Emerging Markets Investors Alliance
Actionable Intelligence for Responsible Investing

February 14, 2022

Mr. Mark Robinson
Executive Director
Extractive Industries Transparency Initiative (EITI)
Rådhusgata 26
0151 Oslo, Norway

Ms. Dyveke Rogan
Senior Analyst (EITI Board Member, Alternate)
Norwegian Bank Investment Management (NBIM)
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P.O. Box 1179 Sentrum
0107 Oslo, Norway

By email: MRobinson@eiti.org and drg@nbim.no

Dear Mr. Robinson and Ms. Rogan:

The Emerging Markets Investors Alliance (EMIA) is an organization that enables institutional emerging market investors to support good governance, promote sustainable development, and improve investment performance. We are compelled to send this letter given our deep interest in the continued success of the EITI movement, as well as the quality of the data EITI produces, which is critical information for investors.

It is in the spirit of mutually beneficial collaboration that we share our thoughts on the EITI company expectations update process and request that this letter be shared with the full EITI Board as it prepares for its meetings on February 16 and 17.

We understand that the EITI Board is currently in the process of updating its expectations for companies that support the EITI and wanted to share some insights from investors.

The vast majority of EITI implementing countries, currently 95%, are in emerging or frontier markets[1]. Further, as the EITI notes in its Strategic Priorities 2021-2022 document, “there is a high demand [from investors] for information on how environmental and social impact

[1] https://eiti.org/countries

is being addressed at the project level.[2]" These data are crucial in developing markets where comparable and consistent reporting regimes are often a challenge to establish.

When these data are available, they can have a material impact on investment decision-making. For example, a March 2020 study demonstrated that changes to disclosure regarding remittances to host country governments, of the sort reported by EITI countries and companies implementing payment disclosure regulations, can have a material impact on equity value.[3] It is worth noting that these conclusions were reached with data regarding an oil company's operations in Ghana and Gabon, both emerging market EITI implementing countries.

In March 2020, EMIA members were among investors with more than $5.3 trillion in assets under management to endorse this research and the alignment of the U.S. Securities and Exchange Commission's implementation of Dodd-Frank Section 1504 with the EITI Standard and Section 1504's companion laws in the European Union, the United Kingdom, and Canada.[4] This is only one example of the Alliances' long-term and deep engagement with companies, as well as governments and multi-stakeholder bodies, around the promotion of transparency.

It is in the spirit of mutually beneficial collaboration that we share our thoughts on the EITI company expectations update process and request that this letter is shared with the full EITI Board as it prepares for its meetings on February 16 and 17. We believe a critical aspect of what makes EITI successful is the equitable and effective functioning of its multi-stakeholder groups (MSGs) at both country-level and globally in the EITI Board. Since inception, country MSGs have often overcome decades of mismanagement and corruption to forge a path toward better transparency and accountability, often in the most unlikely of places. The EITI Board has been a platform for different constituencies to come together to pioneer international transparency norms.

In November 2017, the legitimacy of EITI's MSG process suffered a blow when the U.S. withdrew as an implementing country due to the unwillingness of a handful of companies to disclose their tax payments in a manner consistent with the EITI Standard.[5] As then EITI Chair Fredrik Reinfeldt noted, "(I)t it is unprecedented that EITI supporting companies made a conscious decision not to report. It is serious when supporters of the EITI as a group undermine EITI implementation.[6]" This act not only scuttled what would have been a landmark EITI implementation, but also called into question the legitimacy of EITI itself, as several of the non-reporting companies sat—and continue to sit—on the EITI Board.

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[2] https://eiti.org/files/documents/eitis_2021-2022_strategic_priorities_final.pdf
[3] https://www.sec.gov/comments/s7-24-19/s72419-6961611-212817.pdf
[4] https://www.sec.gov/comments/s7-24-19/s72419-6997104-214788.pdf
[5]
https://www.newyorker.com/news/news-desk/how-trump-is-quietly-dismantling-the-architecture-of-global-governance
https://www.forbes.com/sites/uhenergy/2017/11/10/leaving-eiti-is-a-blow-to-u-s-leadership-and-sustainable-global-energy/?sh=7886f6342f00
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https://www.brookings.edu/blog/fixgov/2018/11/16/unhappy-anniversary-u-s-withdrawal-from-eiti/
https://www.cnbc.com/2017/11/03/trump-blasted-for-pulling-out-of-effort-to-fight-corruption-in-energy.html
[6] https://eiti.org/files/documents/eiti_chair_statement_in_response_to_useiti_grievance_letter_2.pdf

We believe the EITI movement can gain valuable lessons from this episode, which highlighted a critical gap in accountability for companies that claim to be EITI supporters yet do not adhere to EITI supporting company expectations. As an investor-led organization we believe that a company's commitment to extractives payment transparency should not change from one country to the next. Doing so undermines the value of the transparency standard itself and of the data necessary to make investment decisions on a global basis.

In September 2021, the EITI Secretariat published an assessment of the adherence to the Expectations for EITI supporting companies.[7] The assessment found that 23% of the 62 EITI supporting companies do not meet "Expectation Two" regarding tax disclosure, including two public companies represented on the EITI Board. This is largely due to these companies' refusal to disclose taxes and payments in all countries where they operate. We believe that any non-compliance with Expectation Two—whether explained or not—undermines EITI's position as the most effective internationally accepted standard for transparency in the oil, gas, and mining sectors.

It is in the best interest of EITI, as well as investors that use its data, that supporting companies comply with *all* of the supporting company expectations, and if not, that they face consequences. As demonstrated in the March 2020 study mentioned above, tax payment data is material information for investors and obscuring it without explanation diminishes the quality of EITI payment data overall as well as the legitimacy of the EITI MSG process. The fact that 77% of EITI supporting companies make the requisite payment disclosures is an argument in support of the reasonableness of these expectations.

EMIA deeply appreciates the ongoing engagement and collaboration with the EITI, which most recently included a webinar with EITI Executive Director and Board Secretary Mark Robinson and our Debt and Fiscal Governance Working Group (December 2021). The continued success and leadership of EITI will benefit emerging market investors, as well as leaders of resource-rich countries that seek to ensure that their mineral wealth provides the greatest possible benefit to their citizens.

We share these comments in a spirit of deep admiration for your work and with the understanding that our goals are completely aligned. As such, we look forward to continued engagement on this and many other issues that can bring about a more equitable and sustainable future.

Sincerely,

Ashok Parameswaran
President & Founder

cc. Pavel Laberko, Director, Extractives Industries Program, EMIA
Veronica Ayzaguer, Director, Extractives Industries Program, EMIA

[7] https://eiti.org/news/eiti-publishes-data-on-adherence-to-supporting-company-expectations