value of Tajikistan's metallic mineral and coal production accounted for 47.4% of its GDP, the highest worldwide. In 2023, Saudi Arabia attributed around half of its GDP to oil and gas industry activity.[6] Mobilising revenue through effective natural resource governance is critical for driving national development, reducing inequality and supporting public expenditure to enable countries to achieve other domestic policy objectives.

Energy transition

The energy transition presents opportunities as well as risks, with increasing demand for minerals needed for low-carbon technologies alongside anticipated shrinking markets for petroleum and other fossil fuels. Renewable energy is expected to account for over 90% of global electricity capacity expansion between 2022 and 2027,[7] while projections suggest a 500% increase in demand for transition minerals such as cobalt or lithium by 2040.[8] This rapid intensification of demand comes with revenue generation prospects that make the sector prone to attract illicit activities. Without solid governance mechanisms in place, corruption, crime, fraud and poor management of natural resources will be significant barriers to sustainable growth in the sector.

6 Statista (2024), Low-carbon investments in the oil & gas industry worldwide: Statistics report on the global oil and gas industry's shift to low-carbon energy investments. Retrieved from: https://www.statista.com/study/165367/global-oil-and-gas-industry-s-low-carbon-investment-outlook/.

7 International Energy Agency (2021), *Net Zero by 2050: A Roadmap for the Global Energy Sector*. Retrieved from: https://iea.blob.core.windows.net/assets/deebef5d-0c34-4539-9d0c-10b13d840027/NetZeroby2050-ARoadmapfortheGlobalEnergySector_CORR.pdf.

8 Kathryn Sturman, Julia Loginova, Sandy Worden, Joshua Matanzima and Andrea Arratia-Solar, EITI (2022), *Mission critical: Strengthening governance of mineral value chains for the energy transition*. Retrieved from: https://eiti.org/documents/mission-critical.

Understanding the implications of new mining activity due to the energy transition can be aided through the disclosure and monitoring of licenses and permits.

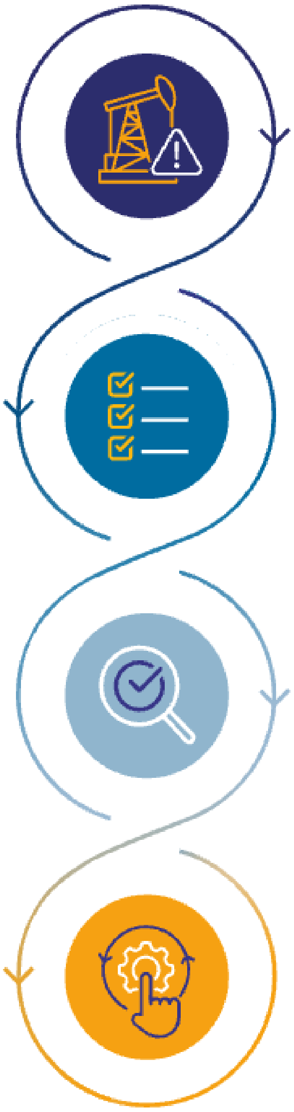
Anti-corruption

The extractive sector is among the highest-risk industries for corruption due to the high value of resources; complex value chains; and involvement of political elites. These factors heighten corruption risks across the extractive value chain, from opaque licensing processes and cost manipulation to tax evasion and misappropriation of revenues. Transparency and good governance at the licensing and contracting stage can be a powerful tool against the presence of corruption, as well as mitigating risks that may appear later in the value chain. Thorough assessment of the companies applying for extractive licenses and contracts, and ensuring these are allocated without conflict of interest, can prevent undue political influence over the award process from the outset, creating a level playing field. This, in turn, reduces the risk of embezzlement and other losses due to corruption when extraction starts to generate profits.

Part 2: Steps for screening applications

Checks on BO information can be conducted as part of the review of company documents submitted with the application or tender. To manage a high volume of applications, regulators should take a risk-based approach to screening, prioritising where to focus greater effort and resources according to a combination of detecting red flags and progressively assessing risks at each stage. The following steps outline key considerations for regulators when prioritising and screening applications, which include the overall risk profile of the project as well as integrity risks, which BO information can help detect and manage.

Regardless of the level of oversight applied in the following steps of this manual, it is recommended that regulators check that BO information has been disclosed for all applicants as part of standard checks.



Step 1

Assess the risk profile of the project

Step 2

Conduct initial checks

a. Review BO disclosures

b. Answer initial screening questions

c. Calibrate risk

Step 3

Conduct enhanced checks for highest-risk applications

a. Answer enhanced screening questions

b. Calibrate risk

Step 4

Take action

Note for manual users

This manual is structured to account for diversity in allocation processes and to provide flexibility so that agencies can decide how best to incorporate these steps within their own practices. For example, for participation in upstream petroleum agreements or concessions where operations are often large scale, and companies and their beneficial owners are often foreign, regulators may choose to conduct initial checks (using the screening questions in Step 2) for all companies at pre-qualification stage, and enhanced checks (Step 3) for companies invited to bid (and/or those under negotiations). These steps can also be adapted to conduct checks on service companies applying for permits to operate within the sector or for subcontracts to perform specific services.

Step 1: Assess the risk profile of the project

- **Prioritise which applications to take through to Step 2 based on risks relating to the project.**

Key question: Which applications warrant additional regulatory oversight?

Why: Regulators may receive a large number of applications or tenders and have limited time and resources to assess these and make decisions about their award. Resources can be allocated efficiently by taking a risk-based approach, applying greater oversight to the most critical applications. BO information can help regulators gain a more comprehensive view of the applicants and holders of licenses and contracts – a higher-risk applicant or project merits additional time and resources spent building this more comprehensive picture and investigating the presence of potential risks.

How: Regulators can prioritise which applications require the higher level of scrutiny outlined in the remaining steps of this manual by starting with an assessment of the risk profile of the overall project, using key pieces of readily available information and their sector expertise. Regulators will have prior knowledge of the governance risks associated with certain types of applications they are mandated to process, depending on their country context. Projects where multiple or high-priority risk factors are present should be designated as “higher oversight” applications. These should be prioritised for screening using the remaining steps in this manual. Other applications not selected for screening should be subject to standard agency procedures, and it is recommended that regulators ensure that BO information has been submitted for applicant companies as part of these standard processes.

Outcome: Prioritised set of higher-oversight applications to take through to Step 2.

Regulators have the necessary sectoral and context-specific expertise to identify which applications may warrant greater oversight via the remaining steps in this manual. These will differ between country contexts, but factors to consider when prioritising applications to screen include:

- **Value of license, contract or project**
  Higher-value projects, or applications with high financial implications such as significant investments or government revenues, may present higher governance risks and could attract illegitimate actors or illicit interests in the potential gains generated by the project.

- **Size of operating area**
  The size of the relevant block or license area may affect the level of risk it carries. Larger-scale projects could carry higher risks due to greater financial, environmental or technical implications. Countries will have criteria to classify "small-scale" or "large-scale" licenses.

- **Type of license or contract**
  Some categories of license tend to carry higher risks of non-compliance, misuse, governance or oversight challenges as well as lack of transparency. Regulators will be well placed to identify higher-risk license types based on their local context and sector expertise. The risks and the related need for in-depth checks will vary between, for example, petroleum agreements for exploration and production rights versus subcontracts to deliver specified services under those agreements.

- **Location**
  Operations in certain regions or areas of the country may carry higher risk. Licenses applied for in specially designated areas where fiscal incentives apply could attract illegitimate actors or PEPs who are in charge of the implementation of these incentives. License areas, units or oil blocks in strategically sensitive or technically complex areas, such as deepwater operations or those near sensitive borders, might require increased oversight.

- **Type of commodity**
  Some commodities may carry increased risks. For example, licenses to operate projects producing transition minerals may carry higher risk of corruption or may attract investors looking to take advantage of increases in demand. These licenses may also be subject to inadequate oversight due to the pressure on production in light of this increasing demand.

- **Technical nature of the project**
  Extractive activities that are highly technical or involve specialised operations may represent increased risk and require greater oversight.

- **Other factors**
  There may be other features of extractive projects that make them especially vulnerable to particular types of integrity risks, which regulators will have awareness of in their own context.

Regulators may consider establishing a **written set of criteria** for classifying a project as "higher oversight" to reflect their country's particular context. This will ensure that projects are assessed consistently and efficiently at this stage.

At the end of this step, users should have:

- ☐ Determined the risk profile of their project, and the types of risks that might arise. For example, *Higher risk due to the large scale of the project and production of a transition mineral with known risk of illegitimate investors and PEPs.*
- ☐ Prioritised a set of higher-oversight applications to take through the remaining steps in this manual.

Step 2: Conduct initial checks

▶ **Review BO information and spot potential red flags.**

Key question: What potential red flags may be identified through a review of the applicant company's beneficial ownership information, and what potential risks might they indicate?

Why: Regulators' general due diligence on applicant companies will already involve assessment across a number of standard areas at the company level, such as checking the company's financial health and relevant experience in the sector. Combining this with a review of information relating to an applicant company's BO information – i.e. looking at its ownership, control and benefit up to the ultimate layer and identifying the individuals involved – can complement regulators' existing due diligence processes by providing a more complete picture of the applicant company and highlighting potential red flags in each layer of company ownership structures.

How: Once the risk profile of the projects has been identified and higher-oversight applications have been prioritised, the next step is to carry out initial checks on the selected applications, reviewing BO information and identifying potential red flags. Initial checks will primarily rely on information available to regulators through the company documents and BO declaration required at the application stage. These should focus on checking key data and ensuring basic compliance with BO disclosure requirements. Once basic compliance checks have been conducted, users can move to initial screening checks outlined in Step 2b) of this manual to look for any potential red flags. Where minimal red flags are detected, users can conclude the checks outlined in this manual and proceed to the next stage of processing the application according to wider agency procedures with an increased level of assurance in the integrity of the application. Where the presence of red flags indicates a need for a more in-depth risk assessment, users should proceed to enhanced checks outlined in Step 3 of this manual.

In cases where a particular applicant or application is associated with known risks (for example, based on sectoral or public knowledge), or if regulators receive credible tips or leaks that raise concerns, targeted enhanced checks may be necessary to validate or disprove specific points of concern, even if initial checks do not raise any red flags. For these cases, move directly to Step 3.

Outcome: Decision on whether to conclude checks or proceed to enhanced checks.

2a) Review compliance with beneficial ownership disclosure obligations

- **Assess whether the company being screened has complied with obligations to submit complete and up to date BO information.**

Has the beneficial ownership declaration been submitted to a satisfactory level?

Non-compliance with BO disclosure obligations, or the submission of incomplete or out-of-date information, can present a red flag for obscuring the company's beneficial owners. These should therefore raise the attention of regulators.

- **How to check:**
  - Assess the overall **completeness** of the declaration based on the checks on key data fields in the flowchart below. If all key fields are complete, the declaration can be considered satisfactory in this regard.
  - Check the declaration is **up to date:** Out-of-date information could be a red flag for companies failing to comply with disclosure requirements. Each BO filing should have the date of when it was last updated. Information can be considered up to date when it is in line with the country's requirements of timeliness.

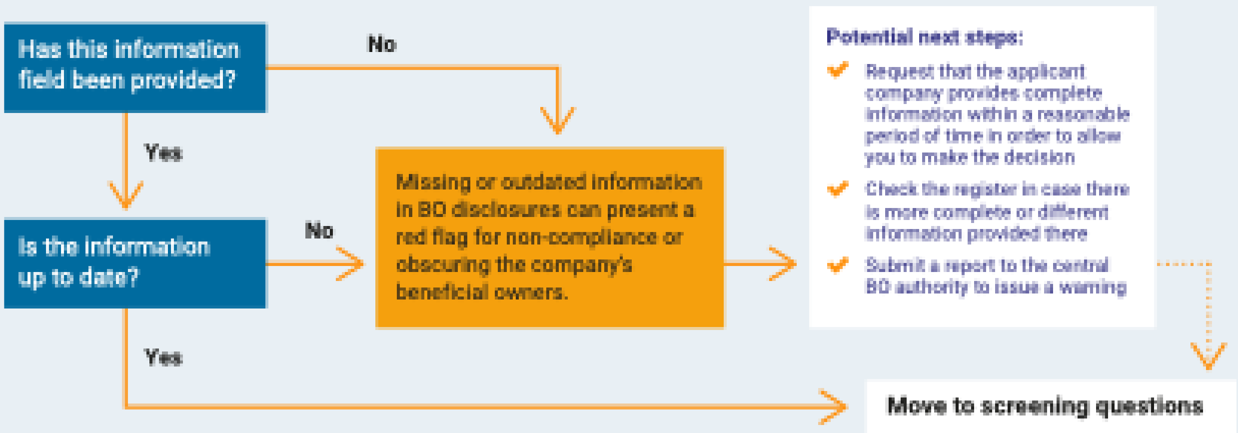
Flowchart 1. Reviewing beneficial ownership declarations

Below (**a-f**) are BO details that Requirement 2.5 of the EITI Standard outlines as being key for corporate entities to declare. To assess the degree of compliance, answer the flow chart below for each of these key information fields while reviewing the declaration. Where required fields are missing or incomplete, this can present a red flag for non-compliance with disclosure requirements.

Fields **g-j** may not be required to be disclosed, and therefore might not represent a red flag for non-compliance if absent, but can be important for checking BO information against other data and gaining a higher level of assurance of its accuracy.

a. **Name of beneficial owner**
b. **Nationality/ies of beneficial owner**
c. **Country of residence**
d. **Level of beneficial ownership interest**
e. **How beneficial ownership is exerted**
f. **PEP status**

g. Unique identifier (ID number, taxpayer ID number)
h. Date of birth of beneficial owner
i. Residential and service address
j. Contact information



In many countries, there may be legal exceptions to obligations to disclose BO information. This is often due to certain types of companies already being required to disclose information elsewhere. For example, publicly listed companies (PLCs) are often exempt, but EITI guidance highlights that PLCs (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.

In accordance with Requirement 2.5(v) of the EITI Standard, SOEs are expected to disclose the name of the state(s) owning or controlling the SOE, the level of ownership and details about how ownership or control is exerted.

Box 3. Beneficial ownership of publicly listed companies and investment funds

Regulators will be conducting due diligence on some extractive companies which may be large, multinational PLCs or otherwise largely owned by institutional shareholders, such as investment funds. The inclusion of PLCs and investment funds in the scope of domestic BO regimes is a significant challenge because their ownership is often highly distributed, subject to rapid change and typically held through multiple layers of intermediaries. This may mean that identifying the individuals who ultimately hold significant control over some extractive companies will be very challenging.

In such cases, regulators should ensure that applicant PLCs have complied with EITI Standard Requirement 2.5 to disclose the name of the stock exchange and include a link to the stock exchange filings where they are listed. Where these are largely held through investment funds, regulators should seek further information about the managers and beneficiaries of these investment funds. Such measures to understand ownership and benefit derived from these companies could help regulators conduct risk analysis, such as identifying conflicts of interest in the allocation of petroleum rights, or in the award of contracts to service providers where their beneficial owners may also hold interests.

BOT of investment funds and PLCs remains an underexplored area, and further research is required to understand whether BO disclosure regimes are an appropriate instrument to generate useful information for their oversight. The size and complexity of the investment industry means that BOT is only one policy measure among many which can improve transparency and accountability, as well as preventing the misuse of these vehicles. For further information, see research briefings from Open Ownership on Defining and capturing information on the beneficial ownership of listed companies and investment funds.

2b) Answer initial screening questions

▶ **Spot any red flags based on information provided about the applicant's corporate structure and its beneficial owners.**

After assessing compliance with BO disclosure obligations, some initial screening questions can be answered to help assess the level of risk this company may present and whether further checks drawing on other data sources will be needed. Spotting initial anomalies and points for further attention can be based on common-sense readings of the BO declaration as well as sectoral and contextual knowledge. This section provides additional guiding questions to support this.

1. Do any key details about the beneficial owner suggest an anomaly?

Compliance with BO disclosure obligations means submitting information that is not only complete, but also accurate. Anomalies or suspected inaccuracies in BO declarations may be the result of unintentional errors or deliberate falsehoods, and regulators may act differently depending on whether the anomaly appears intentional (see Box 4).

All apparent anomalies in BO declarations should raise the attention of regulators, as they can point to a number of potential red flags – such as attempting to conceal true ownership – and create an opportunity for information to be corrected.

Box 4. Unintentional errors and deliberate falsehoods in beneficial ownership disclosures

Analysis of company information in the United Kingdom (UK) corporate registry has revealed several instances of deliberately false disclosures, including a director name listed as "Adolf Tooth Fairy Hitler" with clearly falsified addresses. This has led to calls for the UK Companies House to verify BO information at the point of submission and impose effective sanctions for non-compliance.

The mandate for verifying information should lie with the agency that holds the register containing BO information or is responsible for the collection of BO data. Users of the information, such as extractive regulators, also have an important role to play in identifying anomalous, incorrect or suspicious information based on contextual awareness, and reporting these to the responsible agency.

Unintentional errors may also be apparent; for example, a BO declaration may list a beneficial owner holding 150% of shares in a company. However, spotting unintentional errors may also require cross-checking or contextualising information. For instance, if a BO declaration lists a beneficial owner as holding 88% of shares in a company and this takes the total shares held by all the beneficial owners over 100%, authorities could check other sources of information or previous declarations to infer whether the intended shareholding percentage was likely to have been 8%, and conclude that the 88% declared was a likely unintentional error.

Where errors are identified during this step, there are several possible approaches users can take. For instance, where a declaration is not from a central registry (such as instances where applicants submit BO information directly to the regulator), users can consult the central register to check for different information. Discrepancies, or otherwise suspected incorrect information, can be reported to the central BO authority to investigate. Licensing agencies can also contact the applicant company to request that information is corrected or updated within a reasonable timeframe.

Useful information to scrutinise:

- **Age:** Evidence suggests that anomalies in the declared age of beneficial owners – for example, where beneficial owners are very young, very old or deceased – may indicate that the declared beneficial owners are being used to front for other individuals. True owners' identities may be concealed because they do not meet the eligibility requirements for a particular type of license or contract. The extractive sector is technically, financially and politically complex, and governments often require a high level of experience and competence on the part of the individuals who control companies operating in the sector; therefore, minors being declared as beneficial owners may raise a red flag for concealing true ownership. While minors can be beneficial owners, especially in cases of nominee arrangements, this often warrants further checks. Further guidance about spotting nominee arrangements or fronting can be found in Step 3.
    - **How to check:** If the declared beneficial owner's age appears anomalous, BO information can be validated or cross-checked with other details that can help with identity verification in order to confirm whether the declared person is the true beneficial owner.
- **Address:** Risks associated with BO and company address information include the use of false or misleading addresses, such as non-existent locations, postal boxes and temporary or virtual addresses. These obscure the owner's identity and can hinder verification efforts, making it difficult to trace the beneficial owner's actual location and the company's operations. In some cases, a particular address may be used by several unrelated companies, indicating risk of shell companies related to the same beneficial owner(s). In other cases, the disclosed commercial address may not match a real location or be in an unlikely place, such as a vacant area, slum, residential area or nature site. These could indicate a red flag for submission of false information or the use of fronting.
    - **How to check:** The commercial address provided on company documents and the personal address provided on BO declarations can be checked to ensure they are in a real location by using map coordinates or cross-checking these with other address databases.

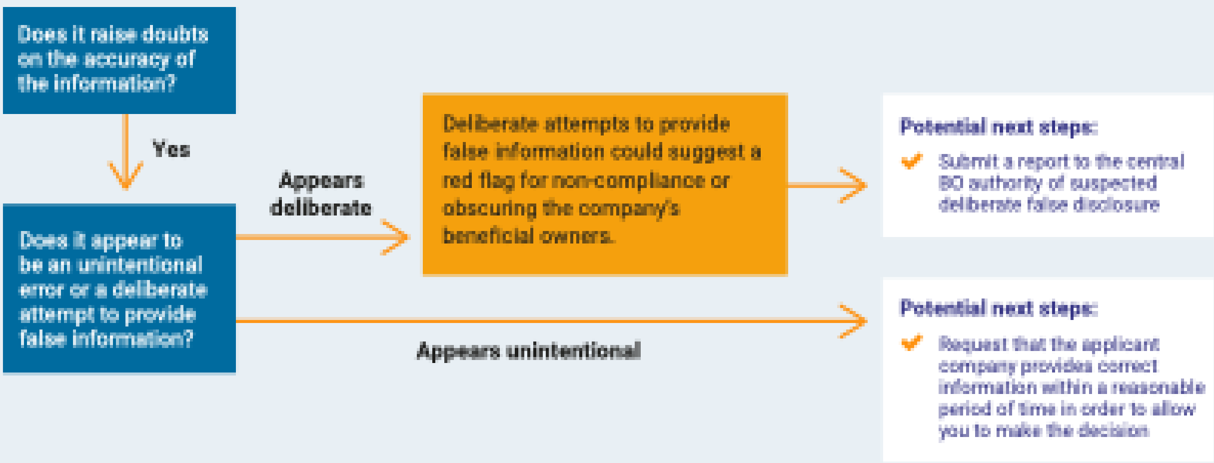
There may also be useful sources **beyond company documents** that can enable regulators to identify anomalous information:

- **Sectoral awareness:** Regulators may also be able to identify anomalous or false information based on their own understanding of the sector and knowledge of actors operating within it, even when there are no apparent anomalies in the BO declaration. For example, regulators may be aware of the undisclosed involvement of a PEP, or recognise an applicant company which used to be foreign owned and is now declared as being owned by a national in order to appear to be eligible for a particular project.
- **Third-party sources:** Anomalous information could also be revealed via other sources brought to the attention of the regulator, such as a non-governmental organisation (NGO) report, media investigation or leak.

Engaging local communities in the oversight of extractive projects is a valuable way of strengthening the legitimacy and transparency of governance processes, and it can offer insights about companies and beneficial owners operating in the sector. Such practices can include public hearings involving the local community meeting with company representatives, or publication of notices of extractive rights in the gazette or other official channels.

For key information fields outlined in Flowchart 1, check the declaration using the flowchart below.

Flowchart 2. Assessing the accuracy of beneficial ownership declarations



2. Does the corporate structure or jurisdictional affiliation indicate potential risks?

Corporate structure: The extractive sector can include many large companies with multiple layers of ownership, which can make it challenging to see who ultimately owns or benefits from the companies in question. Complex corporate structures with multiple layers of ownership – including via shell companies, trusts or nominee arrangements – can exist for legitimate reasons, though they are also common channels for money laundering, tax evasion and other illicit activities. Given this, authorities may find it appropriate to carry out further checks on the beneficial ownership of applicants with such structures.

- **How to check:**
  - Information about the applicant's intermediary and parent companies may be available on the company documents submitted as part of the application, or via the central BO register, company register or applicant company's website(s). Checking parent companies can help to unpick the complexity of the corporate structure and reveal links to other entities in the ownership network that may indicate risks of illicit activities.
  - Sectoral knowledge about past cases of illicit activities and financial flows facilitated through the use of specific types of structures or legal vehicles can also help spot red flags. Published reports from financial intelligence units (FIUs), anti-corruption agencies and civil society organisations or media outlets covering extractive investigations can also provide useful sources of information and past cases involving specific types of legal structures.

Jurisdictional affiliation: When assessing an applicant company's ownership structure, it is also important to determine whether it contains entities registered in jurisdictions with high levels of financial secrecy or regulatory deficiencies in anti-money laundering or combating terrorist financing. If applicant companies are registered in high-secrecy jurisdictions, or they are connected with parent companies operating in high-secrecy jurisdictions, this may indicate attempts to exploit low tax and low regulatory environments, raising red flags for potential money laundering, tax evasion or terrorist financing. In cases where a history of illicit activities has involved legal vehicles or individuals based in, registered in or from certain jurisdictions, authorities may also consider information about these jurisdictions in BO disclosures as a context-specific red flag.

- **How to check:** Regulators are encouraged to scrutinise the ownership chain, looking for links to high-secrecy and high-risk jurisdictions. Checking the applicant company and parent companies' registered addresses against resources such as the Tax Justice Network's Financial Secrecy Index and the Financial Action Task Force's list of high-risk jurisdictions can help with assessing potential risks. Sectoral knowledge and published reports from investigative authorities, law enforcement and civil society about past cases of illicit activities, as well as financial flows involving legal vehicles and individuals in certain jurisdictions, can help reveal which jurisdictions may indicate higher risks in specific contexts.

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3. Does the name, nationality and PEP status suggest the beneficial owner is prominent, influential or politically exposed?

If the beneficial owner of an applicant company is prominent, influential or politically exposed, there is a risk that conflicts of interest or undue influence may affect the integrity of the allocation or monitoring of – or the derivation of benefit from – a license or contract.

- **How to check:**

  - Regulators should familiarise themselves with the domestic definition of a PEP, which may not only be the public official themselves but may also include family members and close associates.

  - PEP status may be disclosed on BO declaration documents. Information may also be gathered via an internet search or by checking beneficial owners' names against PEPs lists, such as OpenScreening.

  - Sectoral and contextual knowledge may also help regulators identify influential individuals or detect the possible undisclosed involvement of a PEP.

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4. Have there been frequent or recent changes in beneficial ownership or company information?

Frequent changes in BO or company information, such as names or addresses, could indicate that undisclosed nominees or fronts are being used to conceal the real beneficial owner's identity. Similarly, ownership changes declared shortly after a change in law, regulation or license criteria was announced may indicate a potential risk of an applicant seeking to conceal that the true identity of their beneficial owner means they no longer qualify for a license application. It is therefore important that regulators have access to historical records of BO declarations in order to enable them to address changes over time in ownership structures, particularly when making decisions about renewals or transfers.

- **How to check:** If the central registry includes an accessible historical record of BO declaration, authorities can review this history to check that changes in the applicant's ownership do not seem overly frequent or related to any factors that raise doubts on the legitimacy of this ownership change.

5. Is the beneficial owner a director or shareholder, or do they hold other beneficial ownership interests in other legal vehicles?

Understanding whether the beneficial owner owns or controls many other legal vehicles can help to identify ownership concentration. This can also facilitate checks of the beneficial owner's track record via association with other legal vehicles during later checks. Where a declared beneficial owner holds director or owner positions in a very large number of companies, it may indicate that the individual is being used as a front to conceal the real owner's identity.

- **How to check:** If the central BO registry is searchable by name, authorities can search the beneficial owner's name to see whether they are declared as a beneficial owner of any other companies. Authorities can also consult repositories of broader company information in their country, or international sources of data such as OpenCorporates, to see any legal ownership the person may hold in other companies.

2c) Calibrate risk

Draw initial conclusions about the level of risk this application presents

Using red flags identified during the review of the BO declaration and initial screening questions, users can assess the level and type of risk that the applicant company might present overall. This risk calibration can be quantitative (e.g. assigning percentages or a scoring system) or descriptive (e.g. labelling an application as "high risk" or "low risk"). What counts as high or low risk will depend on the legal and regulatory framework as well as the priorities and policy aims within a particular context. Not all risks will matter equally in every context.

Users may assign a higher level of risk where initial checks have indicated multiple or significant risks concerning the beneficial owner's identity or background (for example, the involvement of PEPs), and/or the applicant's corporate structure or background (for example, links to high-secrecy jurisdictions).

Users may wish to consider adding context-specific notes to this manual in order to build a repository of references to relevant national laws of interest and highlight risks that are particularly present in their country.

Where initial checks have raised enough doubts or concerns in accordance with context-specific regulations and policy objectives, or where there are outstanding uncertainties after the initial checks, users should move to Step 3 for guidance on enhanced risk assessment. Step 3 includes a set of questions to help regulators proceed to further checks about:

- **Risks relating to the individual beneficial owner's identity or background**
- **Risks relating to the applicant company's structure or background**

If limited or no significant red flags have been identified, regulators can conclude the checks outlined in this manual and proceed to the next steps in processing the application according to the decision-making procedures in place in their country and institution.

At the end of this step, users should have:

- ☐ Identified discrepancies, errors and red flags that were resolved through exchange with either the applicant or the registrar, and those that may require further investigation.
- ☐ Decided whether to conclude checks or proceed to enhanced checks, which are broadly categorised as relating to a) the beneficial owner's identity or background, or b) the application company's structure or background, in order to inform what aspects enhanced checks should focus on.

Step 3. Conduct enhanced checks for high-risk applications

▶ **Check BO and corporate profile against additional information sources and attempt to confirm estimated risk.**

Key question: What potential risks may be confirmed or disproved through more in-depth checks using wider information sources? What additional red flags may be detected through these enhanced checks?

Why: When initial checks raise concerns and suggest the need for further assessment, enhanced checks can be conducted to connect the dots with further sources of information; check discrepancies; pursue leads on information that is unclear or may be cause for concern; and build a more complete picture of the estimated risks. Enhanced risk assessment of this kind can include checks on the applicant company, their beneficial owners or other companies in the ownership network, as well as the technical and financial details of the application. The focus of these checks can be guided by any red flags detected in the initial assessment stages as well as by regulators' priorities and objectives. This risk-based approach means resources will be directed efficiently, leaving more scope for rigorous checks where they are most needed.

How: Enhanced assessment includes additional checks, such as verifying identities, checking for hidden relationships and scrutinising financial and other relevant background information on beneficial owners. This can involve seeking information from, and cross-checking with, other sources. These could include: publicly available registers; international open-source databases; court and other official records; corporate websites; and information requested from relevant authorities and other relevant actors, where appropriate.

The enhanced risk assessment presented below is intended to be applied without presumptions about any specific application or applicant. It covers a range of guiding questions to conduct further checks on red flags identified in Step 2. Depending on the type and quantity of red flags identified in Step 2, authorities may choose to focus on a subset of screening questions or use them all.

In cases where a particular applicant or application is associated with known risks (for example, based on sectoral or public knowledge), or where regulators receive credible tips or leaks that raise concerns, targeted checks may be necessary. Such cases call for more direct investigation to validate or disprove specific risk factors within the enhanced risk assessment procedure.

Outcome: Informed recommendation to guide decision on whether to proceed with the award, renewal or transfer of the license or contract.

Box 5. International sources of data

Enhanced checks will require consulting further sources of information beyond the application documents. Listed below are several easily accessible resources that may be useful for gaining a more comprehensive picture of applicant companies and their beneficial owners.

Free international resources

There are many places to find open-source information that can complement, verify or highlight discrepancies with existing data. The OSINT Framework can act as a directory for the types of open-source information available for free that can be used by regulators gathering further information on applicant companies and their beneficial owners. Other examples of free international information sources include the following:

- OpenCorporates is an open data source for information on more than 220 million companies, sourced from over 1,400 national business registries. It can provide information such as a company's incorporation date, its registered addresses, names of directors and officers as well as links between companies.
- The Organisation for Economic Co-operation and Development (OECD) and United Nations Statistics Division Multinational Enterprise Information Platform provides detailed insights into the structure and activities of the world's largest multinational enterprises.
- The Corporate Research Project has created a global Violation Tracker, a search engine for records of corporate misconduct. It covers regulatory infringements committed by large companies in more than 50 countries, including bribery, money laundering, antitrust infringements, non-compliance with environmental protection and labour standards, and other corporate violations.
- The Organized Crime and Corruption Reporting Project's (OCCRP) Aleph platform is a searchable catalogue of databases holding more than 335 million public records, including of company registry information, regulatory filings, financial records, licenses and concessions, court archives, procurement data and persons-of-interest lists.
- OpenSanctions is an international, open-source, searchable database of persons and companies of political, criminal or economic interest, including information on associations between listed persons, entities and assets.
- NRGI offers a repository of data and tools for gathering information on extractive companies and activities, and identifying potential red flags for corruption.
- The Global Investigative Journalism Network covers journalistic investigations on extractive activities across the world.

- The International Consortium of Investigative Journalists holds an archive of stories and investigations in the extractive sector.
- Authorities are also encouraged to make use of local and international NGOs and media organisations that work in the sector to gain additional context-specific insights.

Where internal procedures and funds allow, there are also a number of commercial data services available, which provide large datasets from international corporations.

Public registers

- The Open Ownership map provides information about the status of BOT implementation by country, including details on the public accessibility of BO registers.

Depending on the types of risks under scrutiny, a number of other types of registers may also be useful to check. This includes mining cadastres, land registries and real estate registries.

3a) Answer enhanced screening questions

Look further into potential red flags spotted in Step 2 using other sources of information.

Risks relating to the individual beneficial owner's identity or background

1. Is there any indication that the declared beneficial owner may be disclosed or acting on behalf of someone else?

If any information about the applicant company's beneficial owners raised a red flag during initial screening checks, such as doubts over the disclosed beneficial owner's name or the date of birth pointing to deceased persons or minors, regulators may decide to carry out further checks. Assurance of the real identity of the beneficial owner can be key in ensuring adherence to certain eligibility criteria such as those outlined in local content policies. For instance, some license or contract types may be reserved for citizens, stipulate majority domestic shareholding or carry lower fees for citizen-owned companies.

Identifying undisclosed and illegitimate nominee arrangements is among the most challenging uses of BO data. While in some cases, such arrangements may be concluded through formal contracts, in others they may only involve a payment to the person whose name appears on a BO declaration or go through private companies. These companies specialise in providing nominee services that do not involve a contract but rather use a Trust Deed and a power of attorney which gives the right to use their name in place of the real beneficial owner's name.

How to check:

- **Cross-check the details of the beneficial owner against official records**, such as the national identity database, and look for matching identifying details, such as date of birth and nationality/ies. If identity records are not readily available, regulators could file a request with the agency in charge of BO information to ask for any identity documentation submitted with the BO declaration. Discrepancies across different data sources may be a red flag indicating that further checks should be done to identify correct information.

- **Where beneficial owners are foreign:** In some jurisdictions, BO disclosure may also require copies of foreign citizens' passports for individuals doing business in the country. International databases on company information can also help find any information on foreign citizens holding **legal ownership** of companies. Even if not mentioning BO interests, legal ownership information about the same citizen may help get a better understanding of their profile and bring context to the initial BO declaration.

- Some countries have registers of nominee shareholders and directors or require the disclosure of information about nominees as part of BO disclosure obligations. In these contexts, information disclosed on relevant registers may be useful.

- **Look for other information that may indicate red flags for fronting:** Search for the declared beneficial owner's name on the national BO or company register, and on international company information sources such as OpenCorporates, to check whether this person is listed as a shareholder or director of many other companies, as this could be a sign of the person acting as a nominee.

- As outlined in Step 2, frequent changes in declared beneficial owners could indicate that nominees or fronts are being used. If the central registry includes an accessible historical record of BO declarations, authorities can review this history.

- Identifying informal or off-record agreements using only disclosed information is often challenging, but collaboration with other key actors in the sector – including investigative authorities such as FIUs or anti-corruption agencies, local communities, investigative journalists or NGOs – can provide insights that may help to identify these arrangements.

Given the level of sophistication that may be employed by those who wish to conceal information, it is possible that dead ends may remain even after checking various sources of information, and the identity of a beneficial owner may still not be established. Collaboration with investigative specialists may help to address some obstacles, as outlined above. However, any such challenge may in itself be indicative of a potential intent to conceal information and could signify higher risks.

2. Could a beneficial owner be having direct influence over the license or contract allocation?

Beneficial owners, like other influential individuals involved with an applicant company, may be able to exert influence over the decision to award a license or contract if they are politically exposed, engaged in lobbying or bribery or hold conflicting interests in both a contracting and subcontractor company bidding for a service contract. If any beneficial owners were found to be domestic PEPs in initial checks, the regulator may aim to gain a deeper understanding of the risk of undue influence, which may vary depending on several factors.

For instance, if the PEP is influential in the extractive sector, the level of risk may be higher than if they operated in another sector. If measures are taken to mitigate the conflict of interest – e.g. the PEP is removed from a decision-making position so cannot (formally) participate in the decision-making process – this could reduce risk levels.

To manage the potential for undue influence, regulators may also wish to check whether the beneficial owner is a PEP in a foreign jurisdiction; whether there are cases of bribery associated with this beneficial owner; or whether a beneficial owner of a contracting company might be seeking to influence the allocation of a subcontract to a company in which they also hold interests.

▶ **How to check:**

- To understand the sectors where the beneficial owner might hold influence, search their name against available PEPs information, such as Linkurious or domestic PEPs lists. These will usually indicate the position that the person in question occupies as well as the sectors in which they may be influential.

- If the PEP is associated with the extractive sector, check whether there is evidence that they could have direct influence over the license or contract approval. Red flags may include an unusually short screening period to conduct checks and grant extractive rights, or any signs of an unusual awarding procedure for the type of project in question. Considering the applicable awarding procedure will be helpful to assess the potential opportunities for interference. For example, direct negotiations, open tenders and first-come-first-considered processes may respectively carry different levels of risk of undue influence.

- To find out whether a beneficial owner might be a PEP abroad, search their name in available PEPs lists in countries with which they might be associated (based on disclosed nationalities, citizen status or addresses) in international databases, such as the OCCRP's Aleph platform, or conduct an internet search of the beneficial owner's name to determine whether they may be politically exposed in other jurisdictions.

- To understand any cases of bribery associated with the beneficial owner, regulators may rely on sectoral awareness, informal sources or media reports.

- To check for potential conflicts of interest between contracting companies and service companies seeking subcontracts, review BO information for both companies and check whether there are any beneficial owners in common. In cases of shared ownership or potential conflicts of interest between contracting and subcontractor companies, regulators may wish to review whether fair procurement obligations have been complied with according to established standards.

BO information can help to gain an understanding of the potential for conflicts of interest and undue influence over the allocation of licenses and contracts. However, on its own, it will not be sufficient to mitigate these risks – management of integrity risks requires the effective implementation of anti-corruption and anti-bribery policies. For further information, refer to the anti-corruption or whistleblowing guidance and policies in place in your country or agency.

3. Have any of the beneficial owners been sanctioned or have a criminal record or history of litigation suggesting ethical concerns?

It is a red flag if a company's owners are suspected of, or under investigation or indictment for, criminal activity. It is also a red flag if beneficial owners have been convicted of criminal activity or violations of other relevant laws, in the country or elsewhere. In some contexts, it might be forbidden for companies associated with individuals with a history of criminal activity to be granting licenses. An applicant company associated with beneficial owners who are subject to political or economic sanctions also presents a significant integrity risk.

- **How to check:**
  - Search the beneficial owners' names against court or judicial records for information on criminal convictions. Many domestic court records are freely available online, and individual names can be searched in judicial databases that bring together records from various jurisdictions (e.g. WorldLII).
  - Search the beneficial owners' names in domestic sanctions lists where available, and in international databases, such as Open Sanctions. Examples of lists of sanctioned entities to consult include those from the United States of America and the European Union.

Box 6. Case study: Cassius Mining Limited

Section 172 of the Ghana Companies Act (2019) precludes individuals with criminal records from administering companies in Ghana. In 2019, Ghanaian civil society organisation Northern Patriots in Research and Advocacy (NORPRA) conducted an investigation on Australian company Cassius Mining Limited, which held a license to carry out large-scale mining operations in Ghana. The investigation revealed that its shareholders and directors were sanctioned and held criminal convictions, which were not properly disclosed and which rendered them ineligible to hold director positions in a Ghana-registered company. NORPRA petitioned the government to take action, and shortly afterwards the Ministry of Lands and Natural Resources declined to extend the company's prospecting rights. In addition, the Registrar General was requested to strike out the names of two of the directors of Cassius Mining Limited due to their criminal convictions rendering them ineligible as company directors in Ghana.

4. Do any of the beneficial owners appear in the declaration of other extractive companies holding licenses or contracts in this country?

Understanding shared ownership between companies operating in the sector can help to detect several key risks. One person owning multiple companies that hold extractive licenses or contracts, especially if operating in the same region, can indicate sector concentration. Likewise, identifying links between companies with the same beneficial owners can help to detect and prevent collusion and bid-rigging if they are appearing to compete for the same contracts.

- **How to check:** If any beneficial owners of the applicant company are declared as the beneficial owners of other corporate entities during initial checks, proceed with the following actions:
  - Search for these companies in the regulator's license database to check whether they hold other licenses or contracts operating in the country.
  - Check the details of the other licenses or contracts held by these associated companies to find out whether they operate in the same region where the applicant company intends to carry out the pending project.
  - If any beneficial owners of the applicant company are PEPs, check available asset declarations for ownership of companies within the sector not disclosed elsewhere.

Risks relating to the company or corporate structure

5. Could the corporate structure be used to conceal the identities of the beneficial owners?

Although they may have legitimate purposes, complex corporate structures may also be strategically used to obscure beneficial owners' identities. A number of elements may have pointed to red flags during the initial screening checks of the BO declaration, and these red flags may indicate the need for further checks to confirm whether such structures might be intending to conceal beneficial ownership. For example:

- The information disclosed about the corporate structure presents an anomaly (e.g. the declared beneficial owner is a company or other legal vehicle instead of a natural person).
- BO obligations require the disclosure of the full ownership chain to the registrar, but information is either missing or incomplete (even after contacting the registrar or the applicant).
- BO information indicates an unusual number of layers between the applicant company and its beneficial owners, and includes legal vehicles registered in jurisdictions with minimal regulatory oversight. The number of ownership layers that constitute a "complex" corporate structure may vary across contexts. For example, a number of bodies, including the UK Department for Business, Innovation and Skills and the European Banking Authority, generally define complex structures as having at least two to three layers which may be accompanied by features including foreign vehicles, nominees or legal arrangements. In many cases, complexity may not be defined by fixed thresholds but by the fact of being an outlier in the given context.
- The applicant's corporate structure includes shell companies or legal arrangements, such as trusts or nominee arrangements, which often have lower or more varied reporting obligations than companies, and may be used to conceal the true owners of companies in the ownership chain.

▶ **How to check:**

- While screening for shell companies can be challenging, useful indicators exist. Regulators can search national business registers or international sources of company information in order to check whether the commercial address of the applicant is being used by many other companies or is a mailbox address, which can indicate a shell company. Internet searches and business records can point to other signs of the use of shell companies, including an absence of business or financial activity, or revenues that appear inconsistent with the number of employees or the age of the company.
- Cross-check the details of the declared beneficial owners against other registers where the beneficial owner has suggested links. For example, this could be the register of the beneficial owner's native country if the individual is foreign or has a residential address in another jurisdiction. Likewise, if other companies in the ownership network have registered addresses in different (especially high-security) jurisdictions, this can be cause for further investigation.

Box 7. Case study: Opaque networks involved in the 2020 Beirut explosion

A deadly explosion in Beirut in August 2020 was caused by a large quantity of ammonium nitrate abandoned at the city's port in 2013. Officials struggled to understand the origins of the shipment, and investigations revealed the involvement of a complex web of shell companies whose real ownership was obscured. The company found to have shipped the ammonium nitrate later said it had purchased the material via a UK-based intermediary, Savaro Limited.

Savaro Limited was listed in the UK's Persons of Significant Control register as being owned and directed by Marina Psyllou, but Psyllou had no involvement in or knowledge of the company's actual operations and was merely a nominee director. Declaring false information or being declared in place of real owners is in violation of UK law on beneficial ownership.

Psyllou was found to be listed on OpenCorporates as a company officer in over 150 companies, and multiple companies associated with her shared a single registered and correspondence address. Psyllou is a professional nominee director and nominee shareholder, shielding actual owners from accountability. The obscurity of the parties involved means that those responsible for the ammonium nitrate that caused the disaster are likely to face no consequences.

6. Are there histories of financial non-compliance, bankruptcy or legal, social or environmental violations in other companies where the beneficial owners hold stakes?

Beneficial owners may hold stakes in multiple companies across various sectors and jurisdictions. If the beneficial owner of the applicant company is found to be a beneficial owner of other corporate entities in earlier checks, regulators can examine the track record of these other entities to identify any patterns of past non-compliance, misconduct, crime, sanctions, unethical practice or connections to high-risk networks, which may affect the credibility of the applicant company with the same beneficial owner.

▶ **How to check:**

- **Financial history:** Search associated companies in bankruptcy and insolvency lists or records of financial penalties to review financial history and detect any signs of financial mismanagement or non-compliance. Where the beneficial owners are associated with companies that have held extractive licenses or contracts in the past, regulators can check in their own databases that license fees and ground rents have been paid and financial records submitted correctly for these other companies. Regulators can also request information from other agencies such as revenue authorities to check the tax histories of associated companies.
- **Legal track record:** Search associated companies in records, such as:
    - Lists of sanctioned or debarred entities.
    - Domestic agency records, such as the national environmental agency responsible for ensuring environmental compliance and recording environmental impact assessments, or financial conduct authorities which may publish information about fines issued to domestic companies.
    - Domestic court records.

- **Ethical, social and environmental track record**: Search associated companies in databases, including the following:
  - The global Violation Tracker lists penalties paid by large corporations for various types of misconduct, including environmental, waste and pollution violations, and malpractice relating to labour and employment rights.
  - If other companies owned by the beneficial owner in question are extractive companies that have been granted extractive rights in the past, check for evidence of non-compliance with previous license requirements, or issue a request to other agencies that might hold information on compliance with environmental obligations.
  - Media articles which may report on companies' implications in controversies or violations regarding social or environmental issues.

Box 8. Case study: Nigeria Mining Cadastre's use of beneficial ownership information to increase revenues through recovery of debt from previous title holders

In 2019, submitting BO information became a precondition for mining license applications and renewals in Nigeria. This enabled the Mining Cadastre Office (MCO) to identify previous title holders who were **avoiding payment of debts by abandoning old licenses and applying for new ones using newly formed companies**. These applicants were compelled to either clear their debts or have any new applications rejected. As a result, in 2021, MCO **revenue reached its highest ever level** at NGN 4.3 billion (~USD 9.8m), more than doubling that of 2018.

Liability of beneficial owners

In many contexts, company law specifies a separation between individuals and the companies in which they hold stakes in terms of liability; this is the concept of the "corporate veil". However, some countries legislate to account for a degree of accountability on the part of beneficial owners, for instance, by blacklisting all companies that share beneficial owners with other companies that have been excluded from participation in public procurement.

However, the legal mandate to refuse extractive rights to a company on the basis of BO information does not currently exist in many country contexts. Where such legislation does not exist, regulators may still wish to be aware of any shared ownership relationships with companies that have a history of non-compliance with legal obligations. In some cases, beneficial owners may have histories of non-compliance in other companies where they hold stakes (not in the applicant company itself) but regulators may lack the right to refuse a license or contract to the applicant company on the basis of this association via shared beneficial ownership. In these cases, being aware of histories of non-compliance in other companies could still be useful even if it cannot form the basis of a license or contract refusal, for instance by informing regulators of where to direct greater attention in monitoring the applicant company's operations.

3b) Calibrate risk

▶ Draw further conclusions about the level of risk this application presents.

Having consulted further information sources during these enhanced checks, users can assess the level of risk that the applicant company might present overall and what is at stake. This risk calibration can be quantitative (e.g. assigning percentages or a scoring system) or descriptive (e.g. labelling an application as “high risk” or “low risk”).

Agency and country priorities

What counts as “high” or “low” risk will depend on the legal and regulatory framework and the priorities and policy aims within a particular context; not all risks will matter equally in every instance. Users should consider the wider objectives that are of most importance in their agency and country, and which risks are of most concern in relation to these.

For example, some countries will prioritise encouraging competition between companies in the sector to increase value for money, improve service delivery and reduce the risks posed by high concentration of ownership. In this case, users should pay particular attention to indications that the owners of applicant companies already hold many other extractive licenses or contracts through other companies.

In other contexts, it might be a priority to ensure the integrity of extractive rights holders and to preclude the participation of criminals or sanctioned individuals in extractive activities. In this case, users should pay close attention to indications of risks relating to beneficial owners’ backgrounds and track records, both as individuals and through their interests in other companies.

Where decision-makers want to prioritise ensuring adherence with license or contract requirements, such as those upholding local content policies, information that either confirms or casts doubt upon companies’ or beneficial owners’ eligibility may be of central concern. Indications that true ownership is being concealed behind fronts, false disclosures or complex corporate structures will be a key consideration in such a context.

If these checks have disproved potential concerns or provided a sufficient level of assurance that no further risks are evident, users can proceed to take action (such as recommending that the license is awarded) with a greater level of confidence in the pending decision. If these checks have indicated the presence of several significant risks that threaten key objectives or policy priorities, users can consider other actions to take, outlined in Step 4, in line with agency processes.

At the end of this step, users should have:

- ☐ Reached a conclusion on the level of risk that the application in question presents, and the appropriate action to take in the succeeding step.
- ☐ Greater assurance of the information they are assessing as part of the screening process, through cross-checking and joining the dots with further sources of information.
- ☐ Increased confidence in the pending decision, having gained a greater understanding of the risk this company and application might present and the individuals involved.

Step 4. Take action

▶ **Draw on analysis of overall risk to inform a recommendation or decision about the application.**

Key question: What action should be taken with regards to this license or contract application?

Why: Conducting the appropriate level of risk assessment enables regulators to arrive at informed recommendations and decisions about how to proceed with the application in question, such as whether or not to recommend moving to further steps towards the award, transfer or renewal of the license or contract, subject to satisfying other requirements. Identifying and assessing risks at the licensing and contracting stage can facilitate the effective management of risk throughout the license or contract's period of validity, such as in monitoring, as well as at later stages of the value chain.

How: Regulators will have established processes for executing decisions regarding license or contract applications or tenders. These may include technical staff making recommendations to the relevant Minister or head of agency, submitting applications for approval by a Licensing Committee or other approval authority, or referring certain applications to other agencies where further checks are required, such as anti-corruption agencies. Overall evaluation of and decisions about the application should be informed by what users have found over the course of using this manual.

Outcome: Action taken based on thorough understanding and management of related risks.

The risks, red flags and further information identified throughout the steps in this manual can be given relative weight in informing the decision about actions to take regarding the license or contract application, in line with agency processes and regulatory requirements. Actions and decisions regarding applications may be triggered by a range of legal and regulatory factors, and decision-making should follow agencies' internal processes.

Triggers for concrete actions

- Where a minimal level of risk relating to beneficial ownership is identified through the use of this manual, users may decide to proceed with processing the application via other steps their agency takes in allocating licenses and contracts.
- Where a more significant level of risk has been identified, or a lack of clarity remains over some significant aspects of the application relating to beneficial ownership, users may decide to request more information from applicants to further inform the assessment or to deepen an investigation into beneficial ownership.
- Where further information has been requested from applicants but not received, and other checks have resulted in dead ends or significant doubts even after examining various sources of information, this may be interpreted as a potential intent to conceal information and could contribute to the level of risk identified, therefore informing the recommendation or decision about how to proceed with an application.
- Regulators may not have the legal right to refuse applications on the basis of beneficial ownership, or there may be strictly specified criteria upon which such decisions must be based. In these cases, where significant risks have been detected but this cannot form the basis of a license or contract refusal, regulators may refer to the risks they have detected through the checks in this manual to inform the monitoring of the license in question.
- In some cases, agencies may have procedures in place specifying that certain applications should be referred to other agencies, or that collaboration across agencies is necessary to clarify information on applicants. Examples may include collaborating with the anti-corruption agency in cases where risks of potential political influence or corruption has been detected.
- Concrete actions could be also triggered as early as step 2a) of this manual if domestic legislation, for instance, sanctions for non-compliance with BO disclosure obligations by applicants, such as disqualifying the applicant from participating in extractive activities for a fixed period of time.

With relevant priorities and levels of risk in mind, based on the answers to the screening questions in Steps 2 and 3 of this manual, users are now ready to take action on the applications in question. This should inform the overall evaluation of the license application.

This manual guides users through the screening of license and contract applications using BO information, but may also be able to support agency practices and objectives beyond the processing of individual applications. For example, through systematically using BO information to detect integrity risks, over time users may become aware of patterns of risk that point to the need for further regulations or policy development. Through routine use of this manual, regulators can build a repository of information on recurrent risks and consider further policy development that will respond to the most prevalent risks in their context. Depending on the legal context in the country in question, these developments may have to include legislative changes; otherwise, regulators may be at liberty to implement policy changes, for example at the agency level, without an explicit legal mandate.

Part 3: Conclusion

This manual guides a risk-based approach to screening extractive license and contract applications, drawing on key insights that can be identified through the use of BO information. It aims to help users gain a more comprehensive view of applicant companies and their beneficial owners, as well as identifying risks that might otherwise remain undetected.

The risks that this manual can help regulators identify and manage through the use of BO information include, but are not limited to:

- ➔ The beneficial owner of an applicant company possesses some characteristics (e.g. nationality, criminal background, etc.) that means the applicant company is not eligible to hold this license, permit or contract (e.g. it is reserved for companies owned by nationals in line with local content policy, or there is a law preventing individuals with a criminal background to own an active business in a strategic sector, etc.).
- ➔ The beneficial owner of an applicant company has a conflict of interest in obtaining, holding or renewing a license or allocating a contract (e.g. a contracting company and sub-contractor are owned by the same person).
- ➔ The beneficial owner of an applicant company owns several other companies that hold extractive rights, meaning a significant amount of extractive rights are concentrated under this beneficial owner.
- ➔ The beneficial owner of an applicant company owns one or more other companies that have a history of non-compliance with their legal, financial, social or environmental obligations, suggesting a higher risk that the applicant company may also not comply with their obligations.

Detecting and managing these types of risk at the licensing and contracting stage can help regulators make more informed decisions about the allocation and management of extractive rights, support their broader policy objectives and, over time, inform broader policy development to enhance integrity and effective governance in the extractive sector.

Beneficial ownership data use

- The more BO data is used to inform decisions in the ways outlined in this manual, the more insights can be gained about what makes data maximally usable. When data is well used, and there are strong mechanisms in place for users to raise their challenges, successes and needs, reforms can be continuously improved with users in mind. This could include, for example, providing historical data to show how company ownership has changed over time, or entity identifiers to check that the same entity is being referred to across datasets. For more information see Open Ownership's research on the use of BO data.

- Where these needs can be shared with the agency holding BO information, reforms and systems can be designed and improved in keeping with user needs, maximising the impact of the data. Developments such as the interconnection of beneficial ownership registers with licensing platforms can be maximally effective when informed by an understanding of the questions that regulators need to answer, and of the information they need to access and in what kinds of ways in order to do so.

- The steps in this manual could highlight where there is greater need for training, support or increased inter-departmental or inter-agency collaboration or data sharing, and encourage government actors to consider the ways in which their processes could be streamlined.

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Unlocking the benefits of ownership data

Jointly implemented by the EITI and Open Ownership

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