Response from Norges Bank Investment Management (NBIM) to Oxfam's Open Letter

7 February 2022

Thank you for the letter of 10 January 2022 addressed to selected EITI Board members and US-listed EITI Supporting Companies.

Norges Bank Investment Management (NBIM) is a longstanding supporter of the Extractive Industries Transparency Initiative (EITI), and has served on the EITI Board since 2020 as an alternate board member representing financial institutions.

You note in your letter that the EITI is currently considering revisions to its expectations for EITI Supporting Companies. This discussion is ongoing and internal to the EITI Board. We will therefore limit our response to the following comments regarding NBIM's views on the topics of tax transparency, anti-corruption and public policy engagement.

NBIM has published expectations towards the companies we invest in with regards to how they should manage and account for environmental and social issues such as tax transparency and anti-corruption. Our expectations on tax and transparency emphasise that multinational enterprises should publish country-by-country breakdowns of how and where their business model generates economic value, where that value is taxed and the amount of tax paid as a result. This could include reporting on metrics such as revenue, profit/loss, tax paid and number of employees, disaggregated by jurisdiction. Where companies choose not to apply such transparency principles, they should publicly state why.

As an investor, we analyse opportunities and risks to our investments. Complex or opaque ownership and organisational structures hamper transparency and may compromise investors' fundamental financial analysis. To us, it seems unlikely that transparent geographical reporting of value generation and the taxes paid in relation to that value, would necessarily impair competitive advantage. It is not clear that the principal content of such reports would comprise sensitive information on which commercial competitors could capitalise. As an investor in more than 9,000 companies across 73 markets, we see a need more effective frameworks and standards for corporate tax transparency. This is why we have expressed support for the Global Reporting Initiative (GRI), which presented a new standard on tax reporting in 2020 covering both disclosures on governance structure and strategy, and public country-by-country reporting. We believe that also the EITI has an important role to play in tax transparency standard setting given its role as the leading global standard for transparency in the extractive sector.

Corruption undermines economic efficiency, disadvantages compliant companies and is detrimental to shareholder value. As a globally diversified investor, we are exposed to the risk of corruption both in entire markets and at the individual companies in which we invest. As set out in our expectations on anti-corruption, we expect companies to identify and manage corruption risk, and to report publicly on their anti-corruption efforts. We believe that companies should conduct ongoing due diligence to identify corruption risk in their business operations, including before entering new markets or new business relationships, and implement appropriate measures to prevent corruption. Companies should also make reasonable efforts to identify the beneficial owners of their business partners.

Transparent interaction with policy makers is a topic we address across our sustainability focus areas. Our starting point is that boards should have oversight mechanisms and policies governing their public policy activities. This includes reviewing memberships of industry associations and interest groups on a regular basis and assessing whether advocacy positions held in these groups are aligned with their own positions. We believe companies should be transparent about their interaction with policy makers and regulators as well as associated spending and activities. We use this information to understand how companies mitigate any risks associated with public policy engagement.